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SPRING 2020



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PRESIDENT'S MESSAGE

I have always hated roller coaster rides. I was 'that kid' who tolerated the incessant ups and downs, stony-faced, while others squealed in delight. During today's harrowing ride—made up of a pandemic and incessant market volatility—I'm still the one stoically tolerating the ups and downs. I know the ride will come to an end, eventually, and this temporary hell will be over. I also know that for investors who are tempted to leap from the ride while it's still moving, the jump could be near-fatal.

This is certainly not a ride any of us want to be on, and yet, here we are. Financially, this was the worst first quarter on record in the US investment markets. But it's important to remember that last year was a wonderful year for investors. As Winston Churchill once said, "Success is not final, failure is not fatal: it is the courage to continue that counts."

This, too shall pass. The ride will come to an end, and we will return to a new 'normal.' From a health perspective, tests are becoming more available and (most) everyone is staying home. From an economic perspective, the new CARES Act (see p. 3) will help, too. There is no perfect solution, but I believe we will all see brighter days ahead.


Be well.

Lauren Klein

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MARKET HIGHLIGHTS: Q1 2020

Q1 was an E-ticket ride. Not only did the markets drop by more than 20% to wipe away the gains of 2019, but the change happened so quickly that investors

struggled to catch their breath on the way down. According to the VIX volatility index, it was the fastest, steepest ride in stock market history, complete with

record losses, followed immediately by record gains, over and over again.

In Q1, every index saw some level of

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**MARKET HIGHLIGHTS: Q1 2020***continued from page 1*

Market/Index	2019 Close	As of March 31	Monthly Change	Quarterly Change	YTD Change
DJIA	28,538.44	21,917.16	-13.74%	-23.20%	-23.20%
NASDAQ	8,972.60	7,700.10	-10.12%	-14.18%	-14.18%
S&P 500	3,230.78	2,584.59	-12.51%	-20.00%	-20.00%
RUSSELL 2000	1,668.47	1,153.10	-21.90%	-30.89%	-30.89%
Global Dow	3,251.24	2,469.53	-14.84%	-24.04%	-24.04%
Fed. Funds	1.50%–1.75%	0.00%–0.25%	-150 bps	-150 bps	-150 bps
10-year Treasuries	1.91%	0.69%	-43 bps	-122 bps	-122 bps

Performance data based on data reported in the WSJ Market Data Center as reported by Forefield, Inc.

decline. The Russell 2000 index of smaller, more vulnerable companies had the largest three-month fall, closing the quarter down nearly 31%. The Dow index that measures the performance of the largest 30 companies suffered its worst quarter since 1987, while the broader-based S&P 500 hadn't seen a quarterly decline of this magnitude bad since 2008. The Nasdaq fell more than 14%, and the Global Dow fell over 24% for the quarter.

Facts and figures don't ease the gut-wrenching feeling of falling markets, but perspective may help. The S&P declined 20% since the December 2019 close, but the index was 2485.74 at the end of December 2018. The change in the S&P over the last 15 months has been a net gain. For investors, the key is to maintain perspective and stay your course.

As social distancing, widespread closures of most non-essential businesses, and stay-at-home orders continue, it's impossible to predict the full extent of business disruption or the impact on the US and global economies. With so much of our economy shut down until further notice and temporary unemployment rising to historic levels, we expect a recession in the first half of 2020.

The new CARES Act will help. A stimulus initiative, CARES provides about \$2.2 trillion in aid to help jumpstart the economy by increasing the 'velocity of money'—or the rate at which money in circulation is used to purchase goods and services. Many of you have said you don't need the money and feel a moral restraint about accepting it. But a healthy economy requires you to spend, so take it and use it well by spending on goods and services for yourself, to support those who rely on your business, and to assist the people you love. Of course, if you do need the money, it is a great way to help bolster your emergency fund.

Staying safe and staying well should be your #1 priority. During markets like this, we do our best work as your advisors, working tirelessly to monitor your investments, assure liquidity, tax-manage your investments, and adjust your plan. Optimism may be a challenge on this E-ticket ride, but do your best to stay positive and remember that "failure is not fatal." If you need help keeping your safety belt fastened until the ride comes into the station, we are here to help.

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Are you following us on LinkedIn [in](#), Facebook [f](#), and Twitter [t](#)? It's the best way to stay connected and to be sure you don't miss our handpicked reads every week. From financial insights to personal perspectives, our goal is to add some value to your social media feeds.

SPOTLIGHT

THE CARES ACT

On March 20, the Coronavirus Aid, Relief, and Economic Security (CARES) Act—the largest economic stimulus package in American history—was passed by the Senate and signed into law by the President. The Act provides a total of about \$2.2 trillion in aid to help jumpstart the economy. The Act is imperfect, but it is good. Here are the items I see as having the greatest impact:

- **Recovery rebates for (almost) all Americans.** If you filed a tax return in 2018 or 2019 and have adjusted gross income below \$75,000 for singles or \$150,000 for couples, you will receive a check for \$1,200 or \$2,400, respectively.
- **Expanded unemployment benefits.** Unemployment insurance benefits are increased by \$600 per week for up to four months, and benefits have expanded to include self-employed workers, furloughed employees, small business owners, and others who are not usually eligible.
- **RMDs waived in 2020.** You are not required to take RMDs in 2020. This is particularly valuable since RMDs

are calculated based on your account balance in the prior calendar year, and most balances are now much lower than they were at the close of 2019.

- **Penalty-free emergency withdrawals from IRA/401(k) before age 59½.** You may access funds in a 401(k) or IRA early without paying the 10% penalty on the withdrawal. (Note that the taxes on the money will still be due, so use this option wisely.)
- **Protection for retirement income from bonds.** Nearly \$500 billion in emergency loans has been allocated to state and local governments to safeguard payments on bonds to protect your retirement income.
- **Student loan relief.** All student loan payments are deferred until September 30, 2020, and no interest will accrue during the deferral period. Note that deferral is not automatic; you must contact your loan provider and pause payments.

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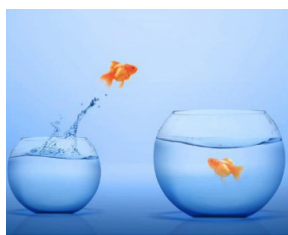


FROM THE BLOG

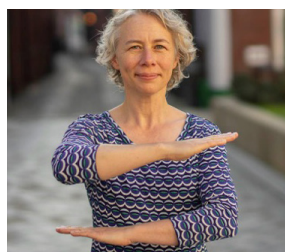
Be sure to [subscribe to our blog](#) to stay informed on topics that impact your finances, your family, and your future! Here are just a few of the most popular posts from this quarter:



**Change your mind?
Change your life!**



**Is moving closer to
your (grand)kids
the right leap?**



**An equal
world is an
enabled world.**

Is there a topic you'd like us to tackle? Send us an email with your thoughts. We'd love your suggestions and feedback. ■

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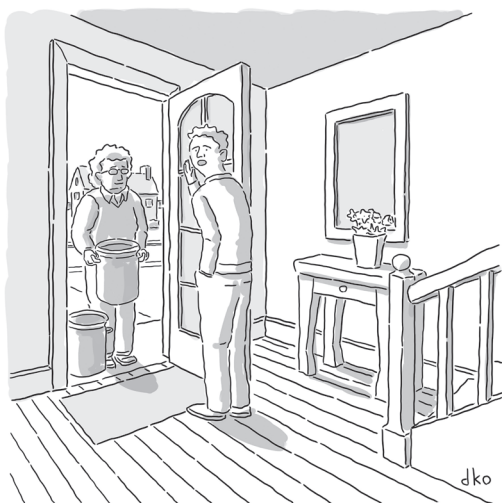
Q2 DATES TO REMEMBER

APRIL	8	April 8 Passover Begins
APRIL	12	April 12 Easter
MAY	10	May 10 Mother's Day
MAY	25	May 25 Memorial Day (markets closed)
JUNE	21	June 21 Father's Day
JULY	15	July 15 Federal and California tax-filing and payment deadline

SPOTLIGHT continued from page 3

- **Expanded medical coverage.** HSA, MSA, and FSA funds may be used to pay for over-the-counter medications. Medicare Part D recipients may now order a 90-day supply of prescription medications and receive the COVID-19 vaccine (when it becomes available) at no cost. Telehealth services from providers like **Teledoc** and **Doctor on Demand** may be temporarily covered before you've met your deductible for an HSA-Eligible High Deductible Health Plan (HDHP).

To learn more, see my blog post **What the CARES Act means for you.**



"Honey, it's Lorna from next door. She wants to borrow three hundred cups of sugar."

Cartoon credit: David Ostow / The New Yorker Collection/The Cartoon Bank

FINANCIAL TOOLS & TIPS

It's vital to care for yourself financially during the current crisis—and to support others when they need it most. Here are my top 5 tips to act on today:

1. Assess your cash reserves.

Calculate how much cash you have to cover your living expenses for the next 6 months. Even if you have more cash than you need, slow down and think. Right now, cash is king, and you or those you love may need it in the months ahead.

2. Identify your sources of income.

While the price of shares may drop like a rock, investment income per share is likely to remain steady. Social Security and retirement annuities may be other reliable sources of income. Look at what is flowing in every month to understand your new financial reality.

3. Trust your portfolio.

It is always scary to watch the market drop. However, when your portfolio is structured with appropriate diversification and asset allocation, it should do what it was designed to do: provide cash and safety. Sit tight, and good things will come—eventually.

4. Identify the people that rely on you for income and do what you can.

Once your own needs are covered, consider what you can do to help others who may not be as fortunate. Order takeout from your favorite restaurant, continue to pay your housekeeper (even as you clean yourself), and keep your gardeners coming (but maintain social distance). Do what you can for others, but only after you take care of your own needs.

5. Practice self-care.

While you shelter-in-place, try to maintain some sense of calm amid the chaos. Call or Facetime friends and family. Take a walk—in nature if you can. Meditate. Cook a great meal. Read a great book. Do something every day that helps you take a deep breath and focus on something other than the news.

TAX UPDATE



As I'm sure you know, the 2019 tax-filing and payment deadlines have been postponed for Federal and many State taxes (including California) as the nation struggles to deal with the blow of the coronavirus pandemic. While the current deadlines are now July 15

for the IRS and California's Franchise Tax Board (FTB), it is always possible the date will be pushed out even further.

Despite the change, we have urged our clients to file on time if possible. The last thing anyone wants is to have to file two years' of taxes within 6 months time! Plus, it may be more challenging to keep records in order the longer you delay. Keep in mind that if you expect to have taxes due, you can still postpone paying your taxes until July, while still filing earlier. Of course, if you simply can't tackle taxes now, you can always wait to file your return. But if that is the case, please reach out so we can help you stay on top of any immediate financial concerns. As always, we're here to help.