IN YOUR BEST INTEREST

FALL 2020

PRESIDENT'S MESSAGE

As we begin the final quarter of 2020, I look back at the breathtaking events of the last six months. In March, we stopped hugging and started elbow bumping, and we believed that we could do this for weeks (or perhaps a month or two) for the sake of our communal health. Travel, retail, hospitality, offices, non-essential businesses, and classrooms closed for all the right reasons. Congress and the Fed implemented adequate fiscal and monetary policy responses. The world responded. We bought masks. The US was a little late to the party, but it seemed as though the grownups were in the room.

Then it changed. As of this writing: Biden is the Democratic presidential candidate, and we're 30 days out from the election. Forty-four thousand wildfires have burned 7.6 million acres in the US and Canada; seven million Americans have contracted COVID-19, including the US President; Black Lives Matter protests are continuing to flare in many American cities; and if that weren't enough, the death of my hero, Ruth Bader Ginsburg, was another tragic loss. The news cycle has been exhausting. Perhaps it feels more intense because many of us are staying at home and paying attention.

Through it all, my mission is to be your calm voice of optimism—to offer a historical perspective and a long-term view. In the words of John Lennon: "Everything will be okay in the end. If it's not okay, it's not the end." I look ahead with great hope that we will recover from the Coronavirus depression economically, emotionally, and spiritually, and in "the end" we will have perhaps learned some important lessons to help us become a kinder and gentler society. Then, maybe, we can start talking about where you're going on your next vacation.

Until then, stay safe and stay healthy.

Lauren Klein



call us for a confidential conversation 949.477.4990 www.KleinAdvisors.com





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MARKET HIGHLIGHTS: Q3 2020

Market/Index	2019 Close	As of September 30	Monthly Change	Quarterly Change	YTD Change
DJIA	28,538.44	27,781.70	-2.28%	7.63%	-2.65%
NASDAQ	8,972.60	11,167.51	-5.16%	11.02%	24.46%
S&P 500	3,230.78	3,363.00	-3.92%	8.47%	-4.09%
RUSSELL 2000	1,668.47	1,507.69	-3.47%	4.60%	-9.64%
Global Dow	3,251.24	2,960.93	-4.31%	4.96%	-8.93%
Fed. Funds	1.50%–1.75%	0.00%-0.25%	0 bps	0 bps	-150 bps
10-year Treasuries	1.91%	0.67%	-2 bps	1 bps	-124 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Despite several straight weeks of losses in September, Q3 delivered the second consecutive quarter of notable gains. Of the benchmark indexes listed below, the Nasdaq once again proved the strongest, climbing more than 11.0% for the quarter, followed by the large caps of the S&P 500 and the Dow, which gained 8.5% and 7.6%, respectively. The Global Dow advanced 5.0% for the quarter, and the small caps of the Russell 2000 ended the quarter up 4.6%. Year to date, the Nasdaq remains well ahead of its 2019 year-end closing value, while the S&P 500 is more than 4.0% over last year's closing mark. The remaining benchmarks continue to gain ground.

As we address the public health aspects of recovery, the economy continues to recover from the Coronavirus recession. The Fed says it has used all its tools for monetary policy actions and says it is time for Congress to implement fiscal policy. The House has passed a \$2.2 trillion stimulus bill, but it is unlikely to pass the Senate. I hope that our representatives can see the actions through the lens of Modern Monetary Theory and enlarge their thinking about deficits. Unemployment is at 8.4% and still far above the pre-pandemic level of 4.9%. In a consumer-driven economy, the fact that 13.6 million Americans are out of work makes a quick recovery unlikely. Further confounding the recovery is the paradox of thrift; consumer spending is down over 10%, and the savings rate about 17%—a dramatic shift from the 6-7% average savings rate in 2015.

Overall, stock market indexes show strength. But when the indexes are disaggregated, two factors have contributed to the seeming mismatch between the economy and the markets. Upon closer examination, we see two main drivers of market growth: the tech sector and stronger/larger companies. As consumption patterns change (such as less travel and dining out), the demand for technology has risen (think Netflix and Zoom). Therefore, you might ask, why buy smaller companies? But you already know the answer, right?

There's a lot of uncertainty ahead, so be prepared for a rocky ride in the stock markets in Q4. To help ensure that your long-term outlook is not adversely impacted, we are here, always. We monitor your investments, ensure a level of liquidity that meets your needs, and apply strategies to keep your taxes as low as they can be. As we head into the final quarter of 2020, stay optimistic, keep looking forward, and if you have any questions or concerns, know that we are here to help.



Q SPOTLIGHT ON TAX PLANNING

It's tax-planning time—again!



If you were one of the many taxpayers who took advantage of the delayed tax deadline, it may seem unbelievable that it's tax-planning time—again! Yet, here we are. And as always, planning *before* the end of the calendar year can have a significant impact on your actual tax bill come April 15, 2021.

If you are a tax client of KFA, we will be reaching out to you soon to review your projection, make any necessary adjustments, and identify key opportunities for tax savings. We will do the analysis and then work with you to implement strategies to help ensure that you are penalty-free and don't pay one dollar more in taxes than necessary.

Some of the strategies we will consider:

- Projecting your 2020 and 2021 income for income-shifting opportunities
- Comparing your withholding amounts with your projected tax bill
- Analyzing the Qualified Business Income deduction if you own a business
- **Planning charitable giving,** including 'bunching' your donations or Qualified Charitable Donations from an IRA
- · Harvesting unrealized losses (or gains) on securities

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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:



Seniors: What's your next move?



Women & Money: Oh, how times have changed!



Where do we go from here?

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

Q4 DATES TO REMEMBER



October 15

Medicare open enrollment for 2020 begins (ends December 7)



October 15 Final deadline to:

- File extended individual tax returns for 2019
- Fund a SEP-IRA or solo 401(k) for tax year 2019 (if an extension was filed)
- File extended returns for
- C-Corporations (IRS Form 1120)



November 1

Daylight Savings Time ends



November 3

ELECTION DAY (Please vote... and bring two friends with you!)



November 26 Thanksgiving



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December 11 Hanukah begins



December 25 Christmas Day

December 31

Last day to:

- Establish Keogh or Solo 401(k) plan
- Make 401(k) contributions
- Sell stock to realize gains/losses
- Take RMDs
- Pay expenses for tax deductions
- Make tax-deductible gifts to charities
- Make annual tax-free gifts

Note: Klein Financial Advisors will be closed for the Thanksgiving holiday on November 26-27, and we will be closed for the week between Christmas and New Year's Day. Cheers!

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Q SPOTLIGHT ON MEDICARE

Don't miss Medicare Open Enrollment



Medicare Open Enrollment **begins October 15** and **closes December 7**. If you are a Medicare beneficiary, this is the only time when you are able to make changes to your plan for coverage beginning January 1, 2021. In addition to changes in your own health, several changes to Medicare may make it particularly important to review and adjust your plan this year:

- **Telehealth:** Medicare now covers telehealth visits so you can receive care via video calls rather than in-person only.
- **Reduced insulin costs:** Enrolling in a Medicare drug plan that participates in the 'Part D Senior Savings Model' could save you hundreds of dollars in out-of-pocket costs for insulin.
- Acupuncture: Medicare now covers up to 12 acupuncture visits in 90 days to treat low back pain.
- ESRD: End-stage renal disease patients can enroll now and begin coverage in the new year.

If you're new to Medicare, it's essential to understand your options and the differences between Original Medicare (Part A and Part B) and Medicare Advantage. There are pros and cons to each, and your choice could have a significant impact on your financial health. If you already have Medicare, review your coverage to be sure it meets your current needs, especially if you've experienced changes in your health and/or medications in the past year.

The first step is to read the official 2021 Medicare Handbook, but be warned: it's a 124-page tome. Open enrollment can be complicated and feel overwhelming. If you need guidance choosing the plan that's best for you, please reach out. I'm happy to connect you with a qualified Medicare specialist.

It's tax-planning time—again! continued from page 3

- Considering a Roth conversion to diversify future taxes, or executing a back-door Roth strategy
- Managing annual gifts to family members
- Considering a potential Biden tax plan and discussing strategies
 for taxes and gifting

Taxes are the largest expense of the year for many of our clients. That's precisely why, as your financial advisors, we see tax planning as a critical piece of your overall wealth plan. We are here to help!

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"There. Now we'll always remember 2020 as the year I recaulked the bathtub."

Cartoon credit: Sofia Warren/The New Yorker Collection/The Cartoon Bank

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