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## April 15th Call Recording- Coronavirus and the Stock Markets

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**Darcy O'Brien:** [00:00:00] Afternoon. And thank you for joining us for this afternoon's live call Weathering the Coronavirus Market Downturn. My name is Darcy O'Brien and I'm the Chief Marketing Officer at Simon Quick, and I will be moderating today's discussion. First of all, I'd like to thank each and every one of you for joining us today.

And I would encourage you to submit your questions. Our goal is to make these calls as interactive as possible, so please don't be shy. I also wanted to announce that next week's call will be held on Thursday the 23rd, instead of our usual time on Wednesdays. I hope that you will be able to join us next Thursday at 4:00 PM.

I also wanted to share with the group that our head of financial planning Bill Lalor will be joining us on the call today. Towards the end of the call, he will be addressing a question that was submitted ahead of time on Roth conversions. That being said, if you have any other financial planning questions, please go ahead and submit them and Bill would be happy to address them.

Today on that subject, please note that questions can be submitted through the Q and A function on Zoom. You may also submit questions by emailing me at dobrian@simonquickadvisors.com. Please also note that this call is being recorded and will be posted to the resources section of our website tomorrow and circulated over email.

Now, before I dive into the questions, please note the following disclaimers. This presentation is for information and discussion purposes only. Please remember the past performance may not be indicative of future results, and there is no guarantee that the concepts and ideas discussed during the presentation will be profitable or prove successful.

Okay. So, let's introduce our panelists. Today we have with us, our chief investment officer and managing partner, Chris Moore.

**Chris Moore:** [00:01:59] Hi Darcy.

**Darcy O'Brien:** [00:02:00] Hi Chris. We also have our head of investment research, Wayne Yi.

**Wayne Yi:** [00:02:06] Good afternoon.

**Darcy O'Brien:** [00:02:07] Afternoon Wayne. And lastly, we have our head of financial planning Bill Lalor.

**Bill Lalor:** [00:02:13] Thanks Darcy.

Glad to be on.

**Darcy O'Brien:** [00:02:16] Okay. So, I'm going to start with the questions we've received over email, and then we'll dive into the queue and respond to questions in the order in which they were received. The first question comes in from John: has the market gotten ahead of itself because the curve is currently flattening? Has it given enough weight to the short and long term repercussions of what could go down in history as one of the top two or three worst global economic disasters in modern times? How could portfolios be altered to protect against this? What does the ideal model portfolio look like today?

**Chris Moore:** [00:02:52] I can take that one. The market's response really in kind of the last two weeks, is in part due to the flattening of the curve, but I think more likely due to the stimulus package via the CARES Act and the activity of the Fed in quantitative easing and reducing interest rates now to zero over the last couple of weeks.

I think the market's quick rebound in the past couple of weeks where it's moved 20% higher from its low is very much a function of that stimulus providing comfort to investors, that the Fed and the treasury are willing to step in and support markets when pricing really gets out of whack like it did in March.

The flattening of the curve is certainly helping investor sentiment, from a public health perspective, because it now looks like the some of the worst-case scenarios, at least in New York city, don't look likely to come to fruition. That is definitely improving kind of the psychology of investors.

However, there are ample analyses out there showing very dire situations for the economy, and should the shutdown continue to last or ripple through to a variety of industries and sectors increasing bankruptcies, increasing unemployment, you know, some of the projections I've seen expect GDP growth to drop anywhere from call it 20 to 30% in the second quarter, unemployment potentially hit 20%.

So to John's question, this is definitely an environment where the economic landscape, at least in the very short term, could be far severe than it was in 2008, or even in prior bear markets. The assumptions that I think a lot of investors are making is that the snapback, whenever that comes, should eliminate some of the severe draw down that we'll likely see in the next two quarters now. Whether or not this is a U-shaped recovery or V-shaped recovery, or W-shaped recovery is still very much to be determined.

I do think there is an assumption that, when behaviors change and individuals start going back to the store or, you know, going to a bar, to a restaurant or jumping on an airplane to make a sales call, certainly maybe not as much as before, but the expectation that at some point that will pick up again, that is, I think, priced into this rally a little bit too. There is still very much to be determined when the restart happens for the economy. Is it 30 days? Is it 60? Is it 90? Is it longer? That is very unknown at this point. I think if we see kind of a period where the economy doesn't restart until late fall, for example, that's not priced into the market, we'll likely see further volatility in equities.

How are we thinking about positioning portfolios accordingly? Amidst the decline, we've moved to kind of a neutral weight in equities, but we've maintained a higher focus on quality. So, within the equity portfolio, we've increased the quality of it, the companies that we're owning so we're not as dependent on what happens in the county.

We don't want to own the companies that will be most punished, should the economy weaken more than expected or have a longer downturn than expected at this point. The same is true for fixed income portfolios. We're maintaining a bias towards quality, right? So we're not owning high yield.

We're not owning leveraged loans. We're not owning the assets that will be most impacted by a severe end prolonged downturn in the economy. We're owning the assets that we want to own a year from now. And, you know, timing the bottom is impossible. The best approach is to kind of average in, so if we see a second wave or a testing of the lows, that's likely when we'd be adding risk to portfolios.

How are we capitalizing on this now? We're looking at more opportunistic strategies, those where the dislocations are enormous and haven't really recovered with this recent rally and equities. That could be in distressed, it could be in closed end funds. We think there are a lot of really interesting structural components that have been heavily impacted that haven't recovered, that we think are oversold and a great kind of risks-return profile for investors.

A lot of our clients are looking at this as an opportunity to take advantage of the volatility, take advantage of the fear and markets, take advantage of dislocations and invest for the long term. The clients that can look 12, 36 months out are going to be very happy with the return profile of the dollars that they're putting to work today.

**Darcy O'Brien:** [00:09:09] Thank you, Chris. Our next question comes in from Sandy: given everything that is going on right now, what is the likelihood of deflation?

**Wayne Yi:** [00:09:21] This is Wayne. I addressed some of that. I think we're seeing some of it already. There's been a bunch of macro data. The US-IGC came out this morning that points to a slowing of the economy, both from a production perspective, as well as sales. And just kind of some quick headlines: retail sales being down about nearly 9%. You're seeing manufacturing and production falling on the latest reading as well. Stanley's predicting a 15% decline in volume in terms of home sale. So that's not price is falling 15%, but that's the velocity or volume of transactions occurring.

So, you are seeing at least in the short term, a slowdown in activity. And even in that retail number, that number is high, a little bit higher than expected, or a little bit better than expected because purchases of consumer staples is actually higher than expected as people pulled forward all their toilet paper purchases and any other kind of canned and dried goods because a month ago we just didn't know what the path of being homebound would look like.

So, we are seeing the effects of a slowing economy with less desire to spend money and also less ability to spend money. Oil prices plummeting as well. And yeah, we just got to a deal, OPEC and Russia just got to a deal of cutting production, but that is way overshadow, but just a well off in oil demand.

So yeah, we're seeing that in the system right now. The question is with all the stimulus, with monetary and fiscal stimulus coming into the market, that will be inflationary. The question is when does it really kick in? And over the longer term, we will be back into an inflationary economy, but over the course of the next quarter, or a little beyond that?

While things are cheaper, velocity slower, and you see in prices and transaction volume out there from an economic perspective, not talking about markets.

**Darcy O'Brien:** [00:11:43] Thank you, Wayne. Our next question comes in from Luke. What do you think will be some of the ramifications of the government's recent immense deficit spending?

How do you expect it will impact inflation, interest rates, social programs, et cetera?

**Wayne Yi:** [00:12:12] Me as well. It is a long term impact in the sense that when you think through that, or if we think about the stimulus, the stimulus is going to initially came in, the fiscal stimulus, came in to support the individual. But the next round stimulus and some of the purchases that even at the Fed, that the Fed is, kind of disclosing and putting out there, it does, percolate or kind of fall down into municipalities, and corporates. And I think right now it's just letting the government kind of serve as that social net across kind of businesses and individuals. I think it's necessary right now in the sense of it just kind of creates this stabilization, or a floor, to the economy, and it is meant to be somewhat simulative.

I do think there's a general expectation that there's going to be a need for more. But, it probably is not yet enough, in both the kind of, additional simulative measures coming down the pipe. I think a lot of the questions does kind of fall into, and I think whether it's economic, kind of, or from a long term kind of monetary policy or kind of balance sheet kind of ramification perspective, how much longer will this persist, right?

Like, we had a huge amount of flash with some of the headline numbers that came out really early, with kind of the phase two, and kind of the federal actions, but paint the picture where this was supposed to extend out another couple, two, three quarters. What's next? What else can we do to stimulate the economy?

And that's why I think there's so much focus on are gaining the economy and getting people back into a productive state. And what does that roll out look like? And I think that's what we'll ultimately need, to kind of reaccelerate the economy and reaccelerate markets.

**Darcy O'Brien:** [00:14:26] Thank you, Wayne. Next question comes in from Sherry: Is the U S in better shape to weather this downturn compared to other countries internationally?

**Chris Moore:** [00:14:42] I can take that one. And I think, if I could just add one comment to Wayne's earlier points, you know, Chairman Powell made a comment last week that his intentions were to unwind QE and put monetary policy back into a more normal positioning. When the pandemic eventually subsides, I hope that's the case.

I really hope that they, as in the Fed, respond quicker to normalize monetary policy, than they did in 2008, just because I don't want to see us in a position where we're consistently viewing the Fed as the buyer of last resort. And it increases our appetite for risk, knowing that we have the Fed support, no matter what happens in the world.

So, I hope Chairman Powell takes that seriously, his comments, and does in fact try to get interest rates and unwind the Fed's balance sheet at a quicker pace than they did post 2008. The question that you just asked Darcy, I do believe, we do believe that the U.S. is better positioned than the rest of the world to weather this, and our thinking there is that the U.S. was in a stronger position financially coming into this pandemic and recession and the, you know, the U.S. Treasury and Fed have responded quickly and aggressively to support markets. So we are of the view that the U.S. is structurally more prepared to handle this pandemic and recession with, you know, the rationale there being our GDP growth, you know, was call it 2% plus or minus coming into this.

We were already in a relatively low interest rate environment. We had just weathered obviously 2008 crisis, 12 years prior. And I think we're in a position where our monetary policy could be put to work quickly. Right? We had a playbook to work from, the last time around. So we were able to act quickly enough this time to give us some support.

Time will tell if it's enough. But as we think about our positioning, on the global stage, we are concentrating our exposure for client portfolios in U.S. businesses, U.S. investments, that we think will be better positioned, coming out of this, especially with, I think the technology and healthcare industries, likely leading the way, where we believe on a global scale, we have kind of, for those sectors, some leading companies that will deliver a lot of opportunity for clients.

**Darcy O'Brien:** [00:18:15] Thank you, Chris. Our next question comes in from Peter and he writes, what is the firms view on pace of economic recovery? Without testing, vaccination and or treatments available, the experts I've read seem to think economic activity will be halted at best.

And these tests, vaccinations and treatments seem to be months, if not years, away.

**Chris Moore:** [00:18:46] I can start, and Wayne can certainly add in. You know, that's really the million-dollar question right now: when are we restarting? When is the economy restarting? I think if the federal government or state government, decide to slowly begin to let people back to work and back to normal behavior, the question is, is it everyone, is it just those that have the antibodies or previously tested positive for the virus? Is it certain sectors? You know, the ramifications of the shutdown are it's too early to know what they will be a longer term, because you know, certainly the question is right on and that vaccinations are not expected anytime soon and definitely production on a national scale is even further out than that.

So, you know, what does this mean for third quarter and fourth quarter GDP growth? I think it's too early to know. The market is definitely aware of the potential for it to get a whole lot worse before it gets better, that would likely drive further volatility in equity prices. It could also drive further stimulus, from the Treasury and the Fed.

I personally wouldn't be surprised if the Fed has already mentally committed to moving rates even lower, such that we're in a, you know, negative rate environment, on credit markets here in the U.S. It's very possible, should we need that kind of stimulus.

**Darcy O'Brien:** [00:20:51] Thank you, Chris. Next, we have a question and a comment that have come in from Jay and he writes: since studying economics used to be called political economy, what is a democratic win in November mean? Also, as a person in the global supply chain, I can say it is an absolute mess. Cleaning it up will take time.

Why do you think recovery can occur until it sorts itself out?

**Wayne Yi:** [00:21:23] Maybe I'll start. I majored in economics. So maybe I have some comments around that, but maybe a couple of points. I think firstly on the who wins the presidency in November, whoever it is, whether a kind of Trump renews, or Biden comes in, the economy will still be in a position where it's sorting itself out. Regardless, we're all going to have political leanings because Democrats, they will need to be in a situation where they're fixing the economy and fixing the general pace of growth for the economy. So, in the kind of near to medium term, I think that will be the main focus. Now, the path could be a little bit different terms of kind of, where do you spend more time on versus less, but, I don't know if they think that there's going to be big dramatic, kind of policy changes, off the get go.

I think they'll have long term strategic goals that more stable in a world where we are kind of. I think there's changes from that perspective, but in the near term, I think it's to avoid, inconsistency or rocking the boat. I think there will be a steady focus on making sure that there's capital available, that it's flowing to consumers as well as corporates.

And I think the focus will just be more on the persistence of fiscal stimulus, because I think from a monetary perspective, we're doing as much as we can. And I think just kind of even looking at, kind of through that '08 period, you know, political kind of structures are a little bit different.

Their political controls a little bit different there. The focus was more just on stabilization as opposed to trying to push through big political agendas at that point. So yes, there will be a longer-term ramifications and obviously a Republican Congress or administration, technically would be more, positive to markets.

I think that's a much longer-term view than a something that's currently in a crisis mode and can tie that into the follow on question of what we'll call the economy. If I, Jay, if you're on, please let us know if we can kind of clarify on this, but yeah. Yeah, would just hold the puck is bad, in the sense that, China had hit, we were coming into the market, right.

Because if you think about year end, we were still looking at US-China trade tensions, and we just signed off and agreed to new trade terms that kind of put China in a position to start ramping up pretty quickly with the U.S. in a kind of continual kind of cyclical growth cycle. And then this virus hit and China shut down.

Then the U S shut down. Now, China starting to open up with a lower demand kind of expectation for global consumption. Europe is still in its own kind of, depending on which country has, is still going through this, or is trying to come out of this. So, I do agree that there’s going to be some noise and it's not going to be a synchronous in terms of meeting supply and demand.

Equity markets are trying to look through that. So there is, I would say, there is a pull forward of future earnings, in a more stabilized market, that the markets are not pricing currently. But it's a little bit different. I think there's winners and losers here. Or maybe it's not as dramatic as winners and losers, but like kind of looking at the S&P, having a lot of large cap, technologically driven companies kind of meeting that index, maybe you pointed a NASDAQ as being even more so kind of emphasizing that element and their recovery versus looking at like the Russell 2000 being just kind of domestic, smaller, more cyclically, correlated companies.

The larger the company, the more service or tech oriented, the better it's performing from a stock perspective because they do have lower costs. They have wider margins, they have more flexibility to their business, but I think the smaller or, you know, companies that are more, manufacturing or production oriented, there will be a more persistent pain there.

Looking at ‘08, the markets back pretty quickly in ’09 and 10, but the economy really took several more years to really kind of get back to a steady state. And I don't think that's going to be that different from this time around. So I think the headline or the S&P will probably kind of look beyond this over the next couple of years, but Russell, small caps, more cyclical businesses, high yield, the credit markets, definitely aren't showing the same kind of resiliency as what we're seeing in the equity markets, because high yield companies and not looking at like the mega cap company that fell into high yield, but smaller, high yield companies are more cynically sensitive and are more manufacturing focused.

Then they're seeing significant pain. There's knock on effects there too. And we're going to see heightened defaults, higher unemployment. It'll take time to work through that. The equity markets just happened to pull forward future earnings at a faster pace in a low rate environment, to drive some of this rebound that we're seeing right now.

I don't know if that fully answers it or maybe if it addressed that at all, but yeah.

**Darcy O'Brien:** [00:27:33] Yeah, thank you, Wayne. I've been receiving some comments through the chat window. So as a follow-up, I'll add that Jay writes trade flow is going down in the beginning of November and COVID-19 put that on steroids.

Currently, there was a real mass, 150, very large container ships chips were taken out of the market. Wouldn't you allocate to Asia or EM where there is more consistency?

**Wayne Yi:** [00:28:03] Yeah, to the first comment there. Yeah. I think the comments of kind of reduction in trade flow and, utilization and manufacturing hadn't been off.

And that was high. The knock-on effect of just uncertainty around trade between China and the U S to begin with and it was an expectation that that was going to turn around with the US-China trade agreement being in place. That was supposed to ameliorate and kind of inflect higher, but then COVID hit before they even got off the ground.

And now we're here. To the second point, would you allocate to Asia or EM? You can look at China, Taiwan, Korea, Singapore, and saying, okay, maybe they're kind of normalizing and kind of getting to Japan. And they're getting to a place where they've kind of stabilized and connect contained COVID and are now in a production phase.

But our general view, this echoes some of the comments that Chris made, was that the U.S. is still the major economy, a major consuming market. And if the U.S. hasn't yet, fully been able to, from an economic perspective, hasn't fully been able to, stabilize and, kind of reaccelerate its growth, production economies, export economies will still be beholden to what the U.S. does, the U.S. the strength of the U.S. economy. So, yeah, Asia is cheaper. Emerging markets are cheaper, but because there is a secondary to the effect of them reliant on the strength of the U.S. economy. We are, we would rather be more defensive.

What we would argue that it's more defensive to be in domestic large caps and then to try to reach out to, Asia or EM or export economies that's that will kind of be beholden to the U.S.

**Darcy O'Brien:** [00:29:56] Thank you for that, Wayne. We have a follow up question from Peter. The firm has, for a long time now, felt that illiquid alternatives would pay an additional premium relative to other asset classes.

Is it your view that the expected premium is now enhanced or diminished? Why?

**Chris Moore:** [00:30:15] Wayne I could take that one. A lot of the dollars that we have committed to the illiquid alternative space, in the last year or so, are still not yet called. In many cases the fund managers are call it 30% or 40% called.

We think, certainly the dollars that are at work are those businesses are subject to revenue cuts, then certainly major impacts to their cashflow from consumers not being out about and spending in manufacturing, slowing down every industry and sector, shutting down the companies that are in those portfolios today, are not immune to that.

They will be impacted by that. You know, many of them are drawing down on, you know, their lines of credit from their banks and looking to, you know, refinance wherever they can to sure up cashflow. So those companies are leaning on their private equity firms and management heavily to guide them through this period. The dollars that are not yet to work, by not yet called and put the work by the private equity or venture funds that we're allocating to, are in a great position to do one of two things.

One: support current businesses in the portfolio that are in need of additional capital. Or, invest in new businesses that are all of a sudden trading at a much deeper discount to where they were previously, as liquidity dries up and appetite for risk drives up. A lot of these fund managers are now in a position where they're looking at businesses that they've liked for a long time and can now purchase at much lower prices.

We had a venture fund reach out just two weeks ago with, an example where, they paid half as much for a company that they were looking at in January, February of this year, and interested in buying in that time. So it does give them opportunity to put money to work at much cheaper prices.

I suspect they are all being hyper aware of the potential for an extended economic downturn and, you know, wanting to be as underexposed to that as possible, but also wanting to have cash available should the situation get worse and some of these companies offering more attractive valuations. The second thing I would add is that we're doing in the illiquid universe is the liquid alternatives that we're finding attractive today are not the same ones that we're finding attractive in January of this year.

We're looking at distressed, for example. There's a distress manager that we like a lot, that is putting money to work amidst this turmoil and will likely do so for the next 18 to 36 months. They're uniquely positioned to be buying distressed credit in many cases that would generate returns similar to a buyout private equity fund.

High teens, low twenties. And yet the downside risk is a whole lot less because you're buying credit instead of equity. In many cases, it's collateralized by strong assets. We're also looking at, we mentioned last week, a TALF strategy. We're looking at, other kind of strategies within structured credit where the return profile is very attractive, whether it's high teens or low twenties. But the risk profile is a whole lot lower than a typical private equity investment that would generate those kinds of returns in normal times. So, we still see a lot of opportunity in illiquid alternatives. We're committed to the managers that we've been investing in and think that they will weather this storm quite well. But we are also finding new ideas with an even better risk return profile based on the world we're in right now.

**Darcy O'Brien:** [00:34:52] Thank you, Chris. Our next question comes in from Jay and he writes was the economy in '08/'09 as robust as in pre COVID, 2020? Wouldn't the strength of the economy make for a quicker recovery?

**Wayne Yi:** [00:35:16] I'll comment a little bit, and then Chris can jump in, but global financial crisis, was, if you were to really kind of narrow it down, it was the over leveraging in banks or the core financial institutions. The overleveraging and loose covenants of the housing market, particularly in the subprime space, was subprime, was kind of subprime, borrowers it on second, third homes with no documentation.

It made it look like you had a high-quality buyer that ultimately was not. And then when that kind of part of the market started falling apart, the banks and other kinds of lenders to that market realize how much underlying risk is actually had. And it has greater leverage at that period of time.

Other segments of the market while being over levered, were okay. They're doing okay. I would say the economy is actually slowing down into ‘07. So, you saw the pain slowly and gradually coming down the mountain from late summer of ’07 through ’08, and this is even pre-Lehman, right? Like, ‘07, you had a quad crisis.

You had subprime deals falling apart. Remember Bear Stearns asset management had a couple funds go under. You had hung bridges happening in the latter part of ‘07, despite equity markets continually rallying and then in ‘08, when we start seeing a lot more pressure and illiquidity in the system, but then you hit late ‘08 with Lehman to really being the nexus of the pain.

That's when the market's really kind of collapsed really hard and dramatically, but that was several quarters of kind of just watching the markets and fundamentals continue to deteriorate. And to Jay's comment early, to his question, that's a bit different from what we're seeing kind of pre-COVID in a sense that yeah, multiples were getting higher because of light, kind of risk in, in creditors.

Creditors were getting more widely used, but the fundamentals in earnings and earnings quality were still pretty good. And we're just about to reaccelerate into another kind of cyclical growth part of the economy, as just on the back of the trade deal too. So, the economy was on much stable footing, with much better financial, kind of strong kind of financial structures, both on the leverage side and on the financial market side, this time around that it was in ‘08.

That pain lasted for a couple of years, before we started kind of seeing the growth or the expansion. This time around, it's going to be really deep and on a relative basis, likely shorter. But I think the real uncertainty is just that, what that, kind of how, how short is short or can it get much longer than that?

But yeah, I think that's why we're seeing so much more expectations for a dramatic kind of re-exposure and economy once we kind of get over, this pandemic.

**Darcy O'Brien:** [00:39:07] Thank you, Wayne. I'm going to, sorry. Were you going to add something there, Chris?

**Chris Moore:** [00:39:11] I'm just going to add, you know, I think heading into ‘08 too, interest rates were a whole lot higher, right?

So GDP growth was definitely slightly higher. I think it was kind of in the low to mid threes heading into ‘08. But interest rates are also higher, you know, Fed funds rate at four or 5%, whereas this time around certainly GDP growth was lower, but interest rates were significantly lower.

So theoretically that should provide stimulus to the economy in such a way that, it aids in the recovery.

**Darcy O'Brien:** [00:39:56] Thanks Chris. So, I'm going to shift gears here. We're going to move into the financial planning portion of the call, and we're going to address a question that was submitted by Patrica. I read about Roth IRA conversions in your recent article "Four Financial Planning Strategies to Implement During a Market Downturn."

What are the benefits of converting your IRA account and why is now a good time to do so?

**Bill Lalor:** [00:40:24] Thanks Darcy.

This is truly a very interesting year for IRA conversions. The current crisis has led to a number of factors that created a great opportunity for some individuals to convert traditional IRAs to Roth IRAs. As most are probably aware, with traditional IRAs distributions are taxable and, you're required now to begin those distributions at age 72. Now, once you distribute the assets from the IRA, not only do you have to pay taxes on those assets, you also lose that tax-free growth. In comparison, Roth IRAs distributions are tax free and there are actually no distribution requirements. This allows assets to continue to compound tax-free, which is extremely beneficial.

Like traditional IRAs, Roth IRAs, left to a spouse, can also be treated as their own in allowing for even more tax-free growth. And when the Roth IRA is left to the next generation, a beneficiary of 10 years before the assets must be distributed tax rate.

I mean, this is a huge opportunity to grow assets, for the next generation. It can be a very valuable tool in an estate plan. So, you may ask, you know, what are the particular factors that make this year such an attractive year to convert?

First, if we talked about the negatives to converting, when you convert an IRA, you're pulling forward taxes, the balance should convert is taxable as ordinary income in the year you convert it. This is true for both federal and state taxes, unless you're lucky enough to live in a state with that income tax, which is a further benefit to the strategy. Basically, the lower your tax rate, the better an IRA conversion works. IRA account values, currently, right now, with this crisis, are depressed. So there's less of a taxable impact upon converting them. And if they are converted any rebound in the asset values, which occur inside the new Roth IRA account, will be tax free.

The volatility this year has really led to a lot of tax loss harvesting opportunities. This will be kind of for in portfolio income down for the year, also possibly lowering in individual's tax rate. And this also makes conversions more beneficial. We saw there was recently passed the stimulus act called the CARES act. This act allows individuals to skip the required distributions on both the traditional IRA and inherited IRAs for 2020. This can further lower an individual's income for the year, increasing the benefits of a conversion.

Also, for small business owners, net operating losses can be used to offset income from a conversion. There's limit of up to 80%. However, there is discussions around a fourth stage of stimulus, and they're talking about eliminating this limit.

Finally, another way that a conversion income can be offset is through charitable contributions. And we've seen a lot of clients increased contributions this year. You can even use a donor advised fund, to pull forward multiple years to gifting, to receive a larger deduction and this year, to offset the impact from the conversion. It's also important to point out know when you convert an IRA to a Roth IRA, you're also eliminating those future taxable distributions. So a combination of all these factors, you know, some don't pertain to everyone, but a combination and can really turn into a very attractive opportunity for some people to convert.

Our advisors can be closely looking at IRA versions. They're part of our client's broader financial plan.

**Darcy O'Brien:** [00:44:30] Thank you, Bill. I think it's a really great strategy to consider and really raises the broader point that even when markets are in disarray, there are strategies that you can put in place to take some control over your financial life. So, thank you for that.

At this time, there are no remaining questions in the queue. I'd like to thank everyone on the line for taking some time out of their day to participate in today's call. Thank you, Chris.

**Chris Moore:** [00:45:01] Thank you Darcy.

**Darcy O'Brien:** [00:45:02] Thank you, Wayne.

**Wayne Yi:** [00:45:04] Thank you.

**Darcy O'Brien:** [00:45:05] And thank you, bill.

**Chris Moore:** [00:45:08] Thank you Darcy. Thanks everyone for joining.

**Darcy O'Brien:** [00:45:10] If you have any additional questions that we were not able to address during the call, please do not hesitate to send them to me at dobrien@simonquickadvisers.com and we would be happy to address them offline. Thanks again for joining us and have a great evening.

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