

March 26, 2020

The Power of Being Proactive

The markets have continued to swing dramatically as the uncertainty resulting from the abrupt decline in global economic output has spooked many investors. Frankly, the economic downturn looks like it will be more severe than we originally anticipated. Despite this, we remain calm and continue to work hard every day to make logical, rational decisions (and not let the emotion of the moment sway our decision making).

Our goal is to be proactive, with both our investing and our financial planning strategies. Here are a few examples of steps we are taking or recommending clients explore:

- In spite of all the current unknowns, we believe that there are well-capitalized companies in the market today that will have the wherewithal to navigate through the downturn and emerge as beneficiaries during the eventual recovery. We (along with the active managers of many of the mutual funds that we have placed in client accounts) believe that it is worth spending the time and effort now to unearth these types of opportunities.
- We continue to monitor accounts and discuss rebalancing opportunities as a team. As a general rule, selling positions that have retained more of their value during a market downturn, and using the proceeds to reset asset allocation targets, can help a portfolio take more advantage of any eventual recovery. However, rather than using an algorithm to automatically sell and buy, team members review each client's goals, cash flow needs and risk tolerances -- as well as present market conditions -- in making real-time decisions. This human element, we believe, allows us to take a more customized approach to asset allocation.
- For some taxable investment accounts that we manage, we are selectively selling positions to harvest capital losses and are using the proceeds to rebalance portfolios. These losses can be used to offset realized capital gains, either now or in future tax years.
- With the pullback in the stock market, some IRA holders may want to consider Roth conversions. Whether it is part of a long-term retirement strategy for yourself, or a tax-free estate planning strategy for your heirs, it may be better to convert IRA assets (and pay current taxes) when valuations are low.
- Clients with equity in their homes (and less than six months of emergency savings) might consider securing (or drawing down on) a Home Equity Line of Credit (HELOC). With interest rates at historic lows, these lines of credit can be used as temporary "emergency funds" for those needing a short-term bridge loan due to potential cash flow disruptions.
- The Senate just passed the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Act waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes made on or after Jan. 1, 2020. The distribution will be taxable, but the early withdrawal penalty for individuals age 59 ½ or younger will not apply. In addition, the income attributable to such distributions would be subject to tax over three years, and the taxpayer may recontribute the funds to an eligible retirement plan within three years without regard to that year's cap on contributions.
- The Act also includes a 2020 waiver for Required Minimum Distributions from retirement plans. Deferring your RMD will lower your taxable income for 2020. This waiver also applies for

individuals who turned 70 ½ in 2019 and delayed taking their first RMD until 2020. Even if you have taken some or all of your 2020 RMD earlier this year, we should talk.

- Additionally, the Act provides a relief plan for student loan borrowers. All borrowers with federally held student loans can have their interest rates set to 0% for a period of 180 days. In addition, each of these borrowers will have the option to suspend their payments for at least six months to allow them greater flexibility during the national emergency. This will allow borrowers to temporarily stop their payments without worrying about accruing interest. Again, this six-month suspension of loan payments only applies to federally held student loans. However, many private lenders have announced breaks of their own. The relief is not automatic. Borrowers must contact their loan servicer now to determine what options may be available and to request relief.

We are not sticking our heads in the sand; nor are we acting merely for action's sake. The steps we take today may have an impact on how we all recover from this setback in the future. That is where our focus remains. We are here for you. Our firm and team are fully operational during this critical period. Call us if you have any questions or want to strategize.

- The Team at Christopher Weil & Company, Inc.

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