



# Forward Focus

## April 2020



## Quarterly Market Review

Last weeks' Wall Street Journal headline read 'Stocks End the Worst Quarter in 12 Years.' In fact, the Dow Jones Industrial Average recorded its worst **1<sup>st</sup> quarter** loss in its 124 year history. The reason: Coronavirus.

### Inside this issue:

Page 1

- Quarterly Review
- Market Boxscore

Page 2

- Educational
- Informational
- Actionable

The virus became a global **pandemic** in early 2020. Pandemic comes from the Greek words **Pan** meaning "all" and **Demos** meaning "people/population". Thus, Pandemos means "all the people".

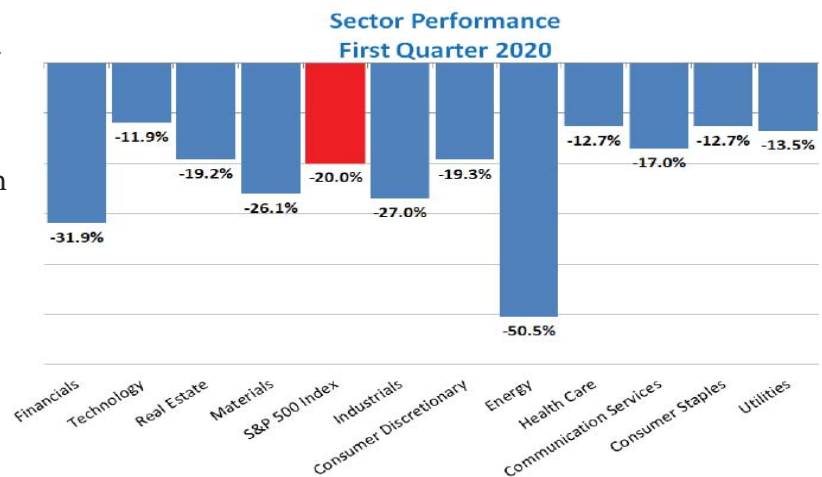
Contagion concerns due to the Coronavirus caused businesses to close and prompted quarantines and lock downs for most of the world. This led businesses to layoff millions of workers and furlough millions more. It shutdown most businesses, schools, sporting events, retail stores, dine-in restaurants and reduced airline traffic by 90%. The global response to this health emergency is unprecedented and will have a lasting impact.

The stoppage of our economy required the government to step in to help bridge the gap. During the quarter the Federal Reserve enacted emergency interest-rate cuts and interventions to provide funding to credit markets and provide liquidity. On top of that, Congress enacted a historic \$2.2 trillion relief bill called the CARES Act, which stands for Coronavirus Aid, Relief and Economic Security Act. It provides direct payments of \$1,200 per person and \$500 per child, unemployment benefits, small business relief, large corporation loans, health care support, and state and local government aid. It was signed into law by President Trump on March 27<sup>th</sup>. Additional relief bills are also being prepared.

Private businesses have also been lending their expertise, time, money and talent. Whether retooling to make masks, ventilators, hand sanitizer, and other needed supplies, many businesses have helped in the effort. Providing support and encouragement to those on the front lines (doctors, nurses, truckers, etc.) of this crisis.

The chart on the right shows the performance of the various sectors of the U.S. economy. Energy was the hardest hit, down 50.5%. Oil fell as a perfect storm of decreased demand was met with increased supply due to an oil price war. Crude oil fell from \$65.65/bbl. on January 8<sup>th</sup> to below \$20/bbl. near the end of March.

The Financial sector also fell as interest rates dropped. All eleven sectors posted double-digit negative returns in the first quarter of 2020.



Here is a summary list of events that occurred during the quarter: CORONAVIRUS (COVID19)

### First Quarter 2020

Dow Jones Industrial Average -23.2% ● S&P 500 -20.0% ● MSCI EAFE (International) -23.0%  
 Russell 2000 (Small Cap) -30.9% ● MSCI EMI (Emerging) -23.9% ● Barclays Capital Aggregate Bond 3.1%

## Educational, Informational & Actionable

We have retraced exactly half of the losses from earlier this year and sit halfway from the top we hit in January. This is confounding the average investor and causing them to ponder “Should I be buying or selling right now?”

The problem is, the average investor either ponders and doesn't take action, or takes action based on their feelings that day. Yikes. I recommend asking a different question. One that actually can be answered and will make a long-term positive difference. The better question is “**How can I utilize this situation to further my goals?**”

Below are many ACTION steps to help you reach your long-term goals. So, **CHECK MARK a few of the boxes and TAKE ACTION.** This is a time to make progress. Not every one will apply to you, but there are at least a few that will and doing so now will benefit you and further your goals, regardless of the near-term market moves.

### Tax Deadline Extended

The Federal Tax Filing Deadline has been extended from April 15<sup>th</sup> to July 15<sup>th</sup>. Estimated tax payments are also delayed. No form is required to receive the extension. If you owe, no penalties or interest will accrue during that time. If you will be receiving a refund, we suggest you don't wait and file now.

Please note that state filing deadlines may differ. FYI, Wisconsin has extended their filing date to July 15<sup>th</sup>.

### IRA Contributions

You now have until July 15<sup>th</sup> or when you file your taxes to make a Roth or Traditional IRA contribution for 2019! The maximum allowable amount per person is \$6,000 (\$7,000 if age 50+). Income limitations apply.

Also, starting in 2020, there is no age limit on making contributions to IRAs. (Previously you had to be under age 70½).

If you do not have plans for your \$1,200 relief check, here is a GREAT way to save and further your goals!

### Add to your investments

Yeah, probably not the most enticing one on the list right now, but one you should do anyway.

Markets are down 25%-30% from all-time highs. Adding NEW money now allows you to benefit from the recovery instead of just riding the elevator back to the same floor. It doesn't even have to be much. A 30% return on a couple's relief check of \$2,400 is \$720!

**NOTE:** Putting money into ANY of your accounts does not mean it must be invested right away. If you want to add money to any account, but are not ready for it to be invested, simply let me to know. Don't wait to deposit funds until you are 'ready' because markets always move faster than you can deposit money.

### No RMD's this year

The CARES Act suspends all Required Minimum Distributions (RMDs) for 2020. Thus, if you normally take an RMD during the year, you do not have to take one in 2020. This applies to IRAs, 401ks, 403bs and even Inherited IRA accounts.

To be clear: You may still take one if you like; however, it is not required.

### Roth IRA Conversions

Now is a great time to convert a portion of your traditional IRA to a Roth IRA. You pay taxes on the amount you convert, but can take it out tax-free in retirement.

Here are 3 reasons to do that now. The stock market is down, Tax rates are low, and the IRS tightened the inheritance rules last year. By converting a portion of your IRA to a Roth IRA, you move an investment that has fallen in price, pay on the lower value, and when it recovers it does so in a tax-free Roth IRA.

Last year the IRS also tightened inheritance rules forcing most beneficiaries to completely distribute IRAs within 10 years. This can create a large taxable burden during your children's highest income years.

The Roth Conversion is one of my favorites on this list and one I have personally done already this year.

### Virtual Meetings

**Forward** is open and fully operational. That includes client meetings. The only difference is our face to face meetings are now done via video conference.

To schedule a video or phone meeting simply go to <https://go.oncehub.com/MeetingSchedule> or give us a call at (608) 833-9400.