FINANCIAL GROUP LLC

Financial Strategies For Your Future

April Newsletter

Hello Eric,

In periods of declining markets, emotions run high, and that's natural and understandable. While the caronavirus is new, there have been many pandemics and other crises in the past, and markets have survived them all. The U.S. economy remains among the most resilient in the world. It has a history of bouncing back from adversity. Eventually, the spread of the virus will slow down and people will get back to normalcy, as will markets. When it does, long-term investors who can tune out the daily white noise — and red numbers flashing across their screens — and focus on the long term should ultimately be rewarded. Now more than ever, investors should be in close communication with their advisors, reaffirming their long-term objectives.

Know that I am here for you. If you would prefer not to come in the office for a review, I am happy to speak with you over the phone. Please give me and my team a call anytime (603) 343-4515 to set up an appointment.

https://www.capitalgroup.com/advisor/insights/articles/protecting-portfolios-coronavirus.html

Did you know...Old English pygg was a type of clay that was used to make jars and dishes that held money? The word eventually morphed into "piggy bank."

Hall, Alvin D. *Show Me the Money: How to Make Cents of Economics*. New York, NY: DK Publishing, 2008.

Events & Resources

Seacoast SCORE Workshop: Digital Marketing Essentials I, Websites & SEO

WHEN:
Wednesday Apr 22, 2020
1:00 PM - 4:00 PM

WHERE:
SCORE Seacoast Offices
215 Commerce Way, Suite 420
Portsmouth, NH 03801

COST:
Free

More Information

Cato Institute

Free, Online Learning Resources

K-12 and College Courses

Follow link below

More Information

Free online classes for adults to take up during

Model Railroad Pop-up Exhibit

social distancing

If you're looking for ways to pass the time during social distancing, why not take a few online classes? There are a number of courses and classes out there specifically for adults.

The best part is they're mostly free!

More Information

WHEN:
April 25, 2020 @ 10:00 am – 3:00 pm

WHERE:
Historical Society of Cheshire County
246 Main St
Keene, NH 03431

COST:
Free

More Information

Lesser Known Provisions of the SECURE Act

The SECURE Act passed into law in late 2019 and changed several aspects of retirement investing. These modifications included modifying the ability to stretch an Individual Retirement Account (IRA) and changing the age when IRA holders must start taking requirement minimum distributions to 72-years-old.

While those provisions grabbed the headlines, several other smaller parts of the SECURE Act have caught the attention of individuals who are raising families and paying off student loan debt. Here's a look at a few.[1,2]

For College Students

For those who have graduate funding, the SECURE Act allows students to use a portion of their income to start investing in retirement savings. The SECURE Act also contains a clause to include “aid in the pursuit of graduate or postdoctoral study.” A grant or fellowship would be considered income that the student could invest in a retirement vehicle.[3]

One other provision of The SECURE Act: you can use your 529 Savings Plan to pay for up to $10,000 of student debt. Money in a 529 Plan can also be used to pay for costs associated with an apprenticeship.[4]

Funds For A Growing Family

Are you having a baby or adopting? Under the SECURE Act, you can withdraw up to $5,000 per individual, tax-free from your IRA to help cover costs associated with a birth or adoption. However, there are stipulations. The money must be withdrawn within the first year of this life change; otherwise, you may be open to the tax penalty.[5]

Annuities

This might be the most complicated part of the SECURE Act. It’s now easier for your employer-sponsored retirement plans to have annuities added to their investment portfolio. This was accomplished by reducing the fiduciary responsibilities that a company may incur in the event the annuity provider goes bankrupt. The benefit is that annuities may provide retirees with guaranteed lifetime income. The downside, however, is that annuities are often the incorrect vehicle for investors just starting out or far from retirement age.[6]

The best course is to make sure that you review any investment decisions or potential early retirement withdrawals with your advisor.

1. Under the SECURE Act, your required minimum distribution (RMD) must be distributed by the end of the 10th calendar year following the year of the Individual Retirement Account (IRA) owner's death. A surviving spouse of the IRA owner, disabled or chronically ill individuals, individuals who are not more than 10 years younger than the IRA owner, and child of the IRA owner who has not reached the age of majority may have other minimum distribution requirements.

2. Under the SECURE Act, in most circumstances, once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA). Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. You may continue to contribute to a Traditional IRA past age 70½ under the SECURE Act as long as you meet the earned-income requirement.

3. Forbes, 2019.

4. Forbes, 2019. A 529 plan is a college savings play that allows individuals to save for college on a tax-advantages basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different than federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

5. Congress.gov, 2019

6. Marketwatch, 2020. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have contract limitations, fees, and charges, including account and administrative fees, underlying investment management fees, mortality and expense fees, and charges for optional benefits. Most annuities have surrender fees that are usually highest if you take out the money in the initial years of the annuity contact. Withdrawals and income payments are taxes as ordinary income. If a withdrawals is made prior to age 59 ½, a 10% federal income tax penalty may apply (unless an exception applies).

The Investment Risk No One's Ever Heard Of

Knowledgeable investors are aware that investing in the capital markets presents any number of risks—interest-rate risk, company risk, and market risk. Risk is an inseparable companion to the potential for long-term growth. Some of the investment risks we face can be mitigated through diversification.[1]

As an investor, you face another, less-known risk for which the market does not compensate you, nor can it be easily reduced through diversification. Yet it may be the biggest challenge to the sustainability of your retirement income.

This risk is called the sequence of returns risk.
The sequence of returns risk refers to the uncertainty of the order of returns an investor will receive over an extended period of time. As Milton Friedman once observed, you should, "Never try to walk across a river just because it has an average depth of four feet."[2]

Sequence of Returns

Mr. Freidman's point was that averages may hide dangerous possibilities. This is especially true with the stock market. You may be comfortable that the market will deliver its historical average return over the long-term, but you can never know when you will be receiving the varying positive and negative returns that comprise the average. The order in which you receive these returns can make a big difference.

For instance, a hypothetical market decline of 30% is not to be unexpected. However, would you rather experience this decline when you have relatively small retirement savings, or at the moment you are ready to retire — when your savings may never be more valuable? Without a doubt, the former scenario is preferable, but the timing of that large potential decline is out of your control.

Timing, Timing, Timing

The sequence of returns risk is especially problematic while you are in retirement. Down years, in combination with portfolio withdrawals taken to provide retirement income, have the potential to seriously damage the ability of your savings to recover sufficiently, even as the markets fully rebound.

If you are nearing retirement, or already in retirement, it's time to give serious consideration to the "sequence of returns risk" and ask questions about how you can better manage your portfolio.

1. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.
2. Quotefancy.com, 2017

Your Emergency Fund: How Much Is Enough?

Have you ever had one of those months? The water heater stops heating, the dishwasher stops washing, and your family ends up on a first-name basis with the nurse at urgent care. Then, as you're driving to work, you see smoke coming from under your hood.

Bad things happen to the best of us, and sometimes it seems like they come in waves. That's when an emergency cash fund can come in handy.

A 2019 Bankrate survey found that 28% of Americans had no emergency savings. Another 25% of respondents said that the cash they had on hand would last less than three months in a financial crisis.[1]

How Much Money?

How large should an emergency fund be? There is no "one-size-fits-all" answer. The ideal amount may depend on your financial situation and lifestyle. For example, if you own a home or have dependents, you may be more likely to face financial emergencies. And if a job loss affects your income, you may need emergency funds for months.

Coming Up with Cash

If saving several months of income seems unreasonable, don’t despair. Start with a more-modest goal, such as saving $1,000, and build your savings a bit at a time. Consider setting up automatic monthly transfers into the fund.

Once your savings begin to build, you may be tempted to use the money in the account for something other than an emergency. Try to avoid that. Instead, budget and prepare separately for bigger expenses you know are coming.

Where Do I Put It?

Many people open traditional savings accounts to hold emergency funds. They typically offer modest rates of return. A certificate of deposit (CD) may provide slightly higher returns, but your money will be locked away until the CD matures, and that could take several months to several years.

The Federal Deposit Insurance Corporation (FDIC) insures bank accounts and certificates of deposit up to $250,000 per depositor, per institution, in principal and interest. CDs are time deposits offered by banks, thrift institutions, and credit unions. While CDs offer a slightly higher return than a traditional bank savings account, they also may require a higher deposit amount. If you sell before the CD reaches maturity, you may be subject to penalties.

Others turn to money market accounts or money market funds in emergencies. While money market accounts are savings accounts, money market funds are considered low-risk securities. Money market funds are not backed by any government institution, which means they can lose money. Depending on your particular goals and the amount you have saved, some combination of lower-risk investments may be your best choice.

Money held in money market funds is not insured or guaranteed by the FDIC or any other government agency. Money market funds seek to preserve the value of your investment at $1.00 a share. However, it is possible to lose money by investing in a money market fund.

Money market mutual funds are sold by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

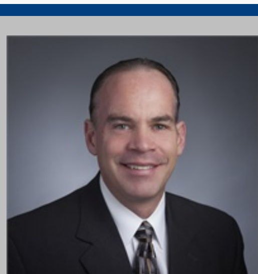
The only thing you can know about unexpected expenses is that they're coming. Having an emergency fund may help to alleviate stress and worry that can come with them. If you lack emergency savings now, consider taking steps to create a cushion for the future.

1. Bankrate.com, July 1, 2019

At AZTEC Financial Group, we help individual, families, business owners and employees manage their financial goals through a comprehensive wealth management process.

Visit Our Website

Contact Us



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