



# Q2 NEWSLETTER

Dear Clients and Colleagues:

We hope that all of our clients and colleagues are well and managing in this difficult time. It is certainly a time for reflection and re-prioritization. In this newsletter we review key components of the recently enacted CARES Act, which provides stimulus and other measures to ease financial disruption. We also review the bleak first quarter market performance but note a few silver linings: Despite the nearly twenty percent decline of the S&P 500 in the first quarter, the three-, five- and ten-year rolling returns are 5.1%, 6.73%, and 10.53%, respectively. And, aggregate bond indexes provided positive returns in the first quarter, mitigating stock declines in diversified portfolios.

## 1Q2020 Market Performance<sup>1</sup>

	<u>2019</u>	<u>1Q2020</u>
S&P 500	31.49%	-19.6%
MSCI EAFE (Dev.Int'l)	22.01%	-22.83%
MSCI EM (EmergingMrkt)	18.42%	-23.60%
BBgBarc US Agg Bnd	8.72%	3.15%

### Trivia

In 1968, Jim Hines became the first man to run 100 meters in under ten seconds and won the Gold Medal in Mexico City with a record time of 9.95 seconds.

### CARES Act

On March 27, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted, providing financial relief for the economic downturn caused by the Coronavirus pandemic. In addition, the CARES Act substantially alters the rules governing withdrawals from qualified plans and IRA accounts. Summaries of some of the major components are outlined below.

**Rebate:** All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for a full \$1,200

<sup>1</sup>Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

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rebate (\$2,400 married) plus an additional \$500 per child. The rebates are being treated as advance refunds of a 2020 tax credit and taxpayers will reduce the amount of the credit available on their 2020 tax return by the amount of the advance refund payment they receive.

**Unemployment Insurance:** The Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020 to provide payment to “covered individuals” who are not traditionally eligible for unemployment benefits, such as self-employed individuals and independent contractors. The Act also provides an additional \$600 per week to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months. There will also be an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after state unemployment benefits are no longer available.

**Student Loans:** The Act suspends student loan payments (principal and interest) through September 30, 2020 without penalty to the borrower of federal student loans. No interest will accrue on these loans during this suspension period.

**Income Tax Return Extension and IRA Contributions:** The deadline for filing an individual’s 2019 federal income tax return is extended to July 15, 2020. The deadline for making contributions to an IRA for 2019 is also extended to July 15, 2020.

**Required Minimum Distributions Waiver and Withdrawals from Qualified Plans and IRAs:** The CARES Act waives Required Minimum Distributions (RMDs) for 2020. The Act also provides tax relief for retirement plan and IRA “coronavirus-related distributions” up to \$100,000 and taken by individual on or after January 1, 2020 and before December 31, 2020. The CARES Act permits in-service distributions, provides an exception to the 10% early distribution penalty, exempts the distribution from the mandatory 20% withholding applicable to eligible rollover distributions, allows the individual to include income attributable to the distribution over a three-year-period, and allows for the recontribution of the distribution to a plan or IRA within three years.

**Charitable Deductions:** The Act allows for an above-the-line deduction up to \$300 for cash contributions to certain charities for those who do not itemize deductions and allows for itemized charitable income tax deductions up to 100% of adjusted gross income (previously limited to 50%).

A more detailed summary of the Act will be posted on our website at [PetroneAssociates.com](https://www.PetroneAssociates.com).