



For the Week of July 13, 2020

THE MARKETS

Stocks rose Friday, and the NASDAQ reached a record high as investors weighed positive and negative headlines. U.S. coronavirus cases broke a record for a single day increase on Thursday while Gilead Sciences reported remdesivir, its experimental drug to treat the virus, significantly reduced fatalities. For the week, the Dow rose 0.98 percent to close at 26,075.30. The S&P gained 1.79 percent to finish at 3,185.04, and the NASDAQ climbed 4.02 percent to end the week at 10,617.44.

Returns Through 7/10/20	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.98	-7.44	-0.52	9.34	10.66
NASDAQ Composite (TR)	4.02	18.95	30.77	21.07	17.57
S&P 500 (TR)	1.79	-0.38	8.53	11.66	11.18
Barclays US Agg Bond (TR)	0.42	6.71	9.51	5.59	4.48
MSCI EAFE (TR)	0.50	-9.68	-3.09	1.48	2.32

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond, NASDAQ and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. (TR) indicates total return. MSCI EAFE returns stated in U.S. dollars.

He Said It — Scott Pelley of 60 Minutes asked Fed Chair Jay Powell on May 17, "Where does it (the new money flooding our system) come from?" Powell responded, "We print it digitally." So as a central bank, we have the ability to create money digitally. And that actually increases the money supply (source: 60 Minutes, BTN Research).

Low Cost — The 2008-14 quantitative easing programs were designed to lower long-term rates for mortgages and other debt after the nation's 2008-09 recession. It worked. The yield on the 10-year Treasury note and the average interest rate on a 30-year fixed rate mortgage both fell to all-time lows in 2012 (source: BTN Research).

Money Multiplier — When the Fed acquires assets from banks, e.g., Treasury securities, the Fed issues electronic credits to the banks in exchange for the assets. Banks can then use the money from the asset sale to make loans equal to 10 times the amount of money digitally created by the Fed (source: Federal Reserve, BTN Research).



WEEKLY FOCUS – Consolidating Retirement Accounts

Job changes can leave a chain of stranded 401(k)s under former employers' plans until retirement. But that may not always be the best strategy. Consolidating can reduce paperwork and make it easier to balance investments, monitor their progress, plan a withdrawal strategy and update beneficiary changes. It may reduce administrative fees, which can add up over time, especially when factoring compound interest. Consolidating may also qualify investors for price breaks based on asset and trading thresholds.

While employer plans often accept rollovers from previous accounts, it's wise to weigh the pros and cons of rolling former employer accounts into a personal IRA. Many 401(k) administrators don't dispense individual advice to ensure investors make optimal choices for their situations. IRAs usually offer more personal control and flexibility. Typically, 401(k) plans include a few dozen funds to choose from, while IRAs encompass thousands of investment choices.^{1,2}

IRA accounts can also provide more freedom in passing on funds. Under federal law, surviving spouses automatically receive their deceased spouses' 401(k)s – unless the survivor has signed a waiver. IRAs usually allow multiple or contingent beneficiaries. The SECURE Act recently eliminated stretch IRAs, which allowed children and grandchildren to take minimum distributions from an inherited IRA over their lifetimes. However, there won't be any tax on Roth withdrawals.

On the other hand, 401(k)s carry some unique benefits. They are protected from all types of creditor judgments. Traditional and Roth IRA assets up to \$1,362,800 are shielded from bankruptcy claims, but safeguards from creditors in other types of lawsuits vary from state to state. If you leave your job after the age of 55, you can take penalty-free withdrawals from a 401(k) account. The minimum age for withdrawing from an IRA without a penalty is 59½. You can take up to a five-year loan from a 401(k); an IRA only affords a 60-day, tax-free rollover option. (The CARES Act provides some exceptions for early withdrawals from 401(k)s and IRAs and increases 401(k) loan amounts in 2020.)

Of course, it's crucial to consider potential fees and tax implications before consolidating. It's particularly wise to consult a tax professional if your 401(k) includes employee stock, as special tax rules may apply. Our office would be happy to help you decide if consolidating your accounts would be beneficial and to help you weigh advantages and disadvantages of rolling 401(k)s into a personal IRA.

¹<https://401kspecialistmag.com/how-many-investment-options-are-in-the-typical-401k-plan/>

²<https://www.investopedia.com/articles/retirement/08/11-things-to-know-iras.asp>



PRIVATE
WEALTH MANAGEMENT
& CONSULTING, LLC

Here for you through all of life's phases.

Securities offered through Securities America, Inc., Member FINRA/SIPC. Advisory Services offered through Securities America Advisors, Inc. Private Wealth Management & Consulting and Securities America, Inc. are separate entities.
Not NCUA Insured – No Credit Union Guarantees – May Lose Value – Not a Deposit – Not Insured by any Government Agency

Do you have family, friends or colleagues who might enjoy receiving our market commentary? If so, please forward their name and email address to us for inclusion on our distribution list.

cell: (850) 228-4854
eknowles@pwmcllc.com
www.PWMCLLC.com



Edward A. Knowles, AIF®, BFA™
President / Wealth Advisor

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright July 2020. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI# 3159789.1