



For the Week of August 10, 2020

THE MARKETS

Stocks were mixed Friday, thanks to a slightly better-than-expected July jobs report and gridlock between Democratic leaders and the White House over the next stimulus package. In other news, the Trump administration placed sanctions on 11 government officials in China and Hong Kong, and the President issued restrictions on Chinese social networks TikTok and WeChat in the U.S. over security concerns. For the week, the Dow rose 3.88 percent to close at 27,433.48. The S&P gained 2.49 percent to finish at 3,351.28, and the NASDAQ climbed 2.51 percent to end at 11,010.98.

Returns Through 8/07/20	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	3.88	-2.50	8.17	10.02	12.27
NASDAQ Composite (TR)	2.51	23.42	41.50	21.21	18.21
S&P 500 (TR)	2.49	4.93	18.54	12.75	12.30
Barclays US Agg Bond (TR)	0.10	7.83	8.56	5.65	4.48
MSCI EAFE (TR)	1.95	-7.50	3.95	0.97	2.61

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.

They Will Have to Cut Back — An estimated 55 percent of working-age households today are not saving enough money before retirement to allow them to maintain their current standard of living into their retirement years (source: Center for Retirement Research, BTN Research).

Spending Spree — Since cutting short-term interest rates to near zero on March 15, the Fed has purchased \$1.7 trillion of Treasuries through Wednesday, July 29. The Fed now owns \$4.3 trillion of U.S. government debt or 25 percent of the total Treasury securities outstanding (source: Treasury Department, BTN Research).

Bumpy Skies — The March 27 CARES Act allocated \$25 billion to 11 U.S. airlines to be used for the payroll and benefits of the individual airline companies. The legislation prohibits the 11 airlines that received CARES Act money from implementing any layoffs until Oct. 1 (source: CARES Act, BTN Research).



WEEKLY FOCUS – Things You Can Do With a 401(k) but Not an IRA

Each type of retirement account has its own advantages and disadvantages. Today, we'll look at some things you can do with a 401(k) you can't do with an IRA, such as:

Lower tax bills, regardless of income. There are income limits for contributing to individual Roth IRAs. There are also income limits for pretax contributions to traditional IRAs if you or your spouse has a work retirement plan. But if you are still employed, you may make pretax contributions to your employer's 401(k) regardless of your income. And maximum contributions are considerably higher than for IRAs. For 2020, you can contribute \$19,500 to your 401(k) if you're under 50 or \$26,000 if you are 50 or older. A potential employer match is an added bonus.

Postpone RMDs. Because of COVID, required minimum distributions (RMDs) are suspended for 2020. Normally, you must begin taking RMDs from a traditional IRA when you reach age 72. But as long as you work *the entire year* as an employee for the company that sponsors your 401(k) and you or a family member don't own more than 5 percent of the company, you will not be required to take RMDs from your 401(k).

Take earlier penalty-free withdrawals. Although there is typically a penalty for IRA or 401(k) withdrawals before age 59½, you may take a penalty-free withdrawal from a 401(k) if you are 55 or older and leave your employer. In 2020, you may withdraw up to \$100,000 without a penalty regardless of age or employment status for a COVID-related hardship.

Contribute to a Roth, regardless of income. You can contribute to an individual Roth IRA only if your modified adjusted gross income falls below the legal limit. However, more employers are offering Roth 401(k) options. Like a traditional 401(k), there are no income limits for salary deferrals.

Take a loan. While it should be a last resort, you may be able to borrow from your 401(k) if your plan includes a loan provision. If it does, you will likely be required to pay it back in fairly equal payments, including interest, within five years. If you leave your job, you may need to repay it in a very short time.

Just as there are benefits and drawbacks for different types of retirement accounts, there are pros and cons for consolidating accounts. Our office would be happy to help you decide what type of account seems best for your situation or weigh consolidating your existing accounts.

Securities America and its financial professionals do not provide tax advice. Consult a tax professional for specific details.



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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 August 2020. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI# 3195903.1