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## Market Overview

Written by Strata Financial Group, LLC

July was yet another strong month for equities with the S&P gaining 5.64% and the NASDAQ advancing 6.85% for the month. That puts the NASDAQ YTD gains over 20% through July with the S&P just recently climbing back into the green at 2.38% YTD. Much of the disparity between the two indices can be attributed to the strong growth we have seen in the technology sector throughout the global pandemic, which has propelled the tech-weighted NASDAQ to all-time highs.

The economy is telling a much different story. Coronavirus cases continue to increase throughout the country which has caused reopenings to occur much slower than anticipated in some states. This has adversely affected the labor market as unemployment claims increased over the last two weeks of July. This ended a streak of 15 straight weekly declines in jobless claims since the peak back in April.

Speaking of unemployment, the \$600/week in extra unemployment benefits expired on July 31<sup>st</sup>. This is the main point of contention in getting an additional stimulus package passed. There are talks to extend it but the dollar amount has yet to be agreed on.

Internationally, the European Union passed a coronavirus stimulus package of their own in July, totaling roughly \$857 billion. The news gave the stock market a nice bump the day it was announced. However, trade negotiations with China deteriorated throughout July and it looks like talks may be on hold for the time-being.

Earnings season is now upon us and companies are beating their earnings estimates at a record pace. Expectations weren't high to begin with due to COVID-19, but earnings beats are always a bullish indicator for the market regardless. We will see if companies can continue to outperform as we get into the heat of the summer. We do still expect continued volatility as the election grows nearer and the race for the coronavirus vaccine intensifies.

Visit our website to view our blog posts, past newsletters, and learn more about our company and team members.  
[www.stratafinancial.com](http://www.stratafinancial.com)



## Market Indices

Source: Morningstar  
 Percent annualized total return rates as of 7/31/2020

**Index Descriptions**

Global (including US)
International
500 largest US stocks
Tech-weighted US index
30 large blue-chip US stocks
US small cap stocks
US intermediate BBB+ bonds

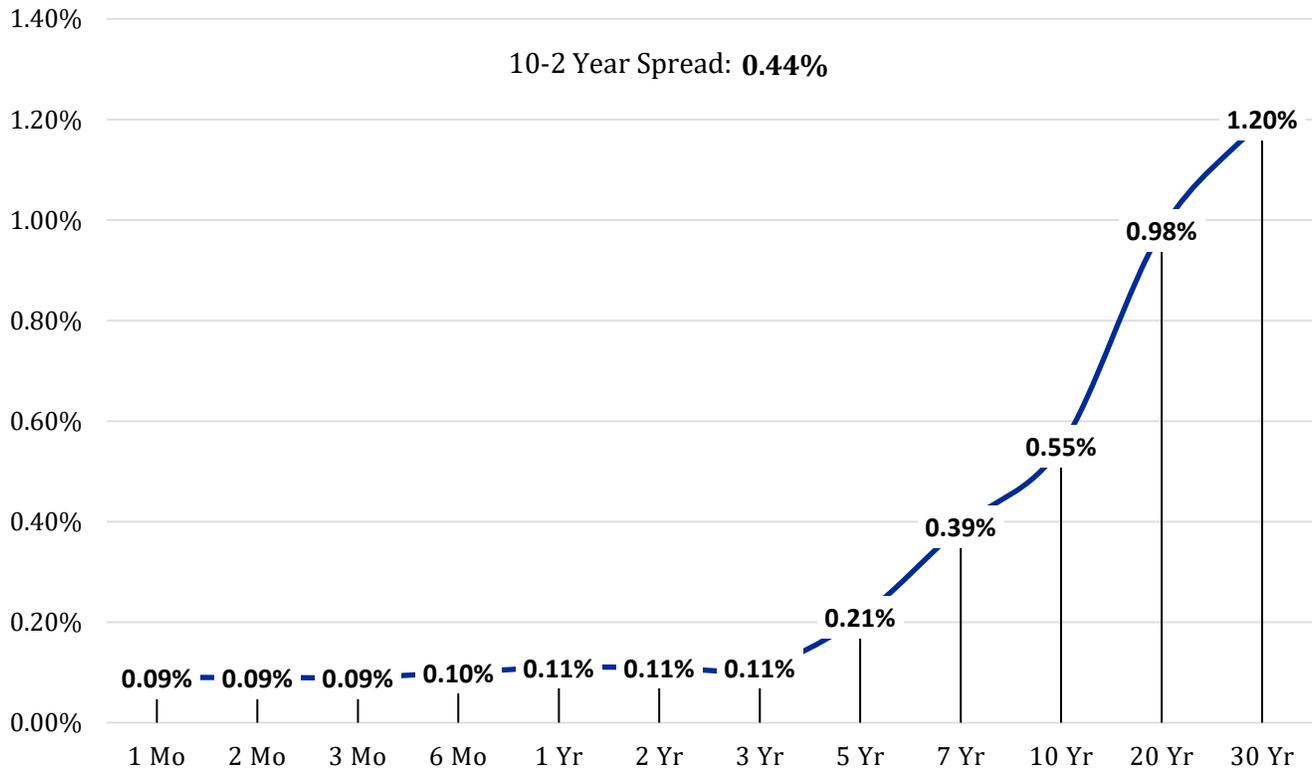
Index	YTD	1 Year	3 Year	5 Year	10 Year	15 Year
MSCI ACWI	-1.29%	7.20%	6.99%	7.37%	8.87%	6.53%
MSCI ex US	-7.03%	0.66%	1.39%	3.22%	4.52%	4.49%
S&P 500	2.38%	11.96%	12.01%	11.49%	13.84%	8.96%
NASDAQ	20.40%	32.78%	20.44%	17.25%	18.24%	12.36%
DJIA	-6.14%	0.83%	9.02%	11.05%	12.48%	8.99%
Russell 2000	-10.57%	-4.59%	2.69%	5.10%	10.07%	6.77%
Barclays US Bond	7.72%	10.12%	5.69%	4.47%	3.87%	4.56%

Indices cannot be invested in directly, are unmanaged, and do not incur management fees, costs, and expenses. Past performance is not a guarantee of future results.



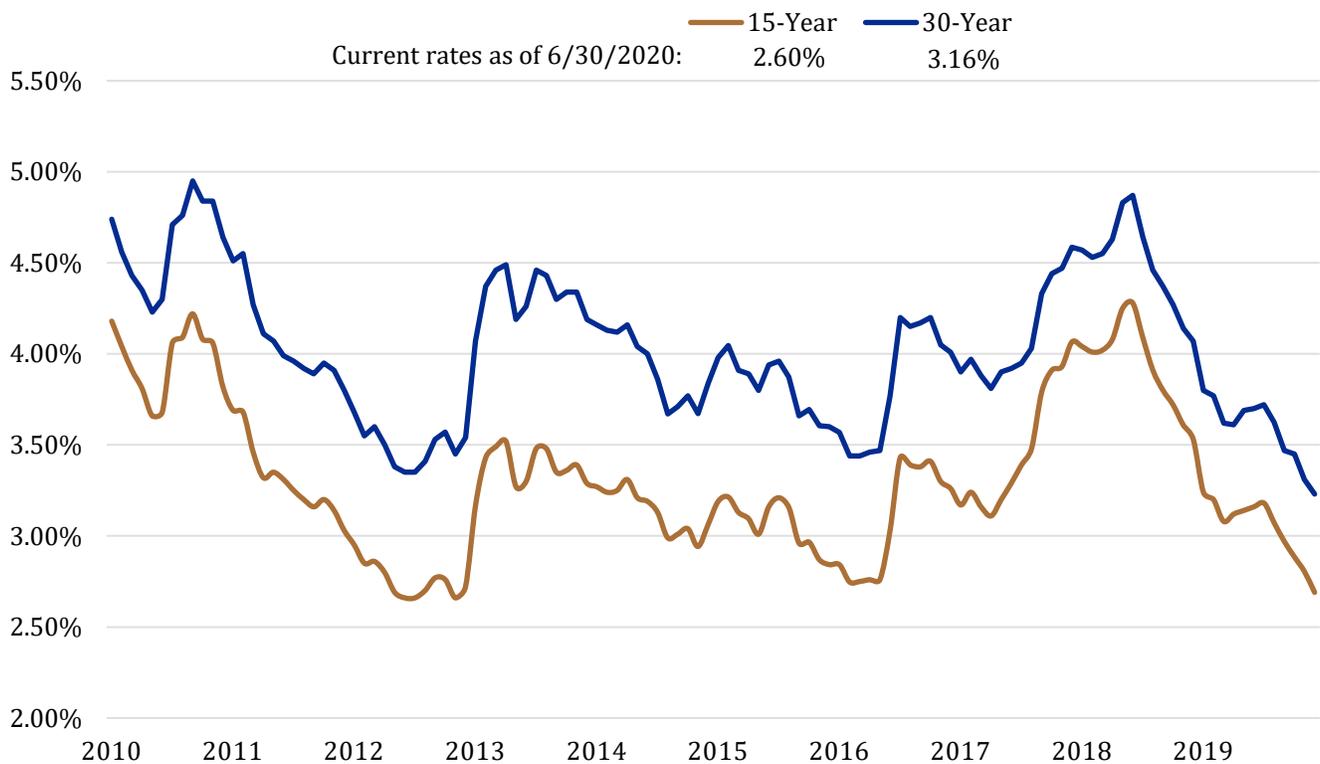
# Treasury Yield Curve

Source: U.S. Department of the Treasury  
Rates as of 7/31/2020



# Mortgage Rates

Source: Freddie Mac  
10-Year rolling monthly rates



## Featured Article

### **HSA: Your Retirement Healthcare Emergency Fund**

*Kyle Hancharick | 7/29/2020*

If you, your spouse, or even a family member or friend are enrolled in a high deductible health plan (HDHP), I highly recommend reading this article and learning everything there is to know about the Health Savings Account (HSA).

First of all, to be eligible to open and/or contribute to an HSA in 2020 you must be enrolled in a HDHP with a minimum annual deductible of \$1,400 for self-only coverage or \$2,800 for family coverage. If you meet this criteria, then you are eligible.

What exactly is an HSA and why contribute to one? An HSA – Health Savings Account – is exactly that, a savings account to be used for medical expenses, that you can either open through your employer or on your own if you meet the criteria above. If opened through your employer, you may have the ability to have funds deposited directly from your paycheck. This direct payroll deduction is the ideal method as Medicare and Social Security (FICA) taxes are not withheld from HSA contributions. This makes the tax benefit of HSAs even better than pre-tax 401(k) contributions which are unable to avoid FICA taxes. Another benefit of an HSA is that funds can be invested in stocks, bonds, mutual funds, etc. Any interest / dividends / capital gains are NOT taxed and withdrawals are tax-free as well, as long as they are used for qualified medical expenses. That is the beauty of the triple-tax benefit:

1. Contributions are pre-tax (or tax-deductible)
2. Investment earnings are not taxed
3. Withdrawals for qualified medical expenses are tax-free

Try to find a better tax-efficient account. I will save you the trouble. You can't. Maxing out your HSA every year should take the same precedence as making sure you get the full company match in your 401(k). It is that important. For 2020, the maximum annual contribution to an HSA for self-only coverage is \$3,550 and for family coverage it is \$7,100. You can contribute an additional \$1,000 if you are 55 or older. Additionally, some employers even contribute to their employees' HSA accounts.

While the intended use for HSAs is to pay for medical expenses as they arise throughout the year, it may be even *more* beneficial to NOT use it for that purpose... Let me explain. If you have the means to pay for medical expenses without withdrawing from the HSA, that enables the account to grow untouched year after year, tax-free. HSAs do not expire like other health-related savings accounts. The balance carries over from year-to-year and you can take the account with you if you change jobs or retire. If you treat it like a retirement account rather than a healthcare expense account, it has the potential to evolve into an invaluable asset in retirement.

For most people, healthcare expenses increase with age and these expenses are often underestimated (and unpredictable) when planning for retirement. If you invest in an HSA and allow it to grow, it can essentially become your retirement healthcare emergency fund.

There are a few caveats to be aware of. If funds in an HSA are used for anything other than a qualified medical expense, they will be subject to income tax and an additional 20% penalty tax. HOWEVER, the 20% penalty tax goes away once you turn 65, so essentially it turns into an IRA with a healthcare bonus feature: all withdrawals are subject to income tax, unless the funds are used for a qualified medical expense, in which case they are tax-free. The great thing about HSAs is that you can use the funds to pay for qualified medical expenses for a spouse or child, even if they are covered under a different health plan. Another advantage of HSAs is that they do not have Required Minimum Distributions (RMDs) like normal IRAs do. Just keep in mind that once you are enrolled in Medicare you cannot make any more contributions to your HSA. Also, always be sure to keep receipts from qualified medical expenses for at least seven years for tax auditing purposes.

In conclusion, the Health Savings Plan is an accommodating accessory to a high deductible health plan with an unmatched triple-tax benefit. Take advantage of it if you can and use it how you wish. No matter where it falls in your financial plan, it could save you (and make you) a lot of money in the long run whether you realize it or not.

*\*Always consult a financial professional regarding your individual circumstance. Investments in an HSA may lose money.\**

## Strata News

### COVID-19 Protocol

Although our offices remain open, we have implemented some safety measures which include temperature checks, hand sanitation, and masks available for all visitors. Our top priority is the health and safety of our employees and clients, but we also want to be accommodating and make sure everyone is comfortable. With that being said, we welcome in-person meetings at the office as well as telephone or video conference if you prefer.

## Community Service

Last month, Kyle, Mitch, Devan, and Lynnae (Devan's mother / Ron's sister) volunteered at the local food bank and helped weigh and sort items that were donated as part of a food drive put on by Hooks for Hunger. As is the theme of the summer, the Hooks for Hunger fishing tournament was canceled due to COVID-19, so they decided to hold a "Fill da Boat" food drive instead. Over 2,000 pounds of food was collected for the [Community Resource Services](#) (CRS) food bank which serves as the designated emergency food pantry for Avon and Avon Lake. It was Strata's job to help CRS weigh and sort the items so they could be distributed to local families in need.



**ABOVE:** The haul from the "Fill da Boat" food drive



**RIGHT:** The CRS warehouse where all of the food items got dropped off. Strata took all of these items, weighed them, and stocked the shelves of the food pantry adjacent to the warehouse.

## The Strata Team



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## Disclosures

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