ON WEALTH

SUMMER 2020 MAGAZINE

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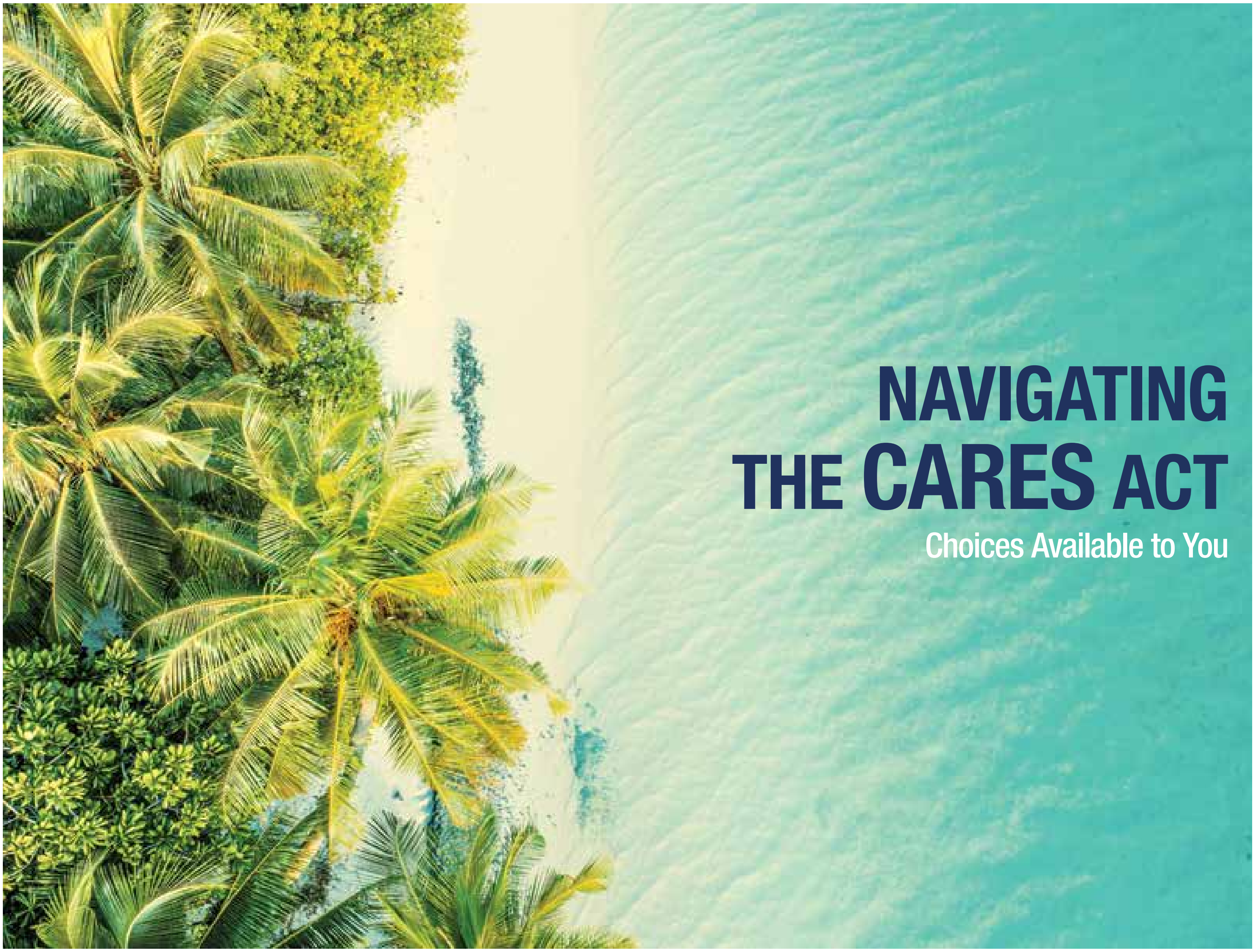
WEALTH MANAGEMENT



NAVIGATING THE CARES ACT

Choices Available to You

RETIRING DURING VOLATILE TIMES

Considering that almost half of all Americans view running out of money in retirement as their primary concern, retiring during periods of volatility may be worrisome for many.

FROM THE FARM TO YOUR TABLE

This summer, why not skip the grocery stores and get fresh, local produce right from the farm? That's the beauty of Community Supported Agriculture.

WORKING FROM HOME 101

The COVID-19 pandemic has made remote work more common than ever. Whether you're new to telecommuting or just want a refresher, here's how to do it correctly.

WELCOME

DEAR CLIENT,

With all the upheaval in the world, this summer may look a little different than others. As social distancing continues to impact the way we live and work, we look forward to the day when we can get together in person over barbecue and a cold glass of lemonade.

Although we might not be able to be with you in person, we hope that these articles brighten your day as much as the summer sunshine.

In this issue, we discuss "How to Retire During Volatile Times." Whether you're preparing to retire soon or already retired, this article contains tips and tricks that you can use to help weather the ups and downs of the financial markets.

While you've likely heard about the CARES Act, do you know what it means for you and your family? In "Navigating the CARES Act," we'll explore the ins and outs of this far-reaching piece of legislation.

Since you may be working from home this summer, in "Working from Home 101," we'll cover some ways that you can stay connected. Looking for how to get more involved with your community? Our article on Community Sponsored Agriculture (CSA) explores a great way to get fresh, in-season produce right from the source.

We'd like to thank you for the honor of trusting us with your financial future. We're here to support you through these uncertain times, so please feel free to reach out to us for any reason whenever you need financial guidance.

WARM REGARDS,

Robert C. Clower
President & CEO
Clower Wealth Management

A Cockeyed Optimist

This season's newsletter spotlights a woman who was not only a client, but a lifelong role model, source of guidance, and figure of inspiration, my late mother, Margot Ames Clower. My mother Margot lived a full, accomplished 80 years, leaving behind an esteemed law career as well as a grateful and loving family. Her lifelong partner takes the form of her twin sister, my Aunt Karen, who greatly misses her sassy counterpart. Her two children, my sister Beth and I, along with my wife Christine, and her three beloved granddaughters, Katie, Chelsea, and Alli, miss her dearly.

Much like the one I live in, Margot grew up in a household of women. Her parents raised her and her three sisters in Dorchester, Massachusetts. She always spoke fondly of her childhood years growing up in the Boston area, making clear how much she cherished her time with and looked up to her own parents. Margot attended Girls' Latin School in Boston, today Boston Latin, one of Massachusetts' top-ranked high schools. Her hard work and high academic performance in high school earned her, along with her twin Karen, acceptance into Radcliffe College of Harvard University where she studied English.

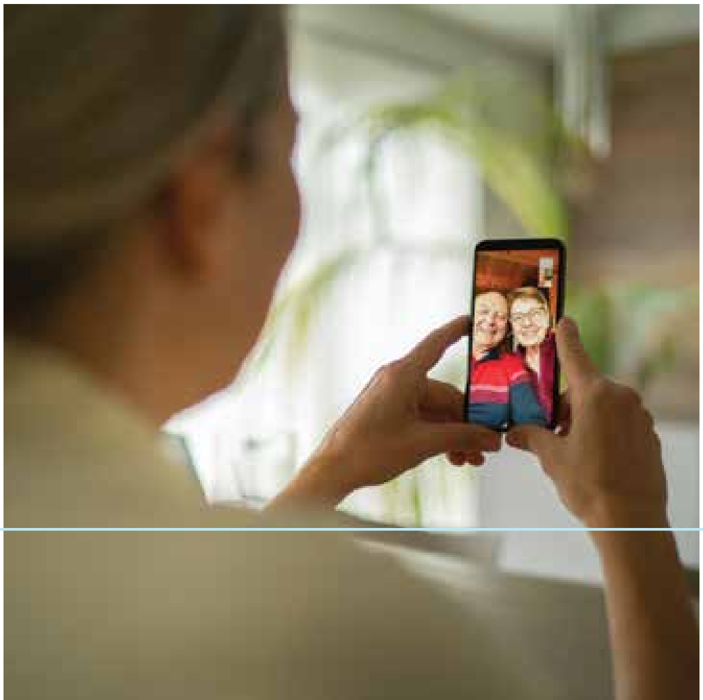
It was at one of the Radcliffe dances that the twins both met the men who would become their husbands on the very same night. My father Courtney, and Uncle Edmond, snuck into the dance where they met the girls. Margot ended up marrying my father Courtney as she finished up her final year at Radcliffe, and in the following years gave birth to my sister Beth and then me.

When Margot and Courtney eventually divorced, she sought to pursue a career in law. While simultaneously raising my sister Beth and I, Margot attended Suffolk University School of Law. She began her career at an esteemed Boston law firm, eventually making Partner after years of hard work and dedication. Margot then went on to develop her own practice, which in many ways inspired me to create my own firm with the goal of helping others. Margot was a dedicated and award-winning attorney, specializing in probate and family law, and her considerable legal acumen and involvement in significant appellate cases led to transformative changes in the law.

In addition to the legacy my mother left through her law career, she too, left a lasting impact on my family's hearts. It is with joy and pride that I now reflect on all of the happy memories I have throughout my life with my mother. No matter what curveballs that life may have thrown at my mother, she always saw the silver lining in the situation.

"When the sky is bright canary yellow
I forgot ev'ry cloud I've ever seen
So, they called me a cockeyed optimist
Immature and increasingly green."

My family will always remember and cherish our time with our thoughtful, expressive, compassionate, and loving Margot, Nana, Mom.



NAVIGATING

The CARES Act

CHOICES AVAILABLE TO YOU

EXTRAORDINARY TIMES, EXTRAORDINARY MEASURES

The novel coronavirus (COVID-19) has overturned lives around the world. In the United States, nearly every person has been impacted in some way: from medical professionals on the front lines to grocery workers keeping the supply chains open to the millions of Americans adjusting to working remotely (or not working at all).

One way the government has responded to this crisis is by passing the Coronavirus Aid, Relief, and Economic Security Act, more widely known as the CARES Act. This act provides a series of stimulus and relief measures to individuals and businesses facing the strain of a volatile economy.

Let's take a closer look at how the CARES Act can help you or someone you care about.

IMPACTS ON SMALL BUSINESSES

If you're running a business, it's possible that you've been forced (either legally or for practical reasons) to shut your business down. Social-distancing guidelines have widely affected restaurants, shops, and other walk-in businesses.

Naturally, you might have some recourse. Online sales may mean that some revenue is coming in. For eateries, groceries, and other food venues, you might have to utilize delivery services and pickups. These alternatives make a difference for you and your customers, but it doesn't change the fact that you are no longer running your business in the manner that was intended.

The CARES Act provides a number of options for businesses. The Small Business Administration's standard small business loan, called a 7(a) Program, is available for purchasing land and acquiring inventory. On a smaller scale, the Express Loan Program may be able to provide a business up to $350,000. Further capital options include microloans for working capital, supplies, and equipment financed by nonprofits focusing on undeserved markets.[1]

THE STIMULUS CHECK

You've likely heard of the stimulus checks that the IRS began distributing in April. If you filed income taxes for 2018 or 2019 and make less than $75,000 annually, you could be eligible. Married couples who file jointly may get a $2,400 check if they earned less than $150,000. If you earn more, you will likely get a check of a lower amount. You will not get a stimulus check if your income is over $99,000 for single filers and $198,000 for married filers.[2]

While you may be out of range for the financial stimulus, your loved ones may still be eligible. These checks are intended to create some financial leeway for people who might have had their working hours cut or were even laid off due to COVID-19.

If you (or a family member) were expecting a payment and didn't get one (either via direct deposit or a mailed check), you might want to check out the Stimulus Check Portal on the Internal Revenue Service's website. From there, you can look for more information on when you might receive your payment.[3]

IMPACTS ON YOUR RETIREMENT

If your retirement strategy has been dealt a setback by the recent economic downturn, you are not alone. Thankfully, the CARES Act has offered some relief for people working toward retirement as well as those enjoying their golden years.

Before going into these provisions, it's important to remember that it's difficult to predict the shape of the economic recovery. Volatility may continue for some time, so you may be better off keeping things as they are for the moment.

REQUIRED MINIMUM DISTRIBUTIONS

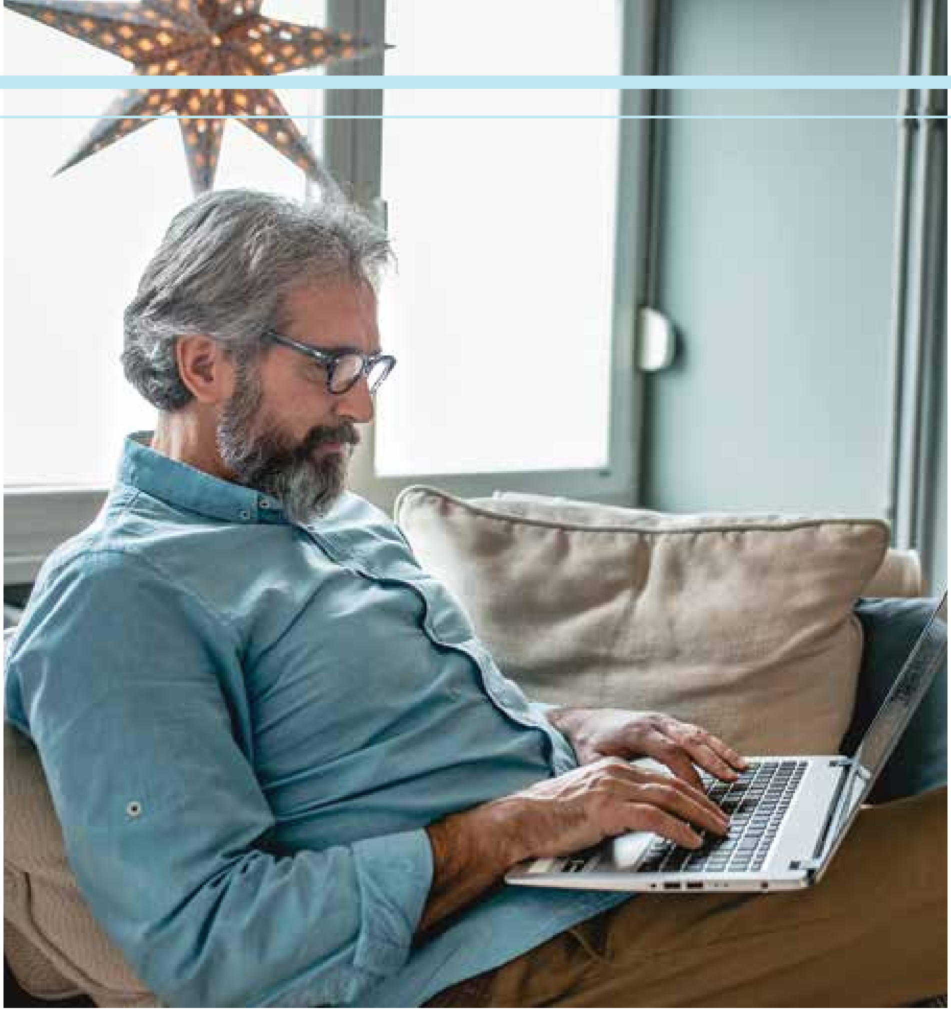
If you or your spouse have inherited an Individual Retirement Account or 401(k), you're probably aware of your obligation to take regular distributions. These required distributions are suspended for 2020. Important side note: while required distributions don't apply to people with Roth IRAs, they do apply to investors who inherit Roth accounts (though not for 2020).[4]

Required Minimum Distributions are also suspended for your own IRA or 401(k) if you are of the age when they are necessary. For 2020, that money can stay in your account. In 2009, Congress passed a similar rule, which gave retirees some flexibility when considering distributions.[4]

Not all the provisions deal with leaving your money in place. In 2020, account owners can also take a distribution of up to $100,000 from their retirement plans or IRAs. Such a distribution wouldn't incur the 10% early withdrawal penalty, which would normally apply to money taken out before age 59½. You do still owe the tax on the withdrawal, however, so keep that in mind.[4]

QUESTIONS TO CONSIDER

So, in the end, you may be asking yourself whether you are better off leaving your money alone or taking distributions now and moving it elsewhere. If you're a business owner, would it be better to take money from your retirement plan or apply for one of the government programs available, like the Paycheck Protection Program? These are not simple questions to answer. Please reach out, and let's have a conversation about the choices accessible to you.



We are in the middle of a confusing, troubling time. These days will challenge us in ways that will show what we're made of, demonstrating our strength and resourcefulness. The CARES Act may prove to be the first of such programs that bring comfort to families and stimulate the economy, enabling us to begin the work of rebuilding and forge new paths in a changed world.

1. SBA.gov, 2020
2. FOX Business, 2020
3. IRS.gov, 2020
4. The Wall Street Journal, 2020

RISKS, OPPORTUNITIES, AND QUESTIONS TO CONSIDER

RETIRING
During Volatile Times

Whether you anticipate filling your post-work life with family and friends, or traveling the world in search of your next adventure, preparing for retirement should be an exciting, joyful endeavor. But, what if your retirement dream comes to fruition as the markets take a turn for the worse? Considering that almost half of Americans view running out of money in retirement as their prime concern, retiring during periods of volatility may be a worry for many.[1]

It's a simple fact that no one can predict how stock markets will behave. When markets become volatile, they can have significant impact on even the most seasoned investor's outlook. Fortunately, with some knowledge and the help of a financial professional, you may be able to weather the storm and continue to pursue your retirement goals.

A Potentially Risky Sequence

During periods of relative stability, the order in which you take your returns may seem like a minor factor. But understanding your "sequence risk" may be helpful during periods of volatility. Sequence risk, which is also called "sequence of returns risk," is your potential for lower or negative returns when making withdrawals from an investment portfolio during a down year.[2] This is one of the many concepts your financial professional can illustrate on your behalf. But how does it work, exactly?

It's All About Timing

No matter how robust your portfolio, once you start withdrawing income from your investments, the change in the order of your returns has an impact.

Let's say that 20 years ago, you invested $2,000,000 and experienced a hypothetical 12% loss in the first year. Over the next 19 years, your portfolio had natural ups and downs, outside of that initial 12% loss. But because of that early dip, your overall value is significantly less. Now imagine the same scenario, but you experience a hypothetical 12% gain in the first year. With all other factors being the same, your overall investment is much healthier at the end of that same 20-year period. True, a small loss may not seem like a big deal, but once you transition into retirement, the sequence of returns will have an impact.

This is where the "risk" portion of the sequence of returns risk comes in. Ultimately, it's best to work closely with a financial professional who can guide you through scenarios showing how various returns affect portfolio balances over time. They can also suggest some ways to guide your retirement, while keeping your sequence of return risk in mind.

The $500,000 Difference

CREATE A STRATEGY THAT CONSIDERS SEQUENCE OF RETURNS RISK

This table shows two different hypothetical retirement portfolios. Portfolio A showed a loss of 12% during the first year. Portfolio B did just the opposite. It posted a 12% gain in the first year. Both portfolios generate an income of $60,000 at the end of the first year, and the amount increases at a 3% rate in subsequent years. For the next 19 years, both portfolios had the exact same performance. As the table shows, Portfolio B's ending balance is nearly $500,000 higher than Portfolio A. Creating a strategy that prepares for sequence of return risk may help your portfolio adjust to various market conditions.

This example is used for illustrative purposes only and does not represent any specific investment or combination of investments. The return and principal value of investments will fluctuate as market conditions change. Investments, when sold, may be worth more or less that their original cost.

	PORTFOLIO A	$2,000,000	Income (+3% yr)	PORTFOLIO B	$2,000,000	Income (+3% yr)
YEAR 1	-12%	$1,640,000	$60,000	12%	$2,240,000	$60,000
	10%	$1,742,200	$61,800	10%	$2,342,200	$61,800
	6%	$1,783,078	$63,654	6%	$2,383,078	$63,654
	-10%	$1,539,207	$65,564	-10%	$2,139,207	$65,564
	-12%	$1,286,971	$67,531	-12%	$1,886,971	$67,531
	8%	$1,320,373	$69,556	8%	$1,920,373	$69,556
	6%	$1,327,952	$71,643	6%	$1,927,952	$71,643
	-10%	$1,121,364	$73,792	-10%	$1,721,364	$73,792
	12%	$1,179,922	$76,006	12%	$1,779,922	$76,006
	-11%	$971,844	$78,286	-11%	$1,571,844	$78,286
	12%	$1,007,830	$80,635	12%	$1,607,830	$80,635
	10%	$1,025,559	$83,054	10%	$1,625,559	$83,054
	-6%	$878,480	$85,546	-6%	$1,478,480	$85,546
	9%	$869,431	$88,112	9%	$1,469,431	$88,112
	12%	$883,007	$90,755	12%	$1,483,007	$90,755
	8%	$860,170	$93,478	8%	$1,460,170	$93,478
	6%	$815,498	$96,282	6%	$1,415,498	$96,282
	-2%	$700,017	$99,171	-2%	$1,300,017	$99,171
	5%	$632,872	$102,146	5%	$1,232,872	$102,146
YEAR 20	6%	$565,634	$105,210	6%	$1,165,634	$105,210

$565,634 $1,165,634

Fine-Tune Your Withdrawal Rate

In the 1990s, a guideline for retirement distribution called the Four Percent Rule became popular, and it's sometimes still used today. Analyzing the historical returns of portfolios that featured an approximate balance of 50% stocks and 50% bonds, the original study determined that retirees could withdraw 4% each year over thirty years without running out of money.[3,4,5]

However, many effective strategies forgo the Four Percent Rule and instead focus on a more conservative withdrawal rate based on historical and projected returns.[6] It's important to remember that past performance does not guarantee future performance. If you find yourself in an environment with low interest rates, you and your financial professional may decide that your 4% withdrawal may need to be adjusted. For some, it may make sense to take a more conservative withdrawal rate of 3% or even 2.5%.

Build a Ladder

Bond laddering is a buying strategy that can be used to generate cash flow for investors who prefer to own individual bonds. Say an investor purchases three separate $100,000 bonds that mature in 1, 2, and 3 years, respectively.[7] They then, in turn, hypothetically pay 1%, 1.5%, and 2% interest rates, respectively.

When the one-year bond "comes due," proceeds are invested in another hypothetical 2% bond with a three-year maturity.[8] At the end of the second year, when the second bond comes due, proceeds are invested in another hypothetical 2% bond with a three-year maturity. This strategy can help manage interest rate fluctuations. If interest rates rise, the strategy may help you take advantage of higher rates. If interest rates fall, the investor would already own bonds that have higher interest rates.[9] After speaking with your financial professional, securing a "bond ladder" may help your retirement strategy remain viable, even in the face of volatility.

Cash Bucketing

Popularized in the 1980s and 1990s, bucketing your cash is another way to manage the risk inherent in your order of withdrawals. Funnily enough, this approach sounds exactly like what it is. If you've ever taken your assets and separated them into different categories, or "buckets," for a given time period, then you've already used this strategy.

A good place to start is by naming your buckets. So, Bucket A could be for basic living expenses, Bucket B for discretionary spending, and Bucket C we reserve for legacy assets. Next, you'll want to assign the appropriate expenses to each bucket so you can be better prepared for a comfortable retirement. Finally, it's time to pair the appropriate investments to each of your buckets. For example, Social Security might be assigned to the Basic Living Expenses bucket. The Discretionary Spending bucket may be paired with investments that also offer the potential for growth. In the Legacy Bucket, you might want to include the assets you expect to pass on.

BASIC LIVING EXPENSES:

This bucket is for rent, utilities, groceries, and other basics.

DISCRETIONARY SPENDING:

This bucket is for your vacations, dining out, date nights, and more.

LEGACY ASSETS:

The final bucket we reserve for heirs, estate concerns, and charities.

The power of this approach is in the control and personalization. So, don't be afraid to branch out and make some buckets of your own! The above is just one of the many ways to use the "bucketing" approach.[10]

Professional Partnerships

Even in the wildest of markets, there are many ways to help manage your portfolio and retirement strategy. If you're a seasoned investor, you may be tempted to try a "do it yourself" approach to bond laddering, managing your sequence of returns risk, or cash bucketing.

But the seeming simplicity of these strategies belies how complex they may be in practice, particularly when layered against other elements of your financial strategy. So, next time you're thinking about your retirement and how to work around volatility, reach out to your financial professional. A conversation today could save you a lot of time and trouble tomorrow.

1. AARP.com, 2019
2. Investopedia.com, 2020
3. This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.
4. The study reviewed portfolios for every 30-year span going back to 1926-1955.
5. Past performance does not guarantee future results. The portfolios in the study were comprised of large-capitalization stocks and intermediate-term U.S. Treasury bonds. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. U.S. Treasury bonds are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury bond prior to maturity, it could be worth more or less that the original price paid.
6. Forbes, 2019
7. This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments. Past performance does not guarantee future results. Actual results will vary. Diversification is an approach to help manage risk. It does not eliminate the risk of loss if security prices decline.
8. The market value of a bond will fluctuate with changes in interest rates. As rates rise, the value of existing bonds typically falls. If an investor sells a bond before maturity, it may be worth more or less than the initial purchase price. By holding a bond to maturity an investor will receive the interest payments due plus his or her original principal, barring default by the issuer. None of the fees and expenses associated with investing are included in this example.
9. The bond laddering strategy has been simplified to illustrate the concept. An actual bond laddering strategy may be more complex and involve more additional fees and expenses.
10. Morningstar.com, 2019

From the Farm to YOUR TABLE

CONNECTING WITH COMMUNITY SUPPORTED AGRICULTURE

Summer is here, and it's time to enjoy all the foods that come with it. From the juicy sweetness of peaches to the delicious crunch of late summer corn, there is nothing better than enjoying the bounty of produce at this time of year. This summer, why not skip the grocery store and get fresh, local produce right from the farm? That's the beauty and ingenuity of Community Supported Agriculture programs.

FRESH FROM THE SOURCE

Community Supported Agriculture programs, or CSAs, are a way to support farms in your area while getting seasonal fresh fruits, vegetables, and more directly from the source. By buying from the farm, you help support the agriculture in your community, while also highlighting the important work that farms all around the country do to keep us fed and healthy. You'll also get direct access to the freshest produce around.[1]

Community Supported Agriculture is as much a business strategy for farmers as it is a philosophy. When CSAs first started, members would buy a share in advance of the growing season, much like buying a share of stock in a company. However, instead of a financial return, the member's ROI comes in the form of fruits and vegetables, harvested directly from the farm. Depending on a member's level of investment, they might get a box of produce once a week or once every two weeks.[1]

A CSA provides many benefits to both the farm and the community. Participating in a CSA provides farms with additional capital in advance of a harvest season. Sometimes this investment is enough to sustain a farm through seasons of drought, pests, and other issues that may cause a crop to fail. Participating in a CSA also allows farmers to expand the types of crops they're growing with less risk. At their core, farms are small businesses that are integral parts of every community.[1]

FLOURISHING WITH BENEFITS

With your produce coming fresh from a CSA each week, grocery shopping becomes more streamlined. Farms often have multiple local pick-up spots for your convenience. Larger CSA programs may even offer the option to deliver directly to your door. Many CSA supported farms allow you to order online, and some even let you choose between different fruit and vegetable options (or opt-out of specific crops altogether).

In addition to being able to order online, many CSAs also include recipes for how to create delicious and healthy meals with your share. Best of all? If you've ever been curious as to how a farm works, many CSA programs welcome members for tours or to volunteer on the farm itself.[2]

The average CSA has a growing season of May or June until September, with an average cost of $300-$600 for the whole season. While that may seem like a lot upfront, it breaks down to a weekly average cost of $17 to $34 per week—not bad for healthy eating that also supports your local economy.[2]

If this sounds refreshing, consider joining a CSA in your area this summer. It's a tasty way to do something good for yourself and your community, too.

1. USDA.com, 2019
2. USNews.com, 2020

When CSAs first started, members would buy a share in advance of the growing season, much like buying a share of stock in a company. However, instead of a financial return, the member's ROI comes in the form of fruits and vegetables.

WORKING FROM HOME 101

The COVID-19 pandemic has allowed many Americans to learn what it's like to work remotely. Whether you're an old hand at telecommuting or know next to nothing about it, working from home is not a new concept. In fact, Americans have been combining work and home in interesting ways since the Industrial Revolution.

The "Home Office" Revolution

When you think about working from home, you may imagine an office in a spare bedroom, complete with a roomy desk and a computer perched on top. But, the first people to pioneer working from home were actually shopkeepers, teachers, and doctors, many of whom lived directly above their place of employment.[1] This trend continued until the mid-1980s when IBM began to install "home terminals" for its employees. Eventually, the invention of smaller computers gave rise to the more modern version of telecommuting we know today.[2]

Enjoy the Perks

Depending on your lifestyle, the benefits of working from home can be numerous. Spending less time commuting can cut down on your stress and travel costs. Many people also find that they can take breaks more easily while working from home, leading to increased productivity, lower burn-out risk, and better work-life balance.[3]

But that doesn't mean going remote is as easy as simply doing your normal work from home. Combining your professional and personal lives in the same space can be uniquely challenging. Luckily, with some planning, discipline, and experimentation, you can make working from home a productive and rewarding experience.

Get Tech-ie With It

It may seem basic, but taking stock of your technology to be sure you have what you need is one of the smartest investments you can make. It can be easy to forget smaller items like your laptop charger or mouse, especially if you're used to keeping those things at the office. Don't limit yourself to the "hardware," though. It's important that you know the software you'll be using and how strong your connection to the internet is from home; definitely beef up your Wi-Fi if possible.[4]

Don't Forget About the Kids

If you have little ones who are also at home, you'll need to prepare on their behalf as well. Younger children may need additional sources of entertainment (or supervision) while you're keeping your nose to the grindstone. Stocking up on books, toys, and streaming content can help keep kids stay occupied so you can stay focused.[5]

Be Kind to Yourself

Perhaps the most important tip to remember: be kind to yourself as you adjust to your new routine. If you're new to working from home, workplace pressures and responsibilities may collide in unexpected ways. Now is the time to remain flexible, adaptable, and practice self-compassion. You may find your usual habits at the office are unsustainable at home; that's okay. Take it slow, be patient with yourself and others, and find new strategies that work for you.[6]

Embrace the Adventure

Remember: there are lots of resources available to you. A quick Internet search will unearth a treasure trove of telecommuting tips and tricks you can try. It may be a great opportunity for experimentation, so pick an approach and see if it works for you. Change is challenging, but it brings opportunities for growth too. Embrace the adventure you find yourself in and remember to enjoy all the perks along the way.

1. Fast Company, 2020
2. Fast Company, 2020
3. Indeed.com, 2020
4. TheVerge.com, 2020
5. CNN.com, 2020
6. NPR.org, 2020

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