2020 | Q2 Newsletter

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June capped off the second quarter of 2020 with a remarkable performance across all of the major market sectors. The S&P500 posted a monthly gain of 1.8% resulting in a Q2 return of 16.66%, the DOW experienced a monthly return of 1.6% to finish Q2 up 15% and the international equity market as measured by the FTSE index wrapped up Q2 with an 8% gain which was bolstered by a notable June gain of 1.5%. Putting this into perspective, both the DOW and S&P500 had their best quarter in decades. Q2 was the best for the DOW since 1987 and the S&P500 had its best quarter since 1998. However, it was the technology sector, as measured by the NASDAQ index, that stole the show by posting a Q2 gain of 30% which was its best quarter since 1999.

Reading the media headlines, one would infer that the strong Q2 performance was a result of record setting new employment numbers, a record setting decline in the reduction of ongoing unemployment claims, and a record setting increase in consumer spending. This would be the case if it weren't for the record setting negative numbers for the above categories back in March. In reality, the market simply experienced a reversion to the mean by correcting the massive short-term decline experienced in the second half of Q1. The corrective market behavior stemmed instead from the extensive monetary and fiscal policies the US Government enacted to provide a solid backstop to the economy amid the COVID-19 mandated stay-and-shelter orders and the subsequent initiation of the phased economic re-opening.

While June allowed Q2 to finish up in record fashion, it was not without a stumble. Towards the close of June, worries of a second outbreak of COVID-19 drew caution to the recent market tailwinds. The potential for a new wave of infection has encouraged states to slow their re-opening phases and many have even become more socially restrictive in their efforts to contain the recent increase in COVID-19 cases.

Given the above positive momentum factors, we believe the markets are still experiencing an event driven downturn, and not an economic downturn. While there will undoubtedly continue to be short-term disruptions to small businesses and certain industries, we are hopeful that the markets will avoid a sustained economic downturn and will continue to recover from the recent event driven drawdown assuming the economy continues its re-opening process.

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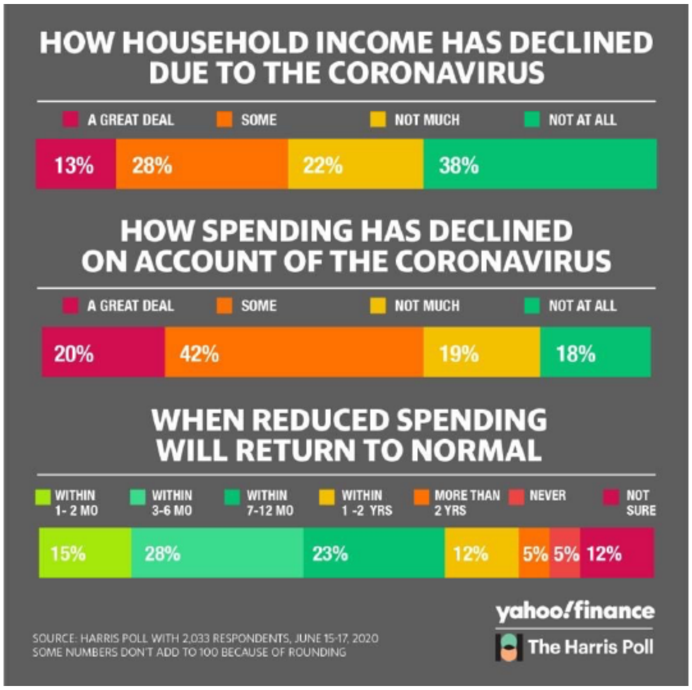
Keep in mind however that one cannot control the markets, but instead must control how one reacts to market conditions. Below is a recent Harris poll that shows how households have reacted to the current economic environment caused by COVID-19. In summary, 41% of households saw a decline in incomes while 62% of households made cuts to their spending. It is interesting to point out that over 50% of households do not plan to have their spending return to pre-COVID-19 levels until at least the start of 2021.

As we continue to navigate the current COVID-19 economic environment, now is a great time to review your spending and remove any slack, especially those subscription-based services that you may not have used in the last several months. While it is easy to get distracted with all the uncertainty around us, it is imperative to stay focused on the things that we are able to control. Here is a great equation to live life by: Income > Expenses.



CARES Act Update

1. The IRS provided additional guidance in June to extend the deadline for completing a 60-day rollover. The new deadline is August 31, 2020 for any RMD funds taken out of a retirement plan in 2020. Additionally, the IRS has further stated that the re-deposit of any RMD funds taken out in 2020 from IRAs, with re-deposit prior to 8-31-2020, are NOT subject to the once per 12-month rule and also allows the RMD to be re-deposited for inherited IRAs. These two additional items are of special note as they are only for RMD funds taken out in 2020 and not for regular 60-day withdrawal of funds. The regular 60-day rollover timeframe continues to be extended until July 15, 2020 for any funds taken out between February 1st and May 15th.

2. The IRS expanded the definition of those being impacted by COVID-19 to also include spouses and members of the individual's household to the original list of adverse financial consequences as a result of COIVD-19. Additionally, a reduction in pay or having a job offer rescinded or start date delayed due to COVID-19 for an individual, their spouse, or members of the individual's household have also been added to the list of adverse financial consequences.

If you, or anyone that you know, have any questions on how to navigate your current financial situation in light of COVID-19, please contact us at **800-4FINDEC** or via email at **info@findec.com**.

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