Paul Miller Advisory Monthly

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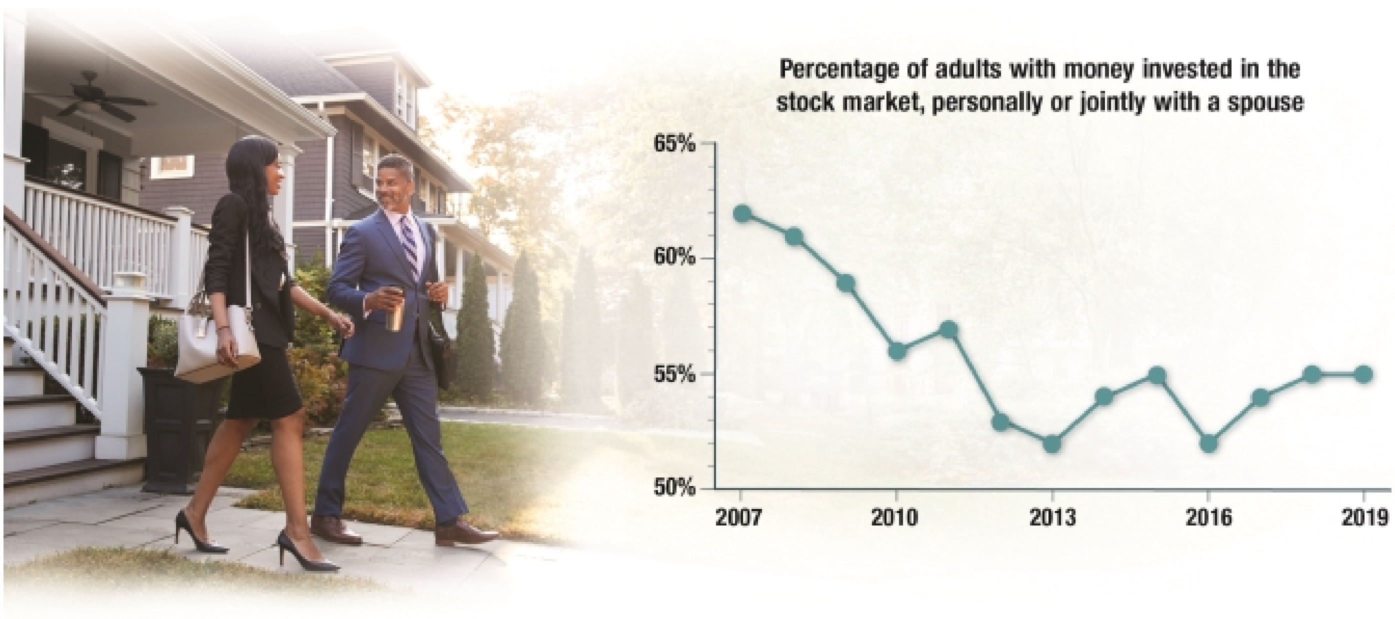
It is normal to see shifts in market values. This one is caused by the Pandemic and also a Presidential Election. The volatility is what causes great discomfort for all of us. What occurred in the Volatility Index is an example of extreme turbulence, caused by the sudden Corona Virus news. It went from a low of 12.47 January 2nd to a high of 82.69 March 16th, and now down to 38.15 April 17th. On a long term basis, this will be an event that the country will recover from. Our portfolios all have "hands-on" management, and have made adjustments to weather this event as recovery takes place. You still may want to consider lowering the risk profile, reducing any withdrawal programs, and possibly increasing limit loss strategies. While we cannot predict the future, we have been working diligently to protect your hard-earned assets. We may have already hit a "bottom" and are watching a gradual upward move in market values. So stay invested as we weather this storm.

Stock Ownership Slow to Recover

Fifty-five percent of Americans said that they (and/or a spouse) had money invested in the stock market in 2019, the same as in 2018. Stock ownership still lags pre-recession levels, suggesting that caution remains despite a decade of strong market recovery.



Source: Gallup, 2019

Keeping Cool: Investment Strategy vs. Reaction

After losing ground in 2018, U.S. stocks had a banner year in 2019, with the S&P 500 gaining almost 29% — the highest annual increase since 2013.[1] It's too early to know how 2020 will turn out, but it's been rocky so far, and you can count on market swings to challenge your patience as an investor.

The trend was steadily upward last year, but there were downturns along the way, including a single-day drop of almost 3% on August 14. That plunge began with bad economic news from Germany and China that triggered a flight to the relative safety of U.S. Treasury securities, driving the yield on the 10-year Treasury note below the 2-year note for the first time since 2007. A yield curve inversion has been a reliable predictor of past recessions and spooked the stock market.[2] By the following day, however, the market was back on the rise.[3]

It's possible that a yield curve inversion may no longer be a precursor to a recession. Still, larger concerns about the economy are ongoing, and this incident illustrates the pitfalls of overreacting to economic news. If you were also spooked on August 14, 2019, and sold some or all of your stock positions, you might have missed out on more than 13% equity market growth over the rest of the year.[4]

Tune Out the Noise

The media generates news 24 hours a day, seven days a week. You can check the market and access the news anywhere you carry a mobile device. This barrage of information might make you feel that you should buy or sell investments in response to the latest news, whether it's a market drop or an unexpected geopolitical event. This is a natural response, but it's not wise to react emotionally to market swings or to news that you think might affect the market.

Stay the Course

Consider this advice from John Bogle, famed investor and mutual fund industry pioneer: "Stay the course. Regardless of what happens to the markets, stick to your investment program. Changing your strategy at the wrong time can be the single most devastating mistake you can make as an investor."[5]

This doesn't mean you should never buy or sell investments. However, the investments you buy and sell should be based on a sound strategy appropriate for your risk tolerance, financial goals, and time frame. And a sound investment strategy should carry you through market ups and downs.

It can be tough to keep cool when you see the market dropping or to control your exuberance when you see it shooting upward. But overreacting to market movements or trying to "time the market" by guessing at future direction may create additional risk that could negatively affect your long-term portfolio performance.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. If not held to maturity, they could be worth more or less than the original amount paid.

1) S&P Dow Jones Indices, 2020

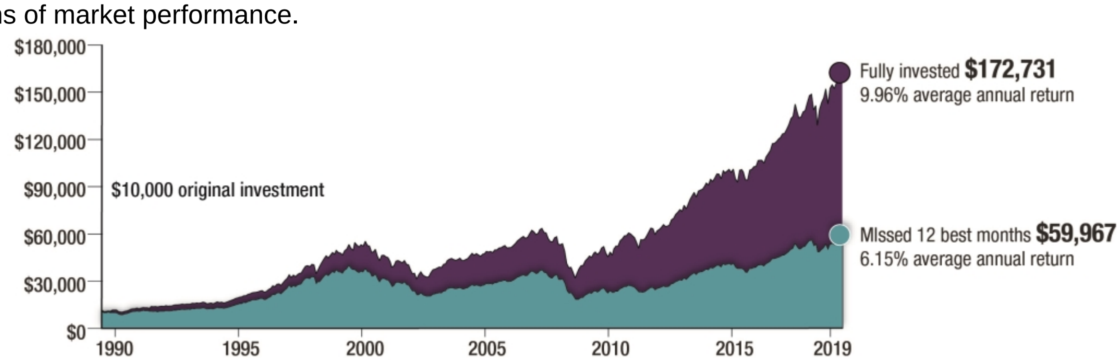
2) *The Wall Street Journal,* August 14, 2019

3-4) Yahoo! Finance (S&P 500 index for the period 8/14/2019 to 12/31/2019)

5) MarketWatch, June 6, 2017

Long-Term Commitment

"Time in the market" is generally more effective than trying to time the market. An investor who remained fully invested in the U.S. stock market over the past 30 years would have received almost triple the return of an investor who missed the best 12 months of market performance.



Source: Refinitiv, 2020, S&P 500 Composite Total Return Index for the period 12/31/1989 to 12/31/2019. The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. This hypothetical example is used for illustrative purposes only and does not consider the impact of taxes, investment fees, or expenses. Rates of return will vary over time, particularly for long-term investments. Actual results will vary. Past performance does not guarantee future results.

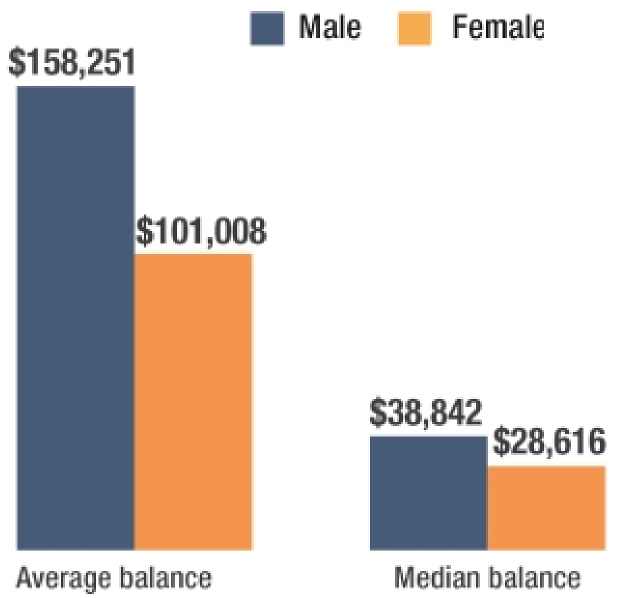
Stay-at-Home Spouse? Consider a Spousal IRA

An ongoing study of IRA accounts has consistently found that women, on average, have lower retirement savings balances than men (see chart). Though there may be multiple reasons for this disparity, the most fundamental are the wage gap between men and women and the fact that women are more likely than men to take time off to care for children and other family members.[1]

The wage gap is narrowing for younger women, and more men are stay-at-home dads. But the imbalance remains.[2] Obviously, earning less makes it more difficult to save for retirement. And a mother — or father — who stays at home to take care of the children may not be contributing to a retirement account at all. The same situation could arise later in life if one spouse works while the other takes time off or retires.

Savings Gap

Average and median IRA balances, by gender



Source: Employee Benefit Research Institute, 2018 (2016 data)

Additional Savings Opportunity

A spousal IRA — funded for a spouse who earns little or no income — offers an opportunity to help keep the retirement savings of both spouses on track. It also offers a larger potential tax deduction than a single IRA. A spousal IRA is not necessarily a separate account — it could be the same IRA that the spouse contributed to while working. Rather, the term refers to IRS rules that allow a married couple to fund separate IRA accounts for each spouse based on the couple's joint income.

For tax years 2019 and 2020, an individual with earned income from wages or self-employment can contribute up to $6,000 annually to his or her own IRA and up to $6,000 more to a spouse's IRA — regardless of whether the spouse works or not — as long as the couple's combined earned income exceeds both contributions and they file a joint tax return. An additional $1,000 catch-up contribution can be made for each spouse who is 50 or older. Contributions for 2019 can be made up to the April 15, 2020, tax filing deadline.

All other IRA eligibility rules must be met. If a spousal contribution to a traditional IRA for 2019 is made for a nonworking spouse, she or he must be under age 70½; the age of the working spouse does not matter for purposes of the spousal IRA. For contributions made in 2020 and later years, the age 70½ restriction has been eliminated by the SECURE Act.

Traditional IRA Deductibility

If neither spouse actively participates in an employer-sponsored retirement plan such as a 401(k), contributions to a traditional IRA are fully tax deductible. However, if one or both spouses are active participants, federal income limits may affect the deductibility of contributions.

For 2019, the ability to deduct contributions to the IRA of an active participant is phased out at a joint modified adjusted gross income (MAGI) between $103,000 and $123,000, but contributions to the IRA of a nonparticipating spouse are phased out at a MAGI between $193,000 and $203,000. (For 2020, phaseout ranges increase to $104,000–$124,000 and $196,000–$206,000, respectively.)

Thus, some participants in workplace plans who earn too much to deduct an IRA contribution for themselves may be able to make a deductible IRA contribution for a nonparticipating spouse.

Withdrawals from traditional IRAs are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn prior to age 59½, with certain exceptions as outlined by the IRS.

1-2) Pew Research Center, 2019

Where to Look for Lost Property

U.S. savings bonds were once so popular — and so often tucked away — that an estimated $25 billion in matured savings bonds have never been claimed. These bonds have been caught in a prolonged legal battle between the federal government and states that want to take control of the bonds on behalf of their residents.[1]

In August 2019, a federal appeals court ruled in favor of the federal government, saying that only the rightful owner could redeem bonds that were missing, stolen, or destroyed (typically by providing serial numbers). However, the Treasury has allowed states to redeem bonds in their physical possession and hold the proceeds for their rightful owner.[2]

As this conflict illustrates, one of the challenges of finding lost property is knowing where to look.

State Programs

Every state has an unclaimed property program that requires companies and financial institutions to turn account assets over to the state if they have lost contact with the rightful owner for one year or longer. It then becomes the state's responsibility to locate the owner.

For state programs, unclaimed property might include financial accounts, stocks, uncashed dividend and payroll checks, utility deposits, insurance payments and policies, trust distributions, mineral royalty payments, and the contents of safe-deposit boxes.

State-held property generally can be claimed in perpetuity by original owners and heirs.

Most states participate in a national database called Missing Money; searching on MissingMoney.com is free. You might also need to check specific databases for every state where you have lived. For more information, see the National Association of Unclaimed Property Administrators at unclaimed.org.

Federal Programs

Unclaimed property held by federal agencies might include tax refunds, pension funds, funds from failed banks and credit unions, funds owed investors from U.S. SEC enforcement cases, refunds from FHA-insured mortgages, and unredeemed savings bonds that are no longer earning interest. There is no central database for federal agencies, but you can find more information at usa.gov/unclaimed-money.

Proceed with Care

Finding and receiving unclaimed property to which you are entitled should not cost you money. Though there are legitimate companies that may be paid to locate or offer to help rightful owners obtain property for a fee, you do not need to pay them in order to receive the property. Be on the lookout for scammers who claim to have property in order to obtain other information about you or your finances. If you have questions, contact your state's unclaimed property office.

1-2) *The Wall Street Journal,* August 3 and August 13, 2019

IMPORTANT DISCLOSURES

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Investments in securities involve investment risk, including possible loss of principal amount invested. Investment return and principal value will fluctuate so that the investment, when redeemed, may be worth more or less than the original investment. Additional disclosure is available in our Disclosure Brochure (Form ADV Part 2A), which can be accessed on the firm's website www.paulmilleradvisor.com .

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