

ALBITZ/MILOE & ASSOCIATES, INC.

REGISTERED INVESTMENT ADVISER

FINANCIAL NEWSLETTER

23133 HAWTHORNE BOULEVARD, SUITE 305, TORRANCE, CA 90505 (310)373-8861

albitzmloe@albitzmloe.com

www.albitzmloe.com

PHIL ALBITZ,CFP® CERTIFIED FINANCIAL PLANNER CHRIS MILOE,MBA FINANCIAL ADVISOR PAUL MILOE,CRPS® FINANCIAL ADVISOR CLETE ALBITZ,CFP® CERTIFIED FINANCIAL PLANNER SYLVIA SALGUERO FINANCIAL ADVISOR VANCE ALBITZ,CFP® CERTIFIED FINANCIAL PLANNER

SPRING 2020

THE CRYSTAL BALL

Does anybody disagree that 2020 has started off as the strangest year in memory? A year that began with blue skies and an economy firing on all cylinders...Then, three months later, we have reverberations of the Great Depression echoing in our minds. A year that began with the stock and bond markets at all-time highs only to see the stock indexes crash 35% in a matter of weeks and a freeze up in the bond market. A year oil prices traded below zero for a period of time. A year that a pandemic swept the planet and the response by governments is still being questioned to this day. Does the word "strange" even come close to describing early 2020?



One thing we are hopeful of is that the pandemic will end eventually. How much damage it will have caused to humanity will be written in the history books and that too will be debated in the future. What's next?

The government has to open the economy in the safest possible way. State governors are in charge. Unfortunately, whatever is decided on how to proceed will be second guessed; Monday morning quarterbacking will be prevalent.

Many will say if the economy is opened too soon, lives will be lost. Others say, not opening the economy will create poverty, misery and serious consequences for those who lost jobs through no fault of their own. We heard someone describe the decision as a choice between a heart attack and cancer. Pretty stark scenario.

We don't know how things are going to play out, only that they will, and they won't play out smoothly. We have to steel ourselves to a new reality and then make adjustments. We won't have a choice.

In the Crystal Ball, we comment on the markets. Here's what we see relating to the stock market. Volatility will not lighten up. As of this writing, the S&P 500 has already had 24 daily moves in 2020 of more than 3%. There was only

one 3% day in all of 2019. There were no 3% days in 2012, 2013 and 2014. Wild swings will likely continue (albeit not quite as bad as March). While these moves might make us nauseous, they also create opportunities to buy good quality companies at low prices. The caveat is that you have to look ahead 18 months, not 18 days. On the bright side, the Treasury and the Federal Reserve have done yeoman's work keeping things together (relatively speaking). One of the oldest adages for investors is "Don't Fight the Fed." The Fed is on the side of the markets and they are basically backstopping most everything. How long can this continue and what will be the consequences in the future? Good questions.

Many ask, "How can we not see inflation?" We think we will, but it is a year or two away. We all know that inflation isn't good for bonds -- so be careful in what you think is safe. One reason that might not occur immediately is the tremendous loss in asset values offsetting the money pumped into the system. That and a high unemployment rate could dampen the inflation scenario, at least for a while. We'll see.

Lastly, who knows what the fall/winter flu and cold season will bring. With an election in November to compound things, it could get quite messy. Our advice is simple: Keep your mind open...things you thought couldn't happen, just might. On that happy note, remember that summer is right around the corner. Let's try to put our worries behind us for a while and enjoy some summer fun.

A Quote

"Nothing is so contagious as enthusiasm."

Lord Edward Bulwer-Lytton

STOCK MARKET VS. THE ECONOMY

A pandemic-driven economic disaster of unprecedented speed has cost more than 30 million jobs, which to many seem un-reflected in the S&P 500 index resting near levels from late summer 2019 – a time when we were at full employment and record earnings.

So why has the stock market recovered with such gusto when the economy is near depression levels? This is the question many observers are asking, given the apparent contrast between economic realities and equity performance.

Certainly, the trillions in Federal Reserve asset buying has helped enable the rally off their lows and bolstered valuations. Add to that a number of different efforts to contain the outbreak and a potential slowing of the spread of the virus. The stock market is a forward-looking machine and certainly appears to be optimistic about a strong economic recovery at some point in the future; over what time period will the economy pick back up remains the key question.

Another Quote...

*“The greatest sensation of existence:
Not to trust, but to know.”*

Ayn Rand

SAFER-AT-HOME – A VIEW TO RETIREMENT

For those nearing retirement and wondering how it might feel, the current mandate on staying at home could provide some foresight. After years of going to the office each day, some are realizing this experience is what it may feel like when the office becomes your former daily activity. On the home front, staying safer-at-home has allowed many to be with their loved ones 24 hours/day, but some may feel this might be too much of a good thing! In retirement, it is common to spend more time doing the things you love to replace the time you formerly spent at work. Being at home 24/7 might not have been on that agenda. Hopefully, the retirement adage of “there’s only so much golf you can play” can be put back to the test soon. If you’re feeling cooped up at home now, don’t let that taint your perception of retirement living. Then again, if this experience has allowed you to avoid stress that was tied to the office and provided you a chance to reconnect with your family on a deeper level, then this may very well be exactly what retirement living can provide for you!

ECONOMIC INCOME PAYMENTS

As part of the CARES Act, you may be entitled to receive an Economic Income Payment (stimulus check) from the IRS. These checks began to be sent earlier this month. Initial payments went to those with banking info on file with the IRS. Physical checks are being distributed now. You can check eligibility and the status of your payment at:

<https://www.irs.gov/coronavirus/economic-impact-payments>

The stimulus check is \$1,200 per individual (\$2,400 for couples) and can be increased by \$500 per qualifying child. Eligibility is based on income from your 2018 (or 2019) tax return. If you weren’t required to file a return, you may still be able to claim a payment. Payments are phased out beginning at adjusted gross income of \$75,000 for individuals and \$150,000 for married couples filing jointly. Additional requirements include being a U.S. citizen, resident alien, or qualifying non-resident alien, having a SSN valid for U.S. employment (or active armed forces member), and not being claimed as a dependent on someone else’s tax return.

Please note, the IRS will not contact you about this payment. If you receive a call, email, text or other notice about claiming your payment, it is likely fraudulent. 15 days after sending your payment, the IRS will send a letter to you to confirm it was sent along with information on what to do if they payment was not received.

U.S. JOBLESS CLAIMS EXCEED 30 MILLION

The current number now exceeds 30 million people who have requested unemployment benefits since the outbreak of the coronavirus pandemic. In just over a month, all job gains since the Great Recession have disappeared, according to new data released by the Department of Labor. The economy created around 22 million jobs since 2010, during a historic decade of economic expansion that came to an abrupt end in February.

Assuming all who filed for benefits are counted as unemployed, the latest figures suggest a potential April unemployment rate of around 20%. That’s double the 10% peak reached in the wake of the 2009 recession and approaching levels last seen during the Great Depression. With each new week, the impact of the coronavirus on jobs comes into finer focus. Several states could ease restrictions put in place to mitigate the spread of the virus over the coming months. Until businesses can safely open again, significant layoffs will likely continue to be a story for workers around the country.

RMD RULE CHANGES

We sent the following notice out to our clients who are in RMD mode. Many of our readers aren't clients so this might be beneficial...

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, all 2020 Required Minimum Distributions (RMDs) from IRAs and Qualified Retirement Plans have been waived. This includes RMDs from inherited IRAs (both traditional and Roth).

If you have an automatic distribution set up for your RMD, it will likely remain as scheduled unless you let the custodian know that you do not want to have the distribution processed.

If you already took a distribution in 2020 prior to the CARES Act and would like to undo the distribution, you may have options. Funds can be re-deposited via the 60-day rollover provision which is allowed once over a 12-month period per taxpayer. IRS Notice 2020-23 has extended the 60-day period to July 15th for any distribution during the Feb. 1st through May 15th period. Unfortunately, if you're a non-spouse beneficiary of an inherited IRA and already took your distribution, the 60-day rollover provision cannot be utilized.

You may also be eligible to qualify for a withdrawal as a COVID-19 related distribution. This applies to any distribution taken between Jan. 1st and Dec. 31st of this year but is subject to specific limitations. The COVID-19 distributions avoid federal early withdrawal penalties for those under age 59½. Additionally, these distributions can be repaid within 3 years.

Please note that investment custodians are still working out the details on how these transactions will be coded and if you withheld federal or state income taxes, do not expect to get your withholding back until you file your tax return.

Unless you need the money from an RMD for living expenses, we can't think of any good reasons not to take advantage of this ruling. Not having to withdraw money from your retirement plan and pay the taxes is a gift we don't often receive.

PERSONAL NOTES

Ann S.— You know how much we'll all miss him.

Vern L.— We hope you are enjoying the new home.

Laura R.— A rough start for sure but your patience will be rewarded.

Aaron G.— Your skills are appreciated!

Roland C. — Your calm demeanor is a rare gift.

COVID-19 CYBER ATTACKS, HACKS, AND MORE – WATCH OUT!

While sheltering at home, social distancing, and doing what you can to stay physically healthy, be sure to stay guarded online as cyber criminals have launched multiple attacks and scams in the wake of the Coronavirus. Businesses, schools, and governments quickly adopted Zoom to facilitate online meetings, but last month security flaws within their software led to issues. In response, Zoom has limited some features utilized by users until the problems are fixed. Left unchecked, "Zoom Bombing" can occur when a hacker joins an online session and posts inappropriate content. Whether you use Zoom, Teams, Facetime, or any other tool, it is critical that you keep both your operating system and apps updated to ensure you have the latest security patches. You can learn more about how to protect against Zoom Bombing at this site:

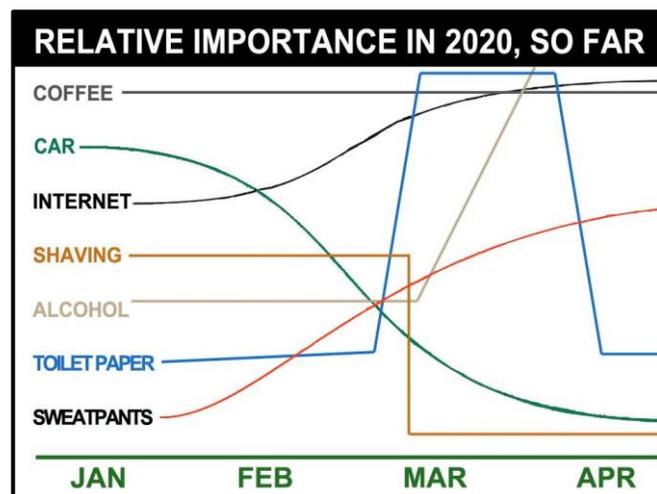
<https://www.pcmag.com/how-to/how-to-prevent-zoom-bombing>

Another scam has involved supposed calls by the "IRS" about stimulus checks. Be it the IRS, Microsoft, or Apple (and others), please remember that these entities will not call you. If you get a call, hang up (or thank the caller and hang up), source a valid number for the entity from their website, and be sure you call them. With the current IRS scam, the caller seeks additional info about you so that your check can be mailed (typically your SSN and other personal info). The scam has similar versions sent via email in what is known as a phishing scam. Of their malicious goals, one can be to try to steal your check. To get your check, please note there is nothing you need to do. If eligible, it will be automatically deposited to your bank (if you had previous banking info on file with the IRS) or mailed to you directly.

Finally, when seeking info on COVID-19, be sure to only visit well-known/trusted websites. Malicious software has been found within sites claiming to have info on home test kits, virus outbreak maps, and more.

To learn more and see what the FTC is doing in response, please visit:

<https://www.consumer.ftc.gov/features/coronavirus-scams-what-ftc-doing>



A STORY

Two guys are sitting in a bar in Las Vegas commiserating about the day's events.

"I lost 6 out of 6 of my basketball bets," says the first guy.

"Ohh, that's tough," replied his friend.

"Then I lost 4 out of 4 of my baseball bets. Stinkin' home team favorites."

"Ouch," said his friend.

"Worse yet, I lost every one of my bets on the horses."

"Well," his friend says, "Maybe you can change your luck and place a bet on the big hockey game tonight."

The first guy replies, "No way I'm betting on that; I don't know anything about hockey."

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SOME THINGS ARE NORMAL

- Walking around the neighborhood and seeing a young family strolling together; their young children without a care in the world.
- Hearing the birds chirping in the trees telling us it is springtime.
- The sun rising in the morning and setting in the evening.
- The freshness in the air after a spring rain shower.
- The rumbling sound of the trucks emptying our trash cans every week.
- The mail getting delivered.
- The consistent taste of a Big Mac.
- An Albitz/Miloe Financial Newsletter.
- A call to a friend and from a friend...just checking in.
- Music remaining as the universal language.
- Adjusting to change but not accepting an unkind future.



Phil's Opinions and Judgments...



On the Virus Impact and One's Mindset...

The situation makes everyone a tad bit pessimistic. Isolation isn't fun and life has changed, not for the better. So what can we do? We can adjust and we can face things head on. We stay strong and change our mindset. A good start to this is to shut off the news. It's all bad anyway. Why subject yourself to bad news on a daily basis? Read a book, work in the garden, do some home repairs, listen to music. Call your family and friends. Get some fresh air and sunshine, and remember once we get past this phase, never take anything for granted again.

On the Virus Protocols...

No more handshakes. Don't get within 6 feet of anybody. Don't touch your face. Wash your hands incessantly. If this keeps up and it probably will, it will no doubt reduce future illnesses during cold and flu season. It will also dry out your hands and provide higher water bills.

On Missing Sports...

I'm a big sports fan and I certainly miss the action, but I've adjusted. However, I'm much sadder for the high school and college athletes. Sport seasons are the best of times for players and their families. They'll never get this time back and that is a total bummer.

On Paying for the Fiscal Stimulus...

Does anybody think our taxes won't go up? If you do, think again.

On the Things We Take for Granted...

Too bad the things we take for granted are the things we love the most.

Until next time,


Phil Chris Paul Clete Sylvia Vance