

Your 2020 Mid-Year Briefing – Records Set, New RMD Ruling, Covid-19

We hope you enjoy your “mid-year briefing.” So much has happened in the last 6 months that we like to simplify it all by taking a step back and looking at the broader perspective, rather than the immediate hyperbole so prevalent in the financial media. Several events are noteworthy and useful for a long-term perspective on the markets.

Records Set

- In just 33 days the market fell 34% on a closing basis between Feb 19th and March 23rd. The swiftness of this decline is without historical precedent. For perspective, the average top-to bottom time over the past 17 bear markets since the end of WW2 is 15 months.
- After the drop, there immediately followed the best 50-day rise in the US market. **Ever**.
- **None** of the economists or market strategists at major financial institutions forecast the event. Yet most investors still look to them for short-term to intermediate term guidance.

Useful Mantra -- Focus on what you can control, not on what you can't

For the long-term oriented investor, this shorter-term perspective is not of much importance, especially since we are well protected for such drops. Instead, we used the drop as an opportunity to focus on what we *can* control:

- Rebalance from bonds into stocks and ride the eventual subsequent wave(s) back up.
- Carry out valuable tax loss harvesting and Roth conversions for our clients, following our Golden Window™ tax planning strategies.

The Covid-19 market crisis provided a great time to strategically act on clients' long-term goals. We elaborated on a couple of the tax techniques in our May newsletter.

Another(!) New RMD Ruling for 2020 from the IRS – August 31st Deadline

As of June 25th, the IRS further changed the rules to allow *all* RMDs taken this year, **including those taken in January**, to be returned to your IRA, including inherited IRAs, without any worry about the 60-day rollover rule or the once-per-year rollover rule. However, the return must be completed by *August 31st* to avoid being taxed. For those over 72, this could be a great opportunity to use the taxes you save from the elimination of (all) RMDs for 2020 to carry out an IRA-to-Roth conversion (before December 31st), which benefits both you and especially your heirs.

Curious Phenomenon

Human nature assumes that when stock prices are rising, their value is also increasing, and investors want to buy more and more the higher they rise. And when prices are falling, human nature fears that the permanent value of successful companies is somehow being destroyed, and investors rush to sell them at any price.

This contrasts with how we process literally everything else in our economic lives. January white sales, Black Friday, end-of-model-year clearance sales on cars: the principle is the same. Selling stocks after they crash is thus the ultimate unforced error in personal finance – yet it's basic human nature.

The stock market is the only market where things go on sale, and all the customers run out of the store.

-- Cullen Roche

Thoughts on Covid-19

Although this is *not* our area of expertise, we do want to share a link to an article we have found particularly useful, especially in the present situation where we are in the process of “opening-up.” Infectious-disease

specialist Prof. Erin Bromage of Univ. of Mass., Dartmouth, posted this in May, but it is still one of the more helpful we've seen because it provides some *quantitative* estimate of the likelihood of getting an infectious dose in different common situations, such as talking (~ 5 min) or just being in a room with others (~50 min). The [posting](#) is worth checking out.

On a more light-hearted note, we've really enjoyed the artful performances that several groups have created while home sheltering. Some are rather remarkable. Here is a [link](#) to one we've particularly enjoyed!

With heartfelt best wishes that you and your families stay healthy and safe!

Lisa and Jack

If you have questions about any of these topics or would like to talk with a tax-focused CERTIFIED FINANCIAL PLANNER™, you can schedule a free conversation [here](#).

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