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# BKMWM Newsletter June 2020

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## Topics:

1. Financial Markets
2. Pandemic Pause
3. Estate Planning
4. IRA Contribution Deadline
5. Emergency Funds
6. The CARES ACT

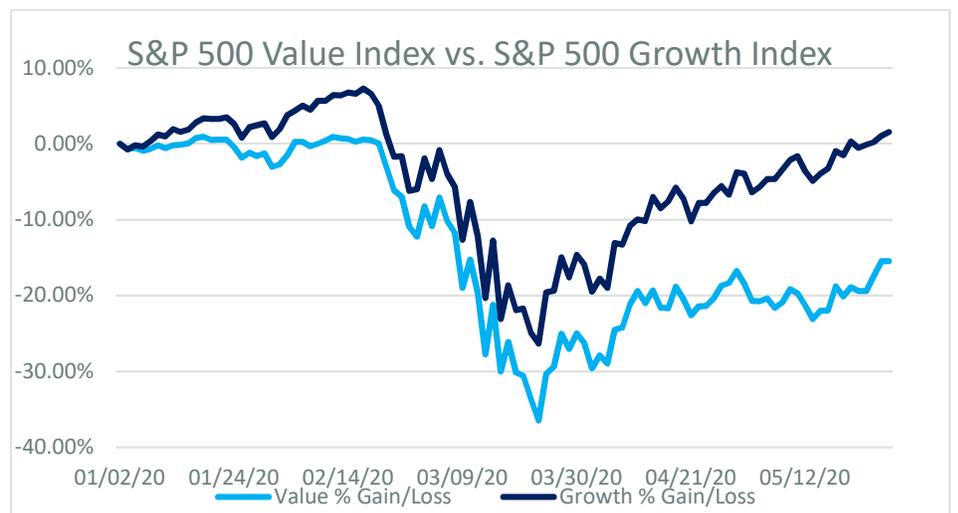
BKM Wealth Management  
20300 Water Tower Blvd  
Suite 250  
Brookfield, WI 53045  
Tel: (262) 955-7150  
Fax: (262) 955-7147  
[info@bkmwm.com](mailto:info@bkmwm.com)  
[www.bkmwm.com](http://www.bkmwm.com)



## 1. Financial Markets

Since the March 23<sup>rd</sup> low the S&P 500 Index has gained 37%. From what we observed, much of the gains have been driven by large, domestic technology and growth oriented stocks. In relative terms, value stocks (stocks that typically have lower price/earnings ratios and often pay dividends), smaller companies and foreign stocks have been left behind.

The stock market is generally a forward looking indicator and up to this point seems to have done a pretty good job predicting better news on the Coronavirus and economic activity. Given the large run up in stocks we now feel that the markets may be a bit too optimistic and most stocks are fairly valued if not overvalued. Therefore, our expectation is that stocks may tread water or decline a bit in the near term. Of course, near term stock predictions are difficult and rarely accurate. The better question is, where will stocks be in 5 years? Over that timeframe we are optimistic that the global economy will grow and most stocks will move up along with that growth.



Source: Thomson One Charts 05/28/2020

## 2. Pandemic Pause

How are you? We've been asked that by many clients as we've been asking them the same question. Physical, mental, and financial health have been all concerning the last few months.

We have tried keeping in touch with you through calls and e-mails while mostly working from our homes. Hopefully you are staying well. Hopefully we have talked with you and have stayed accessible when you've attempted reaching us (despite our recent physical move to a new location).

Surely there has been much to talk about. The sudden pause/stop in much of the world's economy has had profound effects. I believe that plummeting stock and bond prices reversed around the time when the Federal Reserve reduced interest rates to zero and government unemployed worker payments and business loans appear to have helped restore (at least temporarily) investor confidence. The extremely low interest rates tend to punish conservative investors. Weaker sales punish business profits out of which dividends are paid. Already over 30 major U.S. companies have cut or suspended their cash dividends. Several retailers have declared bankruptcy. Many stocks are still down considerably year-to-date.

Numerous states are re-opening their economies. The virus is still with us. No vaccine has been produced and when there is, shortages and conflicts will arise. The uncertainties are astounding. We are doing our best to study and understand prudent courses of action. This pertains to both how we socialize, conduct our business (both remotely and in the office) and whether we choose to stay the course or re-think our investment strategies.

If we aren't reaching out to you enough, please let us know. We can meet with you on the phone and/or via web conference any time. Web meetings are as easy as clicking a link that we email you and you will be able to view our screens and reports in real time.

As always, we urge you to contact us with your questions, concerns, and any new information pertinent to your income needs, investment time frame, risk tolerance, etc. The pandemic has paused many things. It will not stop our helping you navigate through these unusual times. Your trust is our most valuable asset. We are thankful for your business and trust!

## 3. Estate Planning

If you haven't reviewed your beneficiary information recently, now may be a good time to do so.

Retirement accounts can have primary and contingent beneficiaries designated, individuals and non-individuals (i.e. charitable organizations). For non-retirement accounts (excluding Trusts) consider adding Transfer on Death (TOD). Primary and Contingent beneficiaries can be designated similarly. The assets in your TOD account are distributed according to the TOD agreement upon your passing and are not subject to probate.

Ensure that your will and trust are up to date. When were these documents drafted? Have there been significant life changes? Are your Financial and Health Care Powers of Attorney (POA) still individuals who are trusted family members or friends who can make financial decisions on your behalf if you were to become incapacitated? If so, please provide us a copy. If you do not have a designated POA, we can utilize our internal

“Trading Authorization” forms to essentially accomplish the same thing for your accounts held with us. Both TOD and POA provisions end upon your passing. Please contact us to discuss logistics.

Are all your assets correctly titled? Many people create legal documents and then forget to change their assets to be titled in the trust name. This means that the trust is worth no more than the paper it was printed on. Don't forget this key step in the estate planning process. Be proactive and ask your attorney exactly how each of your accounts should be titled and contact us if we should be changing your account's titling.

While we are unable to draft or review these legal documents on your behalf, we can help ensure your affairs are in order. Contact our team to discuss your situation and intentions.

#### 4. IRA Contribution Deadline - 7/15/2020

Separate from the CARES Act the IRS extended the deadline for making 2019 IRA, Roth IRA and Health Savings Account contributions. Instead of April 15<sup>th</sup>, 2020 the deadline is July 15<sup>th</sup>, 2020. This is the same deadline as the 2019 tax filing deadline. If you qualify and have the cash flow available to make an IRA contribution, consider making one before July 15<sup>th</sup> and attributing it to 2019's tax year. This will give you the flexibility to make an additional 2020 IRA contribution before the tax filing deadline in 2021.

#### 5. Emergency Funds

According to the AARP, 53% of U.S. citizens have no emergency savings. Recent pictures of long food lines and stories of rising credit card, rent and mortgage delinquencies are evidence of this.

Most of our clients are in good financial shape despite the economic downturn. They have low or no debts and pay off credit card bills every month. However, their children and grandchildren or someone they know may not. The pandemic has again reinforced the importance of everyone having an emergency fund. Three to six months living expenses in a savings, checking or short term bank CD is a first step in investment planning.

#### 6. Key IRA Impacts of the CARES Act

On March 27<sup>th</sup> the Coronavirus, Aid, Relief and Economic Security (CARES) Act was signed into law. While the law contained many provisions, below are some of the impacts the law has on IRAs and retirement plans:

- **Temporary Waiver of Required Minimum Distribution (RMDs) Rules** for Defined Contribution Plans, including 401(k), 403(b), 457(b), as well as IRAs - Required minimum distributions (RMDs) rules are waived for 2020 distributions from IRAs, including Inherited IRAs and 2019 RMDs not taken in 2019 with a required beginning date of April 1, 2020.
  - An RMD that has already been taken in 2020 AND meets the following conditions, may be rolled back into the IRA:
    1. It was taken less than 60 days ago
    2. No IRA-to-IRA 60 day rollover contribution was completed in the last 365 days
  - Please note: Only one distribution is eligible to be rolled over per 365 days. If you have received multiple distributions, only one of those distributions is eligible to be rolled in the 60 day period.

- Under current rules, a distribution taken by a non-spouse from an Inherited IRA cannot be rolled back into the Inherited IRA or the individual's own IRA.
- A spouse may be eligible to rollover the Inherited IRA distribution to their own IRA, but not their Inherited IRA, if they meet the below conditions.
- As of April 9th, 2020, per IRS Notice 2020-23, certain clients will have additional time to make a rollover contribution.
  - One distribution taken from 2/1/2020 to 5/15/2020 will now have until 7/15/2020 to be rolled over.
  - The Notice did not give any relief to the one (1) IRA-to-IRA 60 day rollover per 365 day rule or provide relief for inherited IRAs.
- There may be additional relief for any distribution taken that does not meet these requirements.
- **Penalty Free Distributions from IRAs and Certain Retirement Plans** – Distributions to Qualified individuals from IRAs and retirement plans received during 2020 of up to \$100,000 for COVID-19 are exempt from the 10% additional tax for early or pre-59 ½ distributions. These amounts are not subject to the 20% withholding requirements for qualified retirement plans. Qualified individuals include a COVID-19 diagnosis for an individual, their spouse or dependent, or financial hardship as a result of business closures, reduced work hours, lay off, furlough, lack of child care or other factors as determined by the Treasury Secretary.
  - **Additional Provisions:**
    - Option to spread the taxable income over a three-year period
    - Repay any or all of the distribution to a retirement account over the next three years.
    - Repayments not subject to retirement plan or IRA contribution limits

Source: [www.irs.gov](http://www.irs.gov) and Wells Fargo Advisors CAR-0320-04765



*Financial advisors whose mission is to positively impact lives.*

### Investment and Insurance Products:

<b>NOT FDIC-Insured</b>	<b>NO Bank Guarantee</b>	<b>MAY Lose Value</b>
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*The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.*

*The S&P 500/Barra Growth Index is an unmanaged capitalization-weighted index of stocks in the Standard & Poor's 500 index having the highest price to book ratios. The Index consists of approximately half of the S&P 500 on a market capitalization basis.*

*The S&P 500/Barra Value Index is an unmanaged, market-capitalization-weighted index of the stocks in the Standard & Poor's 500 Index having the lowest price to book ratios. The index consists of approximately half of the S&P 500 on a market capitalization basis.*

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