

# 2Q20

# The Financial Solutions Advisor

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## Economic & Market Perspectives

Markets turned sharply negative in the first quarter of the year as the COVID-19 pandemic and social distancing brought certain areas in the global economy to a halt. U.S. equities dropped by the most in a quarter since 2008, with small cap being the worst performer at -30.6% and large cap stocks returning -19.6%. The global spread of the virus led to a sell-off in international equities, which delivered double-digit negative returns as well. Fixed income played its defensive role and delivered a positive return of 3.1%, as the Federal Reserve cut interest rates to zero and announced unlimited quantitative easing. And while global high yield outperformed equities, it still finished the quarter

at -15%, given concerns around the effect of shutdowns. Additionally, commodities dropped by -23.3% with the double shock of decline in demand and a plunge in oil prices after a rise of tensions between Saudi Arabia and Russia.

While the outlook for the rest of the year is highly uncertain, investors should remember that the disruption will eventually end and the economy will bounce back once the virus is contained. It's important to remember that while each market disruption is different we have been through them before and always persevered. In times like these, we try to take advantage of the fear and dislocation in the market. Though it

### 2020 Returns

<i>S&amp;P 500</i>	-19.60%
<i>NASDAQ</i>	-10.29%
<i>Russell Small Cap</i>	-30.61%
<i>Russell Mid Cap</i>	-27.07%
<i>MSCI EAFE</i>	-22.83%
<i>MSCI World</i>	-21.05%
<i>Barclay US Agg. Bond</i>	3.15%
<i>Barclay Municipal Bond</i>	-0.63%

doesn't feel good in the moment these are the periods that we look to sow the seeds of long term out performance.

*Source: J.P. Morgan Asset Management*

## Risk Tolerance and Investment Goals

Riding the rollercoaster of a volatile market brings a whole range of emotions. And with those emotions often come decisions that aren't always rooted in logic and data. The cycle of emotions an investor encounters as the markets go up and down can have a drastic impact on the decisions made within his or her portfolio. As fear and panic set in, investors may sell at the wrong time. Conversely, as the markets are on the rise, many investors may gain more confidence about investing in the market again.

By removing human intervention from the investment process, you can mitigate the risk associated with the cycle of investor emotions.



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## Bear Markets Come and Go

The longest bull market in history lasted almost 11 years before coronavirus fears and the realities of a seriously disrupted U.S. economy brought it to an end.

If you are losing sleep over volatility driven by a cascade of disheartening news, it may help to remember that the stock market is historically cyclical. There have been 10 bear

markets are typically defined as declines of 20% or more from the most recent high, and bull markets are increases of 20% or more from the bear market low. But there is no official declaration, so in some cases there are different interpretations regarding when these cycles begin and end.

On average, bull markets have lasted longer

advance (172.0%) was greater than the average bear market decline (-34.2%).

The bottom line is that neither the ups nor the downs last forever, even if they feel as though they will. During the worst downturns, there were short-term rallies and buying opportunities. And in some cases, people have profited over time by investing carefully just when things seemed bleakest.

Bear Markets Since 1950	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 Index)
August 1956 to October 1957	446	-21.5%
December 1961 to June 1962	196	-28.0%
February 1966 to October 1966	240	-22.2%
November 1968 to May 1970	543	-36.1%
January 1973 to October 1974	630	-48.2%
November 1980 to August 1982	622	-27.1%
August 1987 to December 1987	101	-33.5%
July 1990 to October 1990	87	-19.9%*
March 2000 to October 2002	929	-49.1%
October 2007 to March 2009	517	-56.8%

\*The intraday low marked a decline of -20.2%, so this cycle is often considered a bear market.

markets (prior to this) since 1950, and the market has recovered eventually every time.

(1,955 days) than bear markets (431 days) over this period, and the average bull market

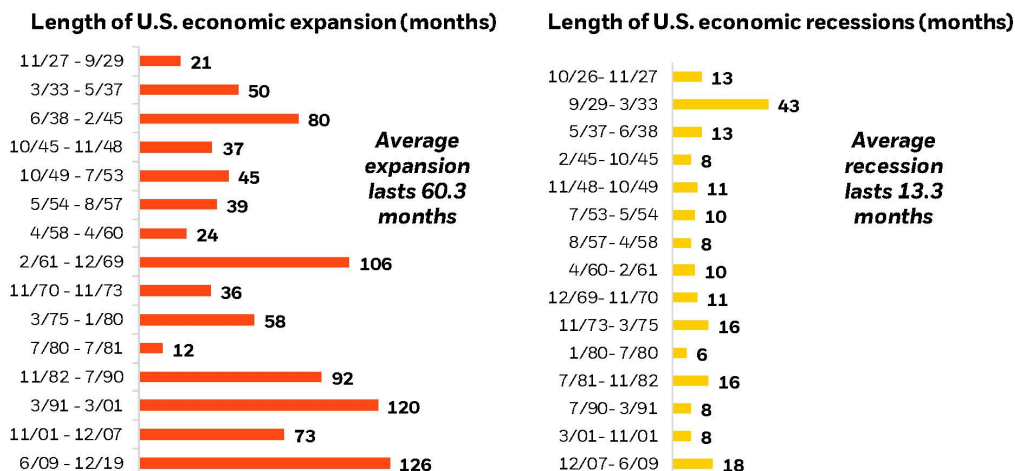
If you're reconsidering your current investment strategy, a volatile market is probably the worst time to turn your portfolio inside out. Dramatic price swings can magnify the impact of a wholesale restructuring if the timing of that move is a little off. A well-thought-out asset allocation and diversification strategy is still the fundamental basis of good investment planning. Changes in your portfolio don't necessarily need to happen all at once. Try not to let fear derail your long-term goals.

*The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.*

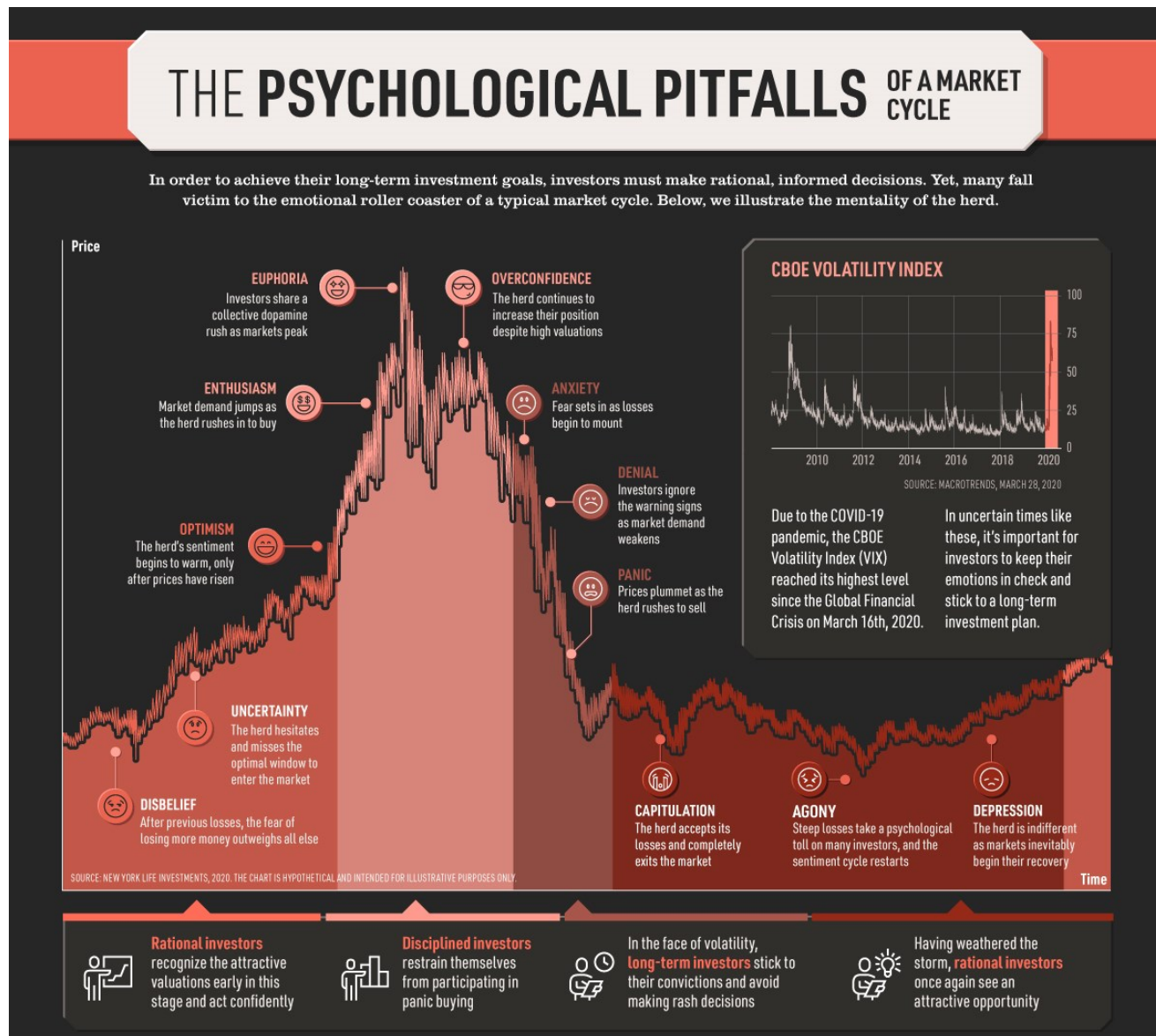
*The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.*

Source: Yahoo! Finance, 2020  
(data for the period 6/13/1949 to 3/12/2020)

## Recessions and Expansions



## The Psychological Pitfalls of a Market Cycle



## Due Date for Federal Income Tax Returns Postponed to July 15

Due to the coronavirus pandemic, the due date for filing federal income tax returns and making tax payments has been postponed by the IRS from Wednesday, April 15, 2020, to Wednesday, July 15, 2020. No interest, penalties, or additions to tax will be incurred by taxpayers during this 90-day relief period for any return or payment postponed under this relief provision.

The relief applies automatically to all taxpayers, and they do not need to file any additional forms to qualify for the relief. The relief applies to federal income tax payments (for taxable year 2019) and estimated tax payments (for taxable year 2020) due on April 15, 2020, including payments of tax on self-employment income. There is no limit on the amount of tax that can be deferred.

*Under this relief provision, no extension is provided for the payment or deposit of any other type of federal tax, or for the filing of any federal information return.*

### Need more time?

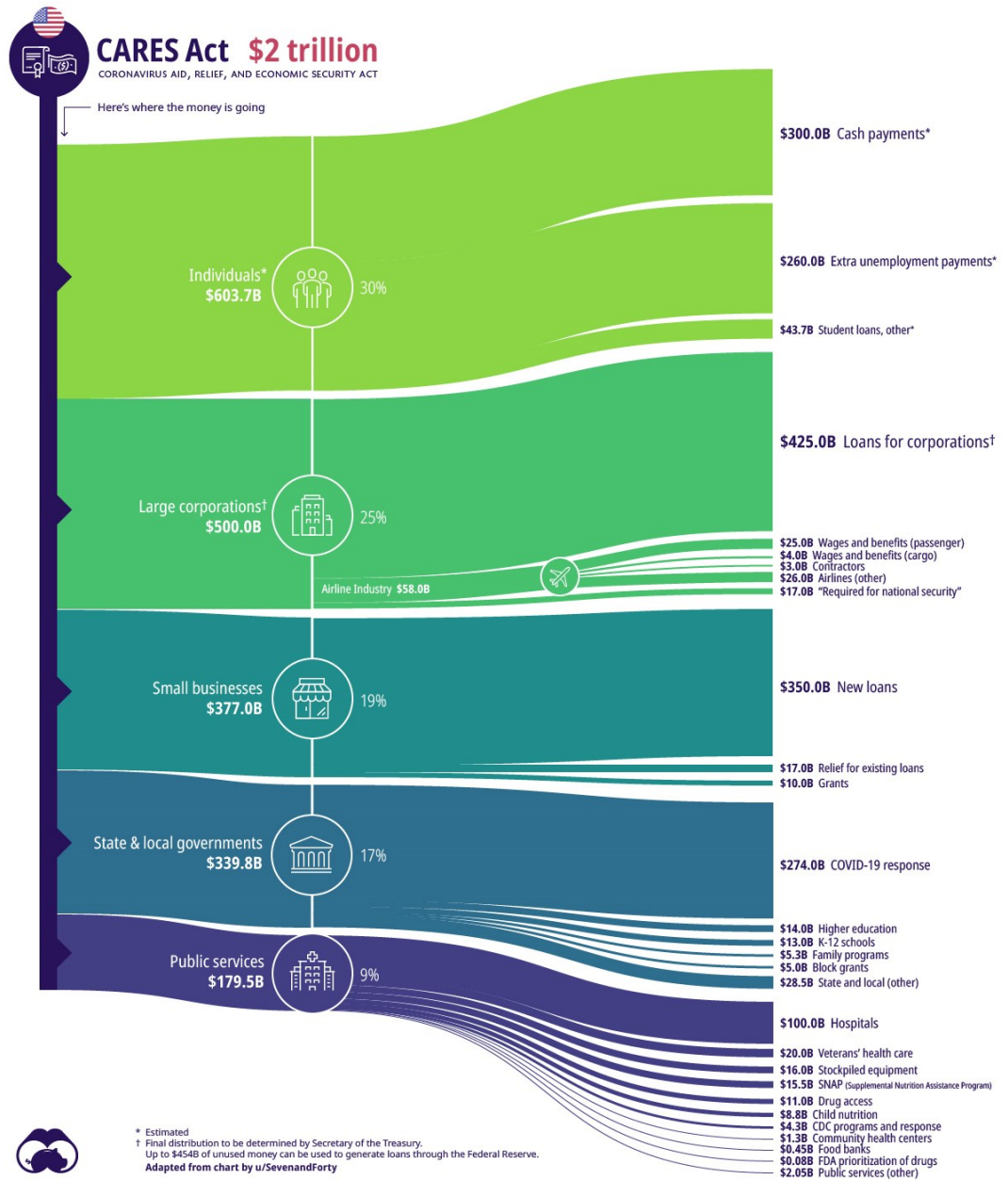
If you're not able to file your federal income tax return by the July due date, you can file for an extension by the July due date using IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Filing this extension gives you an additional three months (until October 15, 2020) to file your federal tax return. You can also file for an automatic three-month extension electronically (details on how to do so can be found in the Form 4868 instructions). There may be penalties for failing to file or for filing late.

Filing for an extension using Form 4868 does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe and pay this amount by the July filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the IRS believes that your estimate was not reasonable, it may void your extension.

### Tax refunds

The IRS encourages taxpayers seeking a tax refund to file their tax return as soon as possible. Apparently, most tax refunds are still being issued within 21 days of the IRS receiving a tax return.

# The Anatomy of the \$2 Trillion COVID-19 Stimulus Bill



The unprecedented response to the COVID-19 pandemic has prioritized keeping people apart to slow the spread of the virus. While measures such as business closures and travel restrictions are effective at fighting a pandemic, they also have a dramatic impact on the economy.

To help right the ship, the Coronavirus Aid, Relief and Economic Security Act, also known as the CARES Act—was passed by U.S. lawmakers in late March with little fanfare. The act became the largest economic stimulus bill in modern history, more than doubling the stimulus act passed in 2009 during the Financial Crisis. Broadly speaking, there are five components to the COVID-19 stimulus bill:

Category	Total Amount	Share of the Package
Individuals / Families	\$603.7 billion	30%
Big Business	\$500.0 billion	25%
Small Business	\$377.0 billion	19%
State and Local Government	\$340.0 billion	17%
Public Services	\$179.5 billion	9%

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