Schneider
WEALTH STRATEGIES

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WEALTH MANAGEMENT REPORT

As A Final Act of Love, Plan Thoughtfully

"Everybody wants to go to heaven," according to a classic blues song, "but nobody wants to die." Nor does anyone like to think about dying. And that must be why some people don't put much thought into estate planning, much less in drawing a schematic for distributing one's earthly possessions to those you love the most.

But this is important. It's something you want to do diligently. It's something you want to get right.

Your heirs and the executor of your estate — the person you choose to oversee that your wishes are carried out — will remember you kindly for your clarity of purpose; it's good for all involved. Otherwise, you risk setting off a family feud. Resolving not to leave your property open to legal dispute, here are three key rules for further planning your estate:

Name Beneficiaries Correctly. Putting someone's name in your will is not be enough, of course. It's wise to name who gets what in documents filed with your insurer, annuity provider, retirement fund sponsor, and for individual retirement accounts. To be clear, if you want your daughter to get your IRA, naming her in the will does no good. It must be on file with a custodian. Moreover, listing multiple beneficiaries of real estate often is an invitation to a quarrel. What if you give your home to your three children? Maybe one wants to keep it for old time's sake, and the other two want to unload it and pocket the money. Or perhaps they all want to sell but can't agree on a broker or a fair selling price. In the meantime, they would need to chip in to maintain the

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Covid-19 Tax Break Suspends Required Minimum Distributions

Federal emergency aid legislation suspends required minimum distributions (RMD) for 2020. If you do not need the income from your IRA or retirement plan, here are tips to maximize the benefit and build your retirement income portfolio.

Background: Before 2020, individuals were required to take withdrawals annually from federally qualified retirement accounts at age 70½. The amount of your distribution is based on an actuarial calculation of life expectancy published by the IRS.

What's New. CARES Act, which became effective March 27, 2020, waives RMDs for 2020. If you don't need the distribution to pay expenses or debt, you may elect to skip your distribution for 2020.

Roll It Over. Rolling over the distribution into your plan defers the taxes and extends effectively tax-free compounding of a distribution that otherwise would have been taxable income. But there is a better idea.

Roth It! Use the distribution you expected to be your RMD to fund a Roth IRA. You maximize tax savings by directing the amount you had expected to withdraw into a Roth IRA. Effectively, you convert those RMD assets into a tax free income stream. Distributions taken as RMDs are taxable, distributions taken from a Roth IRA are not!

Complications. If you already took a required distribution in 2020, it may not be too late to act.

In this period of social distancing, many individuals 65 and older are staying home and their expenses are lower than expected. Optimizing the 2020 waiver on RMDs from IRAs and qualified plans, such as 401(k)s, 403(b)s, and defined benefit (DB) plans, may require further planning . We welcome your questions about how to evaluate your personal situation.

Business Owner Alert: Covid-19 Retirement Loans

Business owners are in a tight spot: Federal tax rules have eased restrictions to allow those harmed by the epidemic to borrow from their IRA or federally qualified retirement plan; but without careful planning, business owners taking a loan from your retirement savings to support your business could land you in an even worse personal financial position if you are unable to repay it. Here's what business owners facing challenges need to know now.

Emergency legislation passed on March 27, 2020 -- specifically, Section 2202 of the Coronavirus Aid, Relief & Economic Security (CARES) Act -- eased restrictions on borrowing from 401(k), 403(b) and other federally qualified retirement plans and IRAs. If you've been harmed by the Covid-19 epidemic, the maximum amount you can borrow was doubled to $100,000, and you will not face the usual 10% early-withdrawal penalty.

IRAs and employer-sponsored retirement plans normally impose a 10% penalty on withdrawals made by individuals before age 59½. The CARES Act broadly waives the early withdrawal penalty for individuals hurt by the epidemic. The waiver is extended if you have been diagnosed with SARS-CoV-2 or Covid-19, or if your spouse or dependent is diagnosed with SARS-CoV-2 or Covid-19. Waiver of the early-withdrawal penalty is also extended if you experienced adverse financial consequences as a result of being quarantined, furloughed, or laid off or if your work hours were reduced, or you are unable to work due to lack of childcare.

The CARES Act gives you three years to pay back the loan, which must be made in 2020. Repayment must be completed over three installments in each of the next three tax-years, but you can pay it sooner. However, business owners, especially those nearing retirement, need to weigh the risk carefully.

Assets in your personal federally qualified plan or IRA are beyond the reach of business creditors. If your business fails and must file for bankruptcy, your creditors generally cannot lay claim to your personal retirement accounts. Forfeiting that protection from creditors by investing retirement dollars in your business when you are near retirement may not be worth the risk.

Taking a loan from your retirement savings to boost your business, under the new Coronavirus tax rules in the CARES Act, is not just a business decision. It's a family and financial planning decision.

Please note, the U.S. Government's response to the Coronavirus crisis implements new regulations and their precise impact may not be available at the time this was written or could be subject to change by U.S. Government agencies, such as the Internal Revenue Service or Small Business Administration. ●

How Negative Interest Rates In Germany Limit Pandemic Economic Damage To U.S.

While the coronavirus pandemic has exacted a once-unimaginable toll in human life, its financial cost is somewhat cushioned by an unusual confluence of global conditions shielding Americans from a much-worse economic catastrophe.

A country's economic growth is the product of two factors: growth in its labor force and productivity gains. National productivity gains can be altered or enhanced almost immediately by government policy or extraneous factors beyond government control. However, growing the labor force, even if a national policy to have more children were instituted today, would take 20 years to kick in. That's is the earliest time frame in which children born within the next year will start entering the labor force. To investors, 20 years is an eternity! Thus, a nation's economic growth hinges on an almost permanent axis based on national demographics.

Currently, the working age population in Germany is growing slowly relative to the U.S. This led the German central bank to lower interest rates to stimulate economic activity. Lending rates have been lowered so much that long-term German bonds are priced to trade at yields below zero. This means that bondholders of German government bonds are paying the government to keep their money!

Because bonds are traded worldwide and Germany is the second-largest supplier of sovereign bonds worldwide, negative rates in Germany have led investors worldwide to buy U.S Treasury bonds instead of lower-yielding German Bunds. That anomaly is causing U.S. long term bonds to rise in price and that in turn has depressed yields on U.S. Treasury debt. As a result, the massive aid packages are costing the U.S. Government next to nothing in terms of interest on the borrowings.

Covid-19 And The Fed

The Coronavirus financial crisis is being compared by some to the near collapse of the global financial system in 2008 and The Great Depression from 1929 to 1939, but there is one big difference this time: The Fed. The Federal Reserve Bank is using innovative new tools to contain the financial damage of the Coronavirus epidemic.

In the financial crisis of 2008, the chairman of the Fed at the time, Ben Bernanke, an academic who had spent decades studying previous financial crises, repeatedly deployed a technique called quantitative easing (QE). QE expanded the Fed's balance sheet to buy back U.S. Government bonds on the open market, thus, lowering long-term interest rates, at least in theory.

Never before had the tactic been used by a central bank in a major economy. It worked, however, and QE was one of the reasons the U.S emerged successfully from The Great Recession of 2008 and 2009. The Fed's present response to the Coronavirus crisis is literally 10 times more powerful.

Under the $2.2 trillion Coronavirus Aid, Relief, and. Economic Security (CARES) Act enacted March 27, 2020, the U.S. Government allocated $454 billion to Federal Reserve Bank Special Purpose Vehicles that the central bank can leverage 10 to 1, thus enabling it to lend up to $4.54 trillion to companies in financial distress.

That sum is reportedly more than all U.S. commercial and industrial loans outstanding at the end of 2019, plus all the new corporate bonds issued during 2019 combined! Although the expansion of the Fed's power has been criticized as a step toward a centrally planned economy, this government action limits the risk of potentially massive corporate bond defaults and corporate bankruptcies.

The U.S. led the worldwide economic recovery following the global financial crisis of 2008, in part because of the Fed's innovative approach. And now, this most recent display of Yankee ingenuity -- in the form of the Fed's new tools -- is at play once again in fighting the Coronavirus-induced financial crisis.

In these frightening times, the Fed's new tool set is likely to become a mere footnote in history books that will be written about the pandemic in the decades ahead. Ever since Alexander Hamilton established the first U.S. central bank in 1791 to respond to the financial crisis that followed the Revolutionary War, the uniquely American central bank has enabled the progress of civilization through financial crises. The U.S. Fed's response to the Coronavirus financial crisis is a shining example of what makes it exceptional. ●

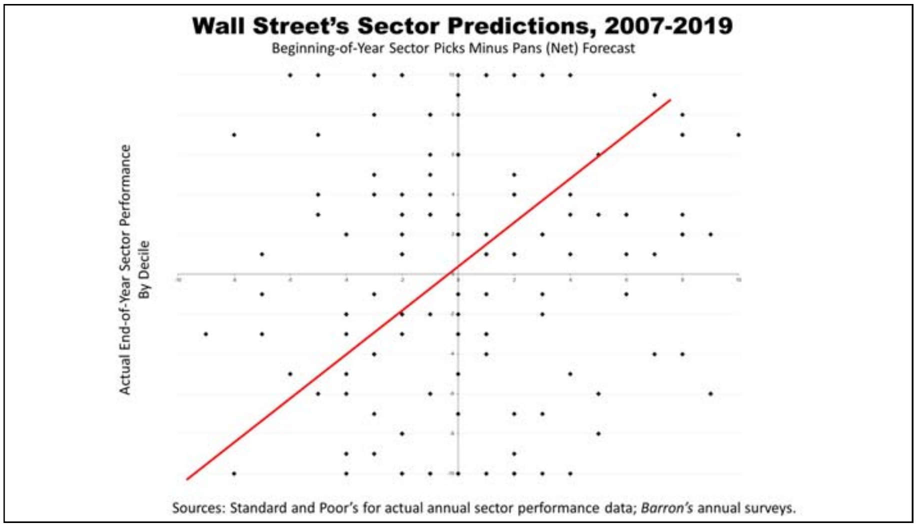
While this may seem academic, it has real world consequences. Anomalous global economic conditions are supporting greater U.S. Government largesse while adding a negligible amount to the long-term national debt. Negative interest rates in Germany are making it possible for Uncle Sam to bolster funding for the CARES Act, as well as programs like the Paycheck Protection Program, the Supplemental Nutrition Assistance Program (SNAP) for food stamps, the hike to unemployment insurance compensation payments and other U.S. Federal Government aid.

Conclusion: The U.S. is benefiting from foreign demographic trends in its fight to limit the pandemic's economic damage. ●

Don't Invest Based On Covid-19 Predictions

Predictions of a crash in commercial real estate are rampant, as are forecasts of explosive growth in tech and biotech. Should you believe them?

Every crisis spawns new sales pitches and outright frauds, and the unprecedented nature of the Coronavirus epidemic makes it harder to know what to believe. Here are some facts to keep in mind as financial gurus, Wall Street seers and outright fraudsters bombard shell-shocked investors with predictions of which sectors will prosper most in from the epidemic.



This scattergraph shows the history of the Wall Street strategist sector performance based on their predictions published in Barron's for the past 13 years. If Wall Street strategist predictions had been correct, the black dots would all fall along the red line or cluster around it. The randomness of the picks shows that Wall Street's predictions of the best sectors are not working.

This data was compiled by economist Fritz Meyer, a strategist at one of the world's largest investment companies for over a decade before going independent in 2009. We periodically share Mr. Meyer's updates to this chart and it's worth repeating amid these surreal times.

If Wall Street strategists' predictions had been correct, if Wall Street could predict which industry is doomed and which will prosper the most, then the black dots would all fall along the red line.

The randomness of the picks shows that Wall Street's top strategists' picks and pans, as published in Barron every year since 2009, were usually way off the mark. Past performance is not indicative of future results, but the Covid 19 epidemic does not suddenly make it easier to predict which industry sector will be best or worst in 2020.

Instead of trying to predict the future, investors should stick with a diversified portfolio that is consistent with their risk comfort and is designed to help meet their long-term goals. ●

A Final Act of Love

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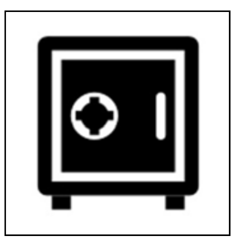
house, which can cause further disputes.

Keep Estate Plans Current. Years or decades may pass between when an estate plan is devised and your death. Lots can change. Like spouses. If you divorced and never updated your estate plans afterward, your ex could end up inheriting your worldly possessions. And what about your nephew, who was so delightful as a kid but grew up to be someone you don't really want to help financially. What's more, the tax laws could have changed, and old plans may be totally out of sync with current rules. Reviewing your estate plan annually makes sense.

Provide Vital Information. Another problem is not furnishing your executor and heirs with a thorough up-to-date list of accounts and how to get access to them. Account titles, user names, and passwords — along with security questions — must be stored. Encrypting and saving this information is best. Writing it down and storing it in a safe deposit box is next best. However, not everything should be stored digitally. Mortgage documents, the deed to your home, your last mortgage payment and paperwork on your car are best kept in a safety deposit box, which requires a key and a photo I.D. to access. So, remember to arrange access for your executor with the bank. In leaving an item of sentimental value, consider who among your heirs would most appreciate its significance. It's wise to have a master list with all user names and passwords for financial holdings. This can be in your safe deposit box or in a secure place in your home. Trouble is, keys tend to get lost. Encrypting it and storing it online or on secure media you keep in your home is better.



Nobody wants to die but making your final wishes easy on loved ones is a thoughtful final act. ●

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