FINANCIAL WISDOM

Spring 2020

THE IMPORTANCE OF YOUR FINANCIAL HEALTH

In these unprecedented times, we hope you and your family are safe and staying healthy. While maintaining good health is everyone's #1 priority, the importance of *financial health* has taken on a new meaning during these challenging times.

This issue of Financial Wisdom addresses this topic with insight on the current economic environment and the rapid changes taking place in the stock market. Read what happens when you miss out on a few good days in the market and how to cope with daily volatility. You'll also find a chart that shows an easy way to remember certain retirement planning action steps. And finally, read how to disconnect from an overconnected world.

MARKET UPDATE

(Performance as of March 31, 2020)

	YTD	1 Year	3 Year*	5 Year*
Dow Jones	-22.73%	-13.38%	4.42%	6.86%
S&P 500	-19.60	-6.98	5.10	6.73
Nasdaq	-13.95	0.70	10.39	10.70

**Average annual return.*
Past performance is no guarantee of future results.
Source: Morningstar.

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A Quarter Punctuated by Highs and Lows

At the beginning of 2020, the U.S. economy was on firm footing. The unemployment rate was 3.5% in February 2020, inflation remained low, and many companies' earnings and revenue were expected to continue growing at a healthy pace. The market also started the year strong, with the S&P 500 Index, an index of the 500 largest companies in America, reaching a new high on February 19th.

Since February, the world has had to cope with the fears over the global coronavirus outbreak, the shutdown of local economies to limit the spread of the virus, and a sharp decline in oil prices due to a price war between Russia and Saudi Arabia. These events swiftly led to the end of the 11-year bull market. In fact, the most recent market downturn was the fastest decline in market history. It took only 22 trading days for the S&P 500 to fall 30% from its February record high.[1]

Fortunately, the government stepped in and funded measures to lessen the financial impact of the coronavirus. The Federal Reserve's $2.3 trillion in loans should help individuals and businesses and bolster the ability of state and local governments to deliver critical services during the coronavirus pandemic. With the $2 trillion CARES Act, cash and unemployment payments will be made to individuals, emergency grants and loans to businesses, and funding to hospitals, schools, and state and local governments.

Despite Setbacks, Markets are Resilient

As a result of the actions from the Fed and Congress, the financial panic in late March has subsided to a large extent. As of April 9th, the markets had recovered just over 50% of the losses.[1] In fact, according to MarketWatch, for the week ending April 17th, the market experienced its best two consecutive weeks of performance since the 1930s.

Often, we have found that market declines will naturally reverse course and, generally, rebounds will occur more quickly than anticipated.

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Consider some of the major negative events the U.S. has faced over the past four decades:

- **Unemployment** exceeded 10% in the early '80s, which was the highest rate since the Great Depression.[2]
- On October 19th, 1987, the Dow Jones Industrial Average fell nearly 23% in a single day, i.e., **Black Monday**.
- The **dot-com bubble burst** in 2002 following excess speculation in internet-related companies.
- The **financial crisis** of 2008, which many of us remember all too well, was the worst economic period since the Great Depression.

Each event caused stock prices to fall in the short term. However, every single negative event presented patient equity investors with long-term opportunity.

When we rang in the new year, few of us could have anticipated what unfolded during the first quarter of 2020. While we all eagerly await the economy restarting, Jemma Financial stands ready—by phone, video, or email—to answer your questions and help you manage through the current environment while never losing sight of your long-term financial goals.

Take the Emotion out of Investing

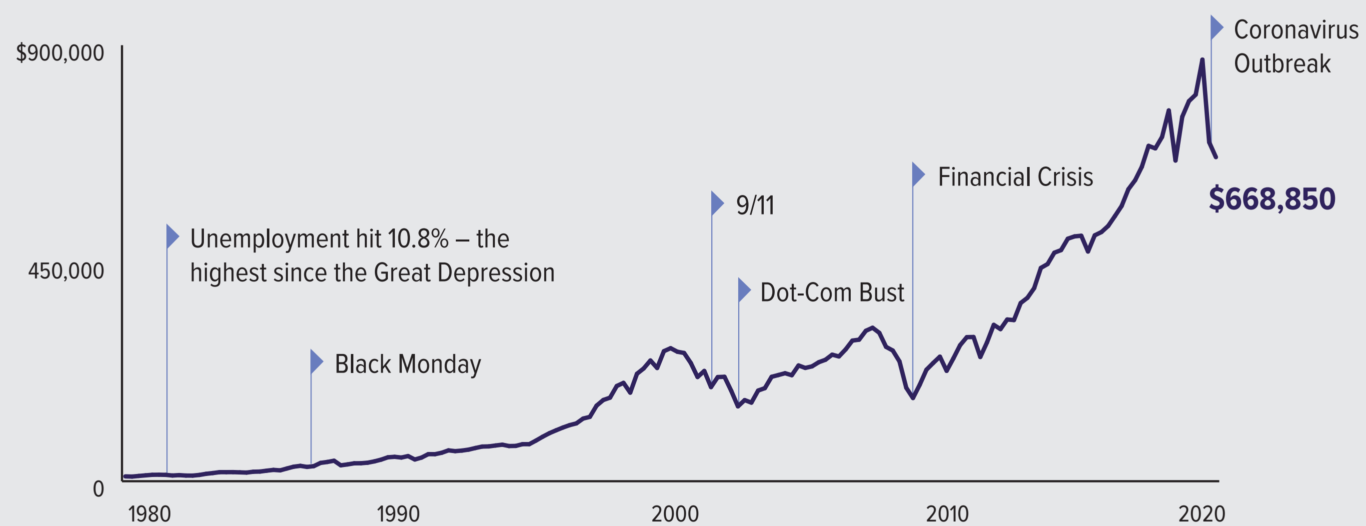
For many investors, it's been quite an emotional roller coaster over the past few months. For example, out of 35 trading days from February 19th through April 7th, 17 days had daily changes, either up or down, of 4% or more. The largest single-day decline during this period was nearly 12% on March 16th and the largest single day increase was over 9% on March 24th.[1]

Take the emotion out of investing with dollar cost averaging. This is a strategy where you regularly buy shares of an investment, thereby "averaging" the cost you pay overall. For example, say you can commit to investing $100 every month into a mutual fund. In the first month, if the investment price is $10 per share, you would then buy 10 shares. During the second month, if the shares are trading higher at $13, you purchase only 7.7 shares. However, in the third month, if the shares are $8, you would receive 12.5 shares.

Consider this strategy with an automated investment plan through Jemma Financial Services. It may help remove the emotion from investing and help you stick to your long-term investment plan.

Despite Short-Term Setbacks, Stocks Have Risen Over the Long Term

Growth of a Hypothetical $10,000 Investment in the S&P 500 Index (1/1/1980-4/1/2020)



Source: Morningstar. Historical references do not assume that any prior market behavior will be duplicated. ***Past performance does not indicate future results.*** *The S&P 500 Index is an unmanaged index of common stock performance. You cannot invest directly in an index. Indexes are unmanaged and used as a broad measure of market performance.*

STAY INVESTED TO CAPTURE THE BEST DAYS

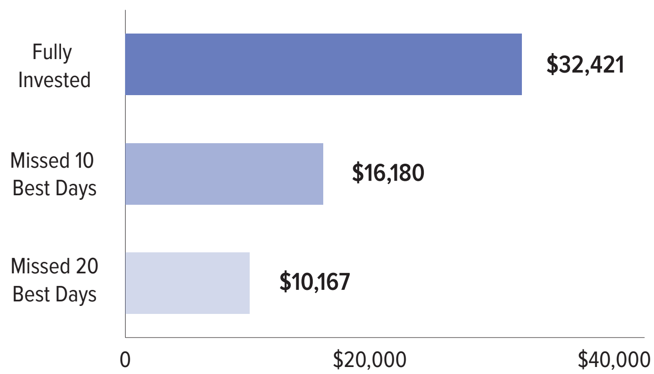
In the first quarter of 2020, the stock market experienced extreme volatility.

What should long-term investors do in times like these?

The key is to stay invested and not try to time the market. Take a look at the chart below. Over the past 20 years, $10,000 invested in the S&P 500 Index has grown to over $32,000. However, if you missed the **10 best days** of market performance over the time frame, your investment would be approximately half that amount. And if you missed the **20 best days**, your investment was even more impacted.

$10,000 investment in the S&P 500 Index over 20 Years

(1/1/00-12/31/19)



Source: Morningstar. ***Past Performance is not a guarantee of future results.***

Looking ahead, no one has a crystal ball to know what the best or worst days will be in the market. That's why it's wise to remember that it's time in the market—not timing the market—that remains important for investors.

RETIREMENT PLANNING BY YOUR BIRTHDAY MILESTONES

Many financial milestones happen on or around your birthday. Taking action can help you meet your retirement goals—and avoid tax penalties.

NIFTY FIFTIES

50 Make catch-up contributions, in addition to your regular contributions

- 401(k) - Up to $6,000 annually
- IRA - Up to $1,000 annually

55 Access money from a 401(k) without paying penalties, if no longer working[3]

59½ Withdraw from your 401(k) or Traditional IRA without penalties[3]

SWEET SIXTIES

60 Create your "my Social Security" account online to see your contributions and full retirement age

62 Claim Social Security, although your benefits will increase approximately 8% for every year you delay

65 Sign up for Medicare 3 months before your birthday to avoid higher premiums

66/67 Confirm your full retirement age with Social Security, which is 66 or 67 depending on your birth year

STELLAR SEVENTIES

70 Start taking Social Security benefits if you haven't yet. At age 70, Social Security maxes out at 132% of the initial full benefit

72 Take your first required minimum distribution (RMD) by April 1 of the year following the calendar year when you turn 72

1. Morningstar. 2. St. Louis Fed Research.
3. Income tax may be due on these withdrawals.

DISCONNECTING FROM AN OVERCONNECTED WORLD

With most of the U.S. under a stay-at-home order to stop the spread of the coronavirus, many of us have had extra time on our hands…and maybe more time to follow the negative news cycle.

It can be hard to go a day without hearing an anxiety-inducing news story. Our non-stop connection to news and media from smart phones, computers, and television often leaves us vulnerable to a constant barrage of negative news. In fact, in a 2015 study done by Pew Research, over 76% of cell phone users admitted to never, or very rarely, turning off their cell phone, leading to a constant stream of information.

Maybe we just need to disconnect occasionally.

One of the best ways to take a break from the constant stream of information and negativity is to disconnect. "Media detoxing," as some call it, involves removing or temporarily disabling our access to media, phones, and the internet to help eliminate distractions and help us focus on the present. Those who practice disconnecting on a semi-regular basis report an increase and better quality of sleep, better interpersonal communication, and an overall increase in life satisfaction.

Here is a list of things the Jemma Financial team does to relax:

- **Go for a long walk** – Taking a walk is a great way to stretch, exercise, and appreciate your surroundings. Even better, invite a friend!
- **Read a book** – Reading is a great way to learn more about a favorite topic, or to escape into any number of fiction genres.
- **Play a favorite game with family** – Playing board games with friends or family makes the time fly with hours of laughs.
- **Listen to music** – Turn on some of your favorite tunes and dance around your house.
- **Pick up a new hobby** – Learn how to play tennis, start a garden, or get in the kitchen and bake some cookies.

While it's impossible to entirely avoid negative news, taking some time to disconnect can help you relax, rejuvenate, and ready yourself to come back to the connected world with a better appreciation of the good things around you.

What's your favorite thing to do to disconnect?

DID YOU KNOW?

According to a global survey,* **over half of women say their spouse takes the lead in major financial decisions,** with the majority indicating they were not interested in planning and investing.

When it comes to financial and personal records, there are advantages to having both partners involved, such as knowing where documents are located in the event of an emergency. **Jemma Financial's Key Documents Checklist can help.** Ask your Jemma Financial Advisor about the comprehensive guide to consolidate your records in one place.

** UBS Global Wealth Management*