

Wealth Management Resources

Your Resource For Financial Success



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Dear Friends and Clients:

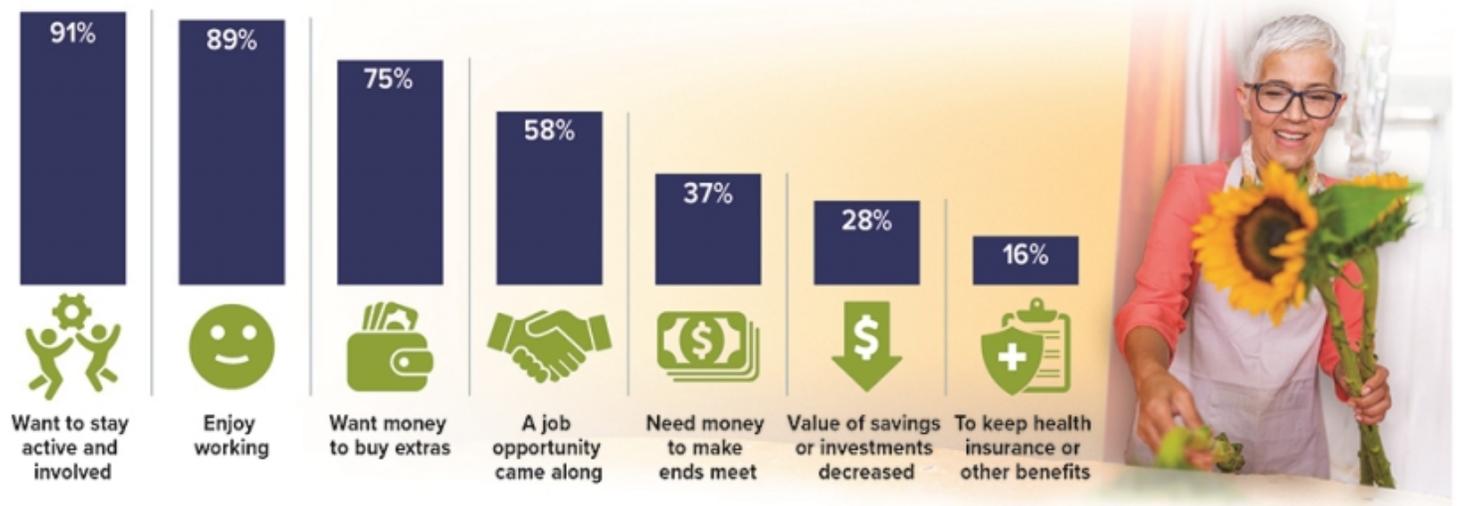
It's hard to believe it's October already. With that, we've provided some articles to help you with potential year-end planning tasks to consider. Markets continue to be volatile with the continued pandemic and elections next month. If you have any questions about your finances or objectives for the future, give us a call (we have Zoom virtual meeting capabilities too). We hope you are safe and staying healthy during these challenging times. Thank you for your continued trust and confidence in our firm.

Arthur, Kevin, Scott, Alex, Patrick, Janice, Betsy, Jeremy and Marissa

Working in Retirement

In 2020, 74% of workers said they expected to work for pay after retiring from their regular jobs, but only 27% of retirees said they had actually done so. This large gap between expectation and reality has been fairly consistent in surveys over the past 20 years, and there is no reason to expect it will change. So it may be unwise to place too much emphasis on income from work in your retirement strategy.

Most retirees who worked for pay reported positive reasons for doing so; however, there were negative reasons as well.



Source: Employee Benefit Research Institute, 2020 (2019 data used for chart, multiple responses allowed)

Quarterly Market Review: July-Sept. 2020

July kicked off the 3rd quarter with a bang as stocks surged. Investors were encouraged by employment growth, a rise in personal income and consumer spending, a surge in the housing sector, and an increase in industrial production. All news was not positive, however. The 2nd-quarter gross domestic product fell more than 31% and many states saw an increase in reported COVID cases. Nevertheless, investors stayed with equities, pushing values higher. The positive run for stocks continued in August, as each of the benchmark indexes advanced notably. The Nasdaq climbed 9.6%, the Dow rose 7.6%, the S&P 500 advanced 7%, the Global Dow vaulted 6%, and the Russell 2000 gained 5.5%.

September saw stocks fall on waning hopes of a second round of stimulus. Also, discord between the U.S. and China ramped. Technology shares took a sizable hit. Unfortunately, there wasn't enough buyers to prevent the benchmark indexes from falling lower by the end of each week of the month. September saw each of the indexes fall, led by the Nasdaq (-5.2%), followed by the Global Dow (-4.3%), the S&P 500 (-3.92%), the Russell 2000 (-3.45%), and the Dow (-2.28%).

Overall, the 3rd quarter produced the second consecutive quarter of notable market gains. Of the benchmark indexes listed here, the Nasdaq proved the strongest, climbing more than 11%, followed by the S&P 500 and the Dow, which gained 8.5% and 7.6%, respectively. The Global Dow advanced 5%, and the Russell 2000 ended the quarter up 4.6%.

Year to date, the Nasdaq remains well ahead of its 2019 year-end closing value, while the S&P 500 is more than 4% over last year's closing mark.

By the close of trading on September 30, the price of crude oil closed at \$39.64 per barrel. The price of gold finished September at \$1,891.80 per ounce, lower than the August 31 price of \$1,940.60 per ounce but higher than its June 30 closing value of \$1,798.80 per ounce.

Employment increased by 1.4 million in August after adding 1.8 million jobs in July. The number of job gains in August is 7.6% below the pre-pandemic level of February, which saw 11.5 million new jobs added. The unemployment rate dropped 1.8 percentage points to 8.4% for August as the number of unemployed persons dropped by 2.8 million to 13.6 million.

The FOMC voted to maintain the federal funds rate range at 0.00%-0.25%. The FOMC expects to maintain this target range until labor market conditions have reached maximum employment and inflation has risen to at least 2%. The Committee noted that, although economic activity and employment have picked up in recent months, they remain well below their levels at the beginning of the year.

The housing sector continued to post strong sales numbers in August. Sales of existing homes jumped 2.4% last month after climbing 24.7% in July. Sales of existing single-family homes increased 1.7% in August following a 23.9% jump in July. After climbing 13.9% in July, sales of new single-family homes surged again in August, increasing 4.8% for the month.

Industrial production has risen in each of the past 4 months. Mining production fell 2.5% in August. The output of utilities moved down 0.4%. Overall, the level of total industrial production was 7.7% lower in August than it was a year earlier.

The international trade in goods deficit was \$82.9 billion in August. Exports of goods for August were \$118.3 billion, 2.8% more than July exports. Imports of goods for August were \$201.3 billion, or 3.1% more than July imports.

Eye on the Month Ahead: The economy is expected to continue its slow, upward trend in October. The market took a hit in September but showed signs of recovering toward the end of the month. Certainly, the run for the presidency will garner increasing attention and influence the economy in general and the stock market in particular.

Five Investment Tasks to Tackle by Year-End

Market turbulence in 2020 may have wreaked havoc on your investment goals for the year. It probably also highlighted the importance of periodically reviewing your investment portfolio to determine whether adjustments are needed to keep it on track. Now is a good time to take on these five year-end investment tasks.

1. Evaluate Your Investment Portfolio

To identify potential changes to your investment strategy, consider the following questions when reviewing your portfolio:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What factor(s) caused your portfolio to perform the way it did?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

2. Take Stock of Your Emergency Fund

When you are confronted with an unexpected expense or loss of income, your emergency fund can serve as a financial safety net and help prevent you from withdrawing from your investment accounts or being forced to pause your contributions.

If you haven't established a cash reserve, or if the one you have is inadequate, consider how you might build up your cash reserves. A good way to fund your account is to earmark a percentage of your paycheck each pay period. You could also save more by reducing your discretionary spending or directing investment earnings to your emergency account.

3. Consider Rebalancing

A year-end review of your overall portfolio can help you determine whether your asset allocation is balanced and in line with your time horizon and goals. If one type of investment performed well during the year, it could represent a greater percentage of your portfolio than you initially wanted. As a result, you might consider selling some of it and using that money to buy other types of investments to rebalance your portfolio. The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

Year-End Investment Checklist



Remember that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods to help manage investment risk. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

4. Use Losses to Help Offset Gains

If you have taxable investments that have lost money and that you want to sell for strategic reasons, consider selling shares before the end of the year to recognize a tax loss on your return. Tax losses, in turn, could be used to offset any tax gains. If you have a net loss after offsetting any tax gains, you can deduct up to \$3,000 of losses (\$1,500 if married filing separately). If your loss exceeds the \$3,000/\$1,500 limit, it can be carried over to later tax years.

When attempting to realize a tax loss, remember the wash-sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

5. Set Goals for the New Year

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund in 2021. With a fresh perspective on where you stand, you may be able to make choices next year that could potentially benefit your investment portfolio over the long term.

Three Questions to Consider During Open Enrollment

Open enrollment is your annual opportunity to review your employer-provided benefit options and make elections for the upcoming plan year. You can get the most out of what your employer offers and possibly save some money by taking the time to read through your open enrollment information before making any benefit decisions. Every employer has its own open enrollment period (typically in the fall) and the information is usually available online through your employer.

What are your health plan options? Even if you're satisfied with your current health plan, it's a good idea to compare your existing coverage to other plans being offered next year. Premiums, out-of-pocket costs, and benefits often change from one year to the next and vary among plans. You may decide to keep the plan you already have, but it doesn't hurt to consider your options.

Should you contribute to a flexible spending account? You can help offset your health-care costs by contributing pre-tax dollars to a health flexible spending account (FSA), or reduce your child-care expenses by contributing to a dependent-care FSA. The money you contribute is not subject to federal income and Social Security taxes (nor generally to state and local income taxes), and you can use these tax-free dollars to pay for health-care costs not covered by insurance or for dependent-care expenses. Typically, FSAs are subject to the use-it-or-lose-it rule,

which requires you to spend everything in your FSA account within a calendar year or risk losing the money. Some employers allow certain amounts to be carried over to the following plan year or offer a grace period that allows you to spend the money during the first few months of the following plan year.

Tip: As a result of unanticipated changes in the need for medical and dependent care due to the coronavirus pandemic, the IRS announced it will allow employers to amend their employer-sponsored health coverage, health FSAs, and dependent-care assistance programs and allow employees to make certain mid-year changes for 2020. The carryover limit for unused 2020 FSA dollars is now \$550 instead of \$500. For more information, visit [irs.gov](https://www.irs.gov).

What other benefits and incentives are available? Many employers offer other voluntary benefits such as dental care, vision coverage, disability insurance, life insurance, and long-term care insurance. Even if your employer doesn't contribute toward the premium cost, you may be able to pay premiums conveniently via payroll deduction. To help avoid missing out on savings opportunities, find out whether your employer offers other discounts or incentives. Common options are discounts on health-related products and services such as gym equipment and eyeglasses, or wellness incentives such as a monetary reward for completing a health assessment.

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