THE BARRISTER QUARTERLY

BARRISTER
PLANNING | INVESTMENTS | INSURANCE

Issue: 1Q2020

Charles C. Weeks Jr., JD, CFP®
Founding Partner

Paul F. Savini, CFP®
Partner

Barrister was founded with the sole mission of offering clients an opportunity to meet their financial objectives through independent, ethical, unbiased and competent professional guidance.

1515 Market Street | Suite 1050
Philadelphia, PA 19102
contact@barrister.net
www.barrister.net
800-465-8140

Dear Friends,

Firstly, as with prior communications, we hope that you and your loved ones are managing through these extraordinary times and, most importantly, staying healthy.

What a difference a quarter makes. Our last newsletter lauded the exciting developments in our firm and the solid returns our portfolios enjoyed in 2019. We also expressed our view that "this low volatility won't last long." Since writing that note we have seen the value of the volatility index (VIX) rocket over 7x higher to near 85, a level not seen since 2008 during the last financial crisis. Risk assets subsequently sold off with the S&P quickly shedding 35% of its value.

A combination of factors led us to where we are today. First, elevated market valuations inevitably sow the seeds of the next correction. Then came a dramatic collapse in the price of oil as a result of major producers Saudi Arabia and Russia falling out over price supports. Finally, there is the coronavirus where, for much of us, it is changing a lot more about our lives than simply the value of our portfolios.

At times like these we may be drawn to soul searching and wonder, how did we miss this? Remember our job is not to predict the next crisis but to plan for it. A good start is ensuring we have appropriate cash reserves in place to manage through economic shocks. Next, we should update our financial statements and examine where the stress and flex points are. Finally, with our investments we should be broadly diversified so that no single investment can derail our plans. We are here to guide you through these turbulent times. If we haven't already spoken in recent weeks, please reach out if we can be of assistance in re-examining any aspect of your financial plans.

Best,

PLANNING NOTES

Mortgage refinancing

- Mortgage rates have been volatile recently and have not necessarily reached the low levels you would expect given Fed rate cuts
- The reason for this is a shortage of cash in the system – which the Fed is addressing – as well as a stampede of refinancing applications
- Many lenders have therefore raised rates to discourage demand so they can clear their backlog
- Given these factors, you might have better luck contacting the bank you have a relationship with or your local credit union
- Pay attention to closing costs, especially costs you can shop, of which title insurance is typically the largest – don't accept the first price you are shown
- Closing costs, whether paid upfront or borrowed, should be factored into the decision on whether it makes sense to refinance
- With rates near all-time lows, it may make sense for some to borrow more through higher loan-to-value (LTV) options that require mortgage insurance (PMI) – we can help you evaluate your options with these types of loans
- For those with the financial flexibility or planning to downsize soon, an ARM and/or HELOC can be good options for securing the lowest rate possible for shorter time periods
- We have fielded many calls recently for advice and analysis on this topic, reach out if we can help with your specific situation

The CARES Act became law on March 19 to provide economic assistance to those affected by the coronavirus pandemic. Key provisions to be aware of include the following:

- Delayed payment of any 2019 taxes due to July 15 – note, this includes a delay in filing of the return to July 15 at which point you can file for a further extension
- Individual tax credits of $1,200 per adult and $500 per child, subject to income limits
- Waived 10% penalty on retirement account distributions up to $100,000 and ability to contribute these funds back into the account within 3 years
- Increase to $100,000 the amount that can be borrowed from a 401(k)
- Waived required minimum distributions for 2020 (may be returned if already taken)
- Federal student loan payments may be frozen until September 30, 2020
- Student loan repayments by an employer up to $5,250 may be excluded from gross income in 2020
- $300 above the line deduction for charitable contributions, even for those who don't itemize, as well as an increase to 100% for the AGI limit on qualified contributions
- Disaster loan assistance for small businesses direct from the SBA, see: covid19relief.sba.gov (these funds appear to be limited)
- Low interest payroll protection loans for small businesses (which may be forgiven), including sole proprietors and independent contractors – this program is larger and being administered only through SBA lenders
- Employee retention tax credit for businesses, see – irs.gov/form7200
- Payroll tax payments for businesses and self-employed individuals may be deferred and paid 50% by end 2021 and 50% by end 2022

Needless to say, there is a lot to wade through with CARES. We've had increased dialogue in recent days on these topics, please reach out if you need help analyzing your options and the impact on your finances.

BARRISTER MARKET & ECONOMIC INDICATORS

Indicator	*Note*
Leisure and Entertainment ETF Sector (PEJ)	YTD down 51.48% trailing the S&P 500 by 29.77%
High Yield Bond Market Sector (HYG)	YTD down 13.79% trailing the Barclays Bond Index by 16.47%
Technology Sector (XLK)	YTD down 14.11% outpacing the S&P 500 by 7.6%
SemiConductors Sector (SMH)	YTD down 19.15% outperforming the S&P 500 by 2.56%
Financial Sector (XLF)	YTD down 34.34% trailing the S&P 500 by 12.63%
Staples Sector (VDC)	YTD down 13.69% outpacing the S&P 500 by 8.02%
Healthcare Sector (XLV)	YTD down 13.61% outperforming the S&P 500 by 8.1%
Utilities Sector (XLU)	YTD down 16.05% outpacing the S&P 500 by 5.66%
Commodities Sector (GSG)	YTD down 40.41% trailing the S&P 500 by 18.7%
20+ Year Treasury Performance (TLT)	YTD up 24.65% outpeforming the Barclays Bond Index by 21.97%
2 Year - 10 Year Gov't Bond Spread	Spread is positive at .40%
YOY Corporate Earnings	Q1 earnings will be significantly impacted due to COVID-19
Investor Sentiment AAII	34.2% Bullish | 16% Neutrel | 49.7% Bearish
Investor Sentiment CNN	22 Extreme Fear
Central Bank	FED has cut rates to 0% and initiated Unlimited Quantitative Easing
Average Hourly Earnings	Avg. Hourly Earnings will be significantly impacted due to COVID-19
Fund Flows	Heavy flows out of Equity and Bond Funds into Money Market Funds
Advanced/Decline Line	Was increasing YTD before recent market selloff
High Yield and 10 YR Treasury Spread	Spread is at 9.11% verse 19.88% at peak of Great Recession
Merger & Acquisition activity	Decreased substantitally in February and March

DISCLOSURES

Past performance may not be indicative of future results. Historical performance results for investment benchmarks/indexes have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that an account's holdings correspond directly to any comparative benchmark or index. Each index used as proxy for a given asset class/investment category referenced in this newsletter is a commonly used benchmark for that asset class. An investor may not directly invest in an index.

Some information in this newsletter is gleaned from third party sources, and while believed to be reliable, is not independently verified. Other information presented herein is based upon facts derived from publicly available information, and is also based on certain assumptions, including that there are no additional changes to current tax law, and that demographic information regarding retirement plan contributions also remains unchanged.

This material is intended to be educational in nature, and not as a recommendation of any particular strategy, approach, product or concept for any particular advisor or client. These materials are not intended as any form of substitute for individualized investment advice. The discussion is general in nature, and therefore not intended to recommend or endorse any asset class, security, or technical aspect of any security for the purpose of allowing a reader to use the approach on their own. Before participating in any investment program or making any investment, clients as well as all other readers are encouraged to consult with their own professional advisers, including investment advisers and tax advisors. Barrister can assist in determining a suitable investment approach for a given individual, which may or may not closely resemble the strategies outlined herein.

Barrister is registered as an investment adviser within the jurisdictions in which it is required to do so, Registration as an investment adviser does not imply any certain degree of skill or training. Barrister's ADV Firm Brochure is available at www.Barrister.net