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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.

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Dear Friends,

We trust this newsletter finds you in brighter spirits than when we penned our last issue at the end of March.

The S&P 500 as of March 31st closed at 2,584 while volatility measured by the VIX was above 53. During these difficult times we stressed through email communications and phone discussions that it was imperative to stay the course and not make emotional decisions. Today the S&P 500 sits at 3,100 and volatility is in the low 30s. This represents a 20% increase from the end of quarter for the S&P 500 and a 38.5% increase from the March 23rd market close. As in past market crises and panics, it paid to follow the plan and stay the course.

As difficult as these portfolio drawdowns are emotionally, they are specifically the reason equity investments provide higher returns than other assets like Certificates of Deposit and Bonds. This reminds us of a famous quote by Charlie Munger who is Warren Buffett's business partner:

> *If you're not willing to react with equanimity to a market price decline of 50% two or three times a century you're not fit to be a common shareholder and you deserve the mediocre result you're going to get compared to the people who do have the temperament, who can be more philosophical about these market fluctuations.*

While we didn't time the market bottom exactly (which we all know is darn near impossible), we were able to get close. On March 19th we rebalanced portfolios increasing equity exposure by 5% and reducing fixed income by a corresponding amount. This took advantage of the historic selloff and helped portfolios recover more quickly. We will continue to monitor markets and make changes to portfolio allocations as necessary.

Best,

PLANNING NOTES

Accessing Retirement Funds Via the CARES Act

The Coronavirus Aid, Relief and Economic Security (CARES) Act attempts to address some of the economic fallout from the COVID-19 pandemic. The Act introduced provisions for accessing retirement funds for those directly or indirectly effected, by introducing "coronavirus-related distributions" or CRDs.

- To be eligible for a CRD, one must fall into either of these categories:
  - Individual or family member has been diagnosed with COVID-19 or SARS-CoV-2 by a CDC test
  - Individual suffered "adverse financial consequences" because of the disease, specifically as a result of:
    - Being quarantined
    - Furloughed
    - Laid off
    - Having work hours reduced
    - Unable to work because of childcare responsibilities
    - For business owners and operators, closed their business
- CRDs come in two forms – loans and withdrawals
  - Plan loans – employer plans only, e.g. 401(k)
    - CARES Act increases plan loan limits from to 100% (from 50%) of plan balance or $100,000 (from $50,000), whichever is lower
    - Loans are typically repaid in monthly installments over 4-6 years and at a market interest rate, as set by plan sponsor
    - Borrower is effectively "paying themselves" principal and interest into their own retirement plan account
    - Assets remaining in the plan can be rebalanced to account for the loan as, effectively, a fixed income allocation
    - Plans that do not currently offer loans can make loans available anyway and have until Jan. 1, 2022 to amend plan documents
  - Withdrawals – IRAs and employer plans
    - Up to $100,000 may be withdrawn from retirement accounts
    - The 10 percent early withdrawal penalty – which applies if under the age of 59½ – is waived
    - No 20% withholding tax applies
    - Ordinary income tax is owed on the distribution, however the tax liability can be spread ratably over 3 years (2020-2022 tax years)
    - Withdrawal may be repaid up to 3 years from the date of withdrawal (as late as April 15, 2023)
    - For those eligible, rules effectively extend the normal 60 day "direct rollover" window to a much longer timeframe

For those effected by the pandemic, CARES Act presents a unique opportunity to access retirement funds where normally it would be inadvisable due to taxes and penalties. At the same time, consideration should be given for the long-term impact on one's retirement plan.

MARKET & ECONOMIC INDICATORS

Indicator	*Note [change vs prior quarter]*
Investor Sentiment AAII	24% Bullish [-10%] | 27% Neutral [+11%] | 49% Bearish [-1%]
Investor Sentiment CNN	47 Neutral [+25]
Leisure and Entertainment (PEJ)	YTD down 35% [+16%] trailing the S&P 500 by 31% [-1.5%]
Technology (XLK)	YTD up 14.9% [+29%] beating the S&P 500 by 18.84% [+11.24%]
SemiConductors (SMH)	YTD up 8.05% [+27.2%] beating the S&P 500 by 11.99% [+9.43%]
Financials (XLF)	YTD down 23.7% [+10.6%] trailing the S&P 500 by 19.76% [-7.13%]
Staples (VDC)	YTD down 6.03% [+7.66%] trailing the S&P 500 by 2.09% [-10.2%]
Healthcare (XLV)	YTD down .86% [+12.8%] beating the S&P 500 by 3.08% [-5%]
Utilities (XLU)	YTD down 11.06% [+5%] trailing the S&P 500 by 7.12% [-12.8%]
Commodities (GSG)	YTD down 36.03% [+4.4%] trailing the S&P 500 by 32.09% [-13.4%]
20yr+ Treasury (TLT)	YTD up 21.87% [-2.8%] beating the Barclays Bond Index by 15.6% [-6.4%]
2yr/10yr Government Bond Spread	Spread is positive at .48% [+.08 bps]
High Yield Bonds (HYG)	YTD down 5.11% [+8.7%] trailing the Barclays Bond Index by 11.38% [+5.1%]
HYG and 10yr Treasury Spread	+652 bps [-348 bps from March 23 peak]
YOY Corporate Earnings	Estimated decline for Q2 is -43.9%
Central Bank Activity	FED continues unprecedented (>$1 Trillion) support of financial markets
Average Hourly Earnings	Decreased almost 1% in latest reading
Fund Flows	Continued Equity outflows, inflows to Fixed Income and Commodity Funds
Advanced/Decline Line S&P 500	Increased over the quarter
Merger & Acquisition Activity	Activity increased in May but with lower overall deal value

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