



SPOTLIGHT ON FINANCE

View on the Market

During the first half of 2020, investors experienced a global pandemic, an economic shutdown, the end of an eleven-year bull market, and now the early stages of an economic reboot. The U.S. stock market has experienced large swings in both directions, rising 20% in the second quarter after falling precipitously in the first. Interest rates have remained low, especially with the Fed continuing to provide stimulus. With all that has happened in such a short amount of time, it's important to reflect on what we have learned and what may lie ahead.

While this recovery happened unusually swiftly, and we're certainly not out of the woods yet, it reinforces our belief that staying invested and maintaining a long-term focus are core principles of investing to help meet your financial goals. Staying disciplined is difficult and often requires sound guidance and advice. As recently as March, it was unclear whether the novel coronavirus could be adequately contained. As the country was shut down, it was uncertain whether individuals and businesses would survive without paychecks and customer activity. As credit spreads widened, there was a fear that bankruptcies and defaults would ripple across the financial system, leading to a 2008-style crisis. Finally, it was unclear when and how the economy could reopen, and if it did, whether consumers and businesses would feel confident enough to spend.

Fortunately, we've learned a great deal since then. While we are still in the earliest stages with many more negative data points to come, there are clear signs that bouncing back is possible. Jobless claims and unemployment are still near historic levels but have begun to come down steadily. Consumer spending has picked up as cities have reopened, although overall confidence is still low. Industrial activity has thawed as factories fire up again across the country. Credit markets have stabilized despite some large restructurings. Many parts of the stock market have fully recovered.

None of this is to say that the economic recovery will be easy. This is especially true in parts of the country that have seen a resurgence of COVID-19 cases and in industries that are deeply impacted by social distancing including restaurants, travel, retail and more. And while there are signs that customers are returning to these establishments, limited capacity will mean that the jobs that have been lost are increasingly at risk of becoming permanent.

Despite this, there have been companies that have not only survived the crisis, but have thrived. This is especially the case with technology companies across sectors. Not only has telecommuting and video conferencing become the norm for office workers, but the shift to

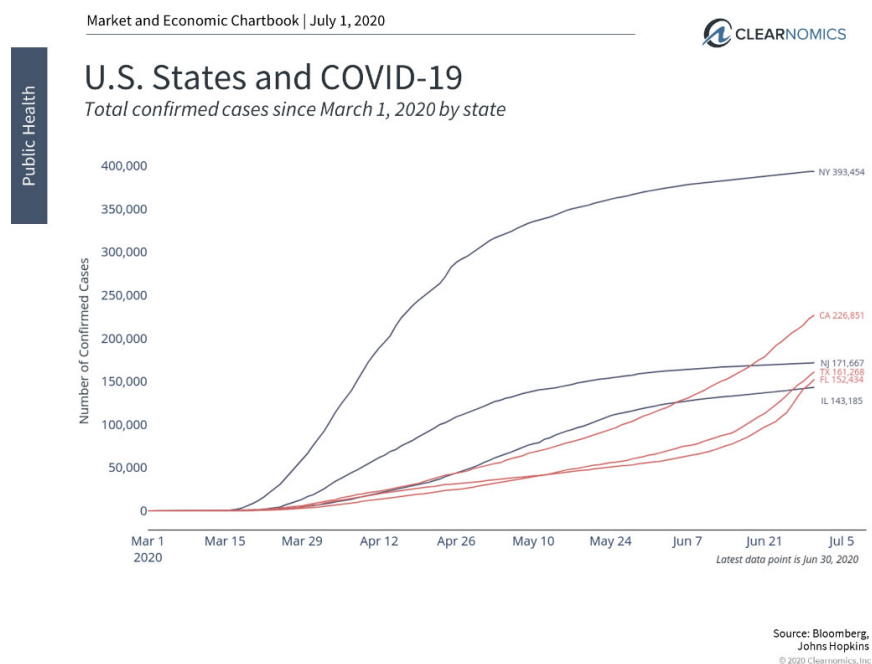
online retail has accelerated. This is one reason that some sectors of the stock market have not only recovered from pre-crisis levels, but have achieved new highs.

Thus, investors should set proper expectations about the recovery going forward. Many economic forecasts, including by the Fed, expect a strong rebound in the second half of the year, but not enough to stem negative growth for 2020 overall. In fact, most economists and business leaders expect conditions to be uncertain until the end of 2021, at the earliest. While this partly depends on public health developments, including the possibility of a vaccine or other treatments, it also speaks to the severity of the economic crisis.

Thus, as is always the case, long-term investors should continue to be disciplined and patient. Holding a diversified portfolio can help to weather this particular storm. With so much uncertainty in the world during the second half of the year amid the pandemic, presidential election, trade disputes, and other factors, stay focused on your long term goals.

Below are seven key insights and trends for investors to follow in the second half of the year.

1. The COVID-19 crisis continues to create economic uncertainty



When it comes down to it, the crisis is rooted in public health. Although many early hot spots for the novel coronavirus have managed to control the pandemic, other states are now seeing an acceleration in new confirmed cases. Financial markets have been volatile as these patterns call into question the ability for the economy to reopen smoothly.

2. Still, there are early signs of an economic recovery

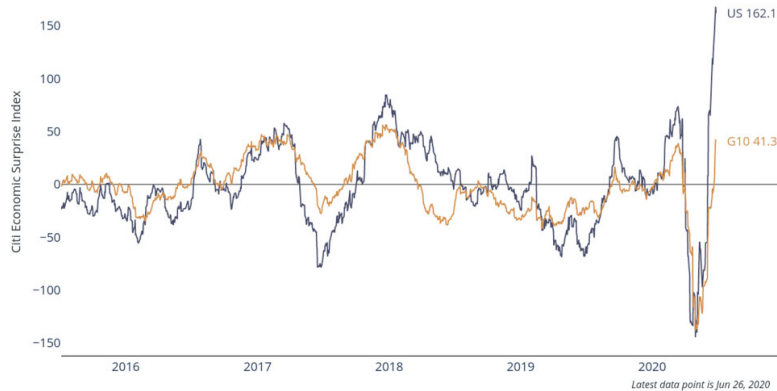
Market and Economic Chartbook | July 1, 2020



U.S. Economy

Citi Economic Surprise Index

Positive and negative economic surprises for the U.S. and G10 countries
Past 5 years. Index is calculated daily using a three month window



Source: Refinitiv, Citi
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Although the economic data is still generally negative - which will also be the case for Q2 GDP when it is released - there are also signs that a bounce-back is possible. Many new data points have shown that unemployment is stabilizing and that consumers are beginning to open their wallets again. While it will take time to reach pre-crisis levels of growth, these are positive signs that a recovery is possible.

3. Unemployment is beginning to stabilize

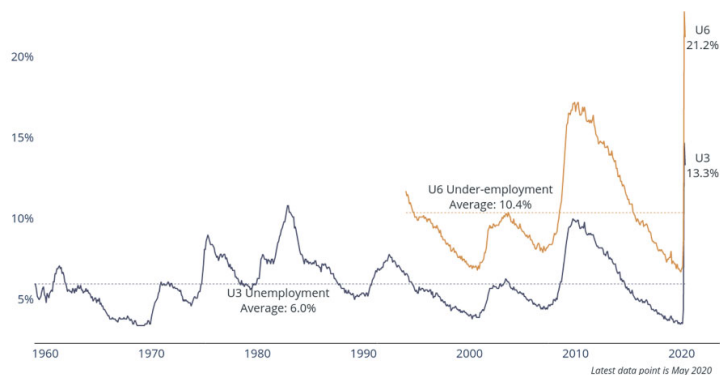
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Labor Market

Unemployment Rates

U-3 unemployment and U-6 under-employment rates, since 1960

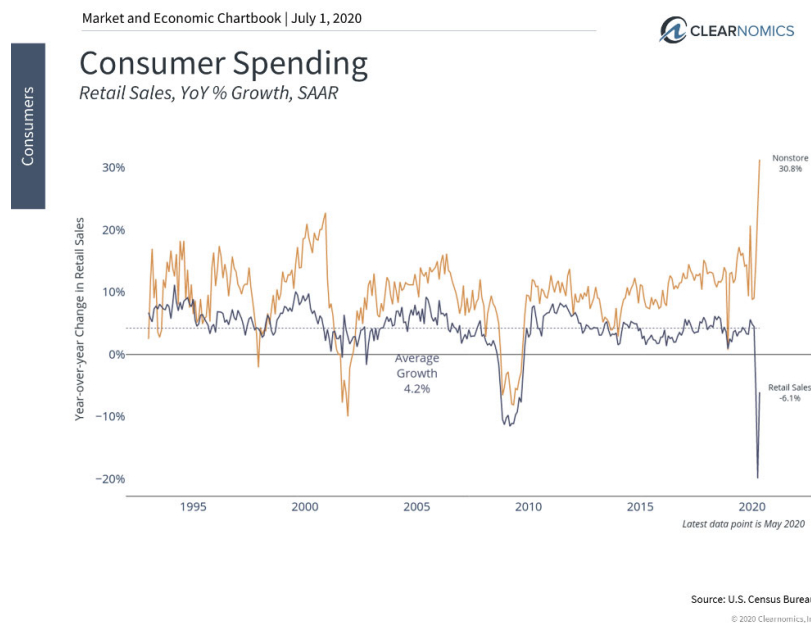


Source: Bureau of Labor Statistics
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The job market has also shown very early signs of stabilizing after reaching record levels. Not only did the unemployment rate skyrocket to levels not seen since the Great Depression but weekly jobless claims show that nearly 20 million Americans are still out of work. The good

news is that more recent data suggest that furloughed employees are being recalled and unemployment is slowly improving.

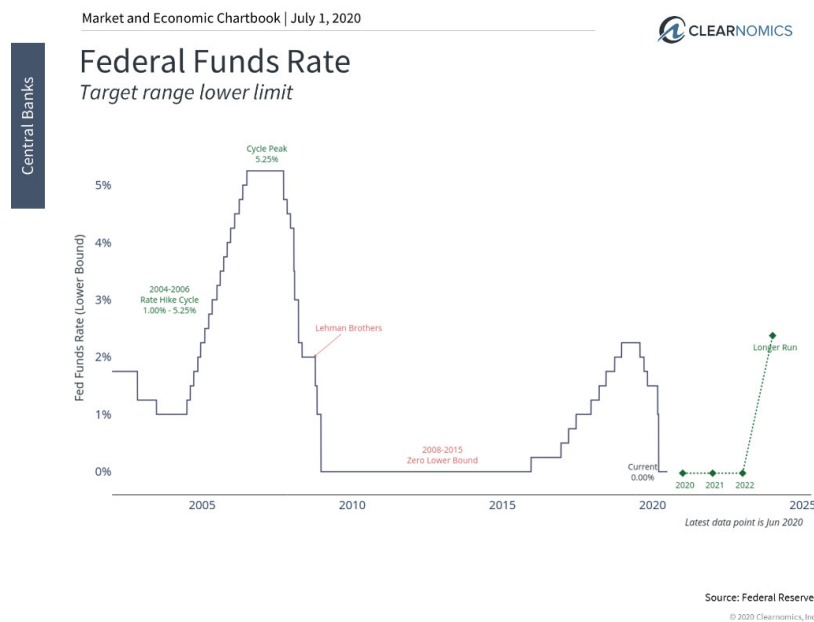
4. Consumer spending has picked up as well



One of the key considerations for the recovery is whether consumers will feel financially secure and comfortable enough to spend. After all, the national savings rate jumped to 33% while the country was on lockdown.

Fortunately, there are initial signs that consumers are feeling more confident. Retail sales have bounced from their recent lows, especially for online digital retailers. This will be important as the recovery continues since consumer spending is the foundation of the economy.

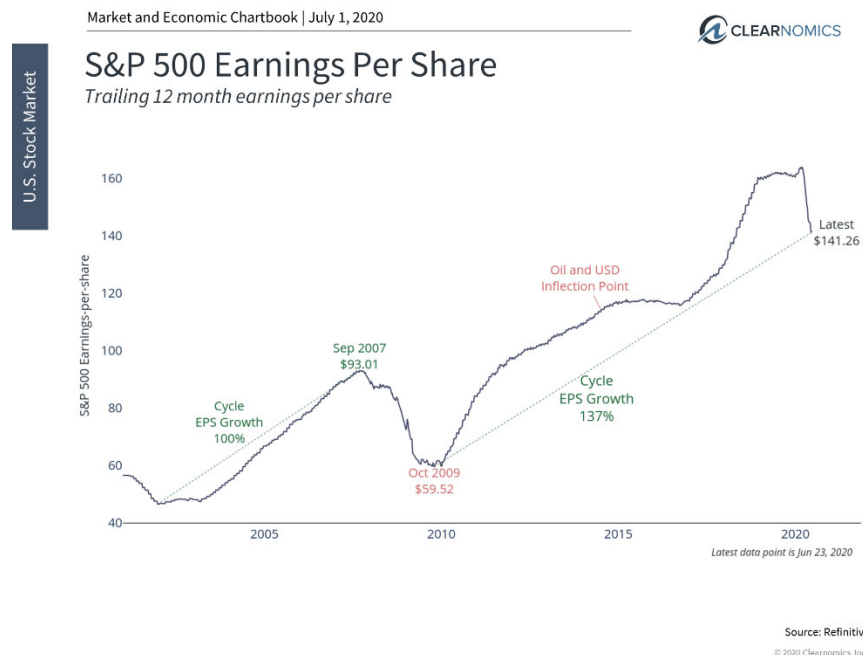
5. The Fed and Congress will keep stimulating the economy



Although government support is a controversial topic for many, actions by the Federal Reserve and emergency legislation by Congress arguably helped keep businesses and individuals on life support. Fed stimulus, in particular, helped to keep the financial system functioning smoothly, especially during the period when credit markets were unstable.

It's unclear what long-term consequences this historic level of government stimulus will bring. The Fed has projected that it will keep interest rates at zero percent through 2022. Only time will tell if they will shift their policy stance once the economy successfully comes out the other side.

6. Corporate earnings may take years to recover



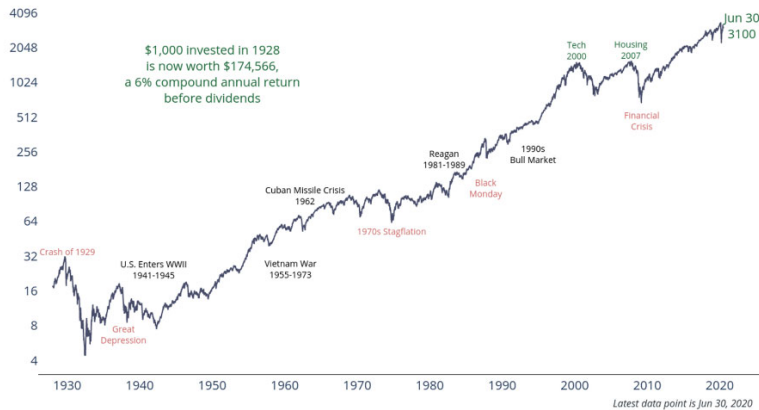
The economic impact of the shutdown to the stock market is primarily through corporate earnings. Not only are earnings incredibly uncertain, but many companies stopped providing guidance. This creates challenges for understanding the outlook for profitability and market valuations.

Overall, estimates suggest that 2020 and possibly 2021 will be "lost years" for corporate earnings growth. However, this is well understood by investors at this stage. Rather than looking backwards at the impact of the COVID-19 crisis on corporate performance, investors should look forward at how profits will react once spending starts up again.

7. Stocks tend to rise with economic growth over the long run

Stocks Since the Great Depression

S&P 500 Index since 1928 (Log Scale)



Source: Clearnomics, Standard and Poor's
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Ultimately, the last six months have shown further evidence that investors should focus on the long run. Not only does staying disciplined help investors to manage their portfolios, but it can help them sleep well at night.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not protect against market risk.

Return to Offices?

After more than three months of COVID-19 disruption, most companies, including XML Financial Group, are addressing complex questions: how and when do we re-enter our offices?

We have adapted our operations to work in compliance with national, state and county mandates and recommendations. However, what matters most is the safety and comfort of our clients and employees.

We created an XML Safety Committee made up of executives from our Leadership Committee with additional team members representing key roles. We've listened to the experts and consulted with other similar companies to share ideas. We solicited feedback from employees and heard their concerns.

Survey, safety and policy

We developed an initial plan. This included purchasing safety supplies, updating our policy and procedures and informing our employees. Our plan for all branch office locations includes the following: keeping the main doors locked, a staggered schedule of employees in the office, requiring masks in common areas, limiting one person at a time to confined spaces like the

kitchen or copy room and asking that those who have offices to close their doors. All our open areas are already spaced more than six feet apart.

We found that roughly one third of our employees are ready to come back to the office, one third wanted to be sure the office opened with some precautions and the final third are fine with continuing to work remotely.

Opening the doors

The next step is when to re-open our physical offices in Maryland, Virginia and Colorado.

For now, we have decided to continue our remote operations. Our rationale is based on the fact that while states are opening back up, in-person meetings are still the preferred method now. Advisors continue to meet with clients via virtual meetings and phone conversations.

While our physical locations remain closed, we are fortunate to have a robust cloud-based platform, VoIP phones and messaging and other tools to connect our team and continue our operations quite seamlessly. Our staff is checking mail, depositing checks and processing paperwork on an adjusted schedule.

So, while we don't have a magic answer, we believe that being cautious and communicating often is the best course for now. Once we have a definitive time frame, we will communicate that as we begin the new normal.

IRS Announcements

2019 Required Minimum Distribution Waiver

Further relief with the CARES Act! if you already took an RMD in 2020, you now have the opportunity to roll those funds back into your retirement account. The CARES Act waived 2020 RMDs from certain Qualified Retirement Plans (QRPs), IRAs, including Inherited IRAs and 2019 RMDs not taken in 2019 with a required beginning date of April 1, 2020.

The following summarizes the guidance provided in IRS Notice 2020-51:

- The 60-day rollover period for any RMD already taken this year has been extended to August 31, 2020.
- This repayment is not subject to the one rollover per 365-day period.
- Beneficiaries who took a distribution from their Inherited IRA are allowed to roll those back by August 31, 2020.
- QRPs can only accept a rollover if the plan documents were amended for the CARES Act but a QRP distribution can be rolled into an IRA.

For more information on this topic, visit the [IRS website](#).

Filing Deadlines Extended for Tornado Victims

If you are a resident of Mississippi, Tennessee or South Carolina, the IRS announced on June 23rd that victims of the April tornadoes, severe storms and flooding that took place in parts of those states will have until October 15, 2020, to file various individual and business tax returns and make tax payments. For more information on this topic, visit the [IRS Website](#).

How Long to Keep Tax Records

You don't have to save your tax returns forever, but it's smart to keep them on hand for a few years.

In general, the IRS recommends holding on to copies for at least three years — the typical length of time the IRS would look back if you happen to get audited. Most audits cover returns filed over the past two years, but the IRS can go back further if the situation calls for it. However, audits shouldn't be cause for worry for most taxpayers. Fewer than 1% of tax returns are audited by the IRS.

But having your tax records handy can make it easier to fill out a mortgage application or the Free Application for Federal Student Aid (FAFSA). You'll also need your adjusted gross income (AGI) from last year's tax return to verify your identity when you file your current return. If you file with the same tax software every year, it will usually store your completed returns, but you should also download and keep a copy somewhere under lock-and-key or password protected. Your return has very sensitive information that fraudsters can use to assume your identity.

The IRS also recommends storing the documents used to fill out your tax return, including your W-2 or 1099s, as well as any investment and bank statements. Keep health insurance records, including documentation of employer-provided coverage and premiums paid, as well.

Some tax situations require keeping records for up to 7 years. For those with more complicated tax returns, many accountants suggest holding on to tax returns for six years, due to the IRS' statute of limitations for underreported income. Under this rule, the IRS extends the look back period to six years when there is a substantial omission of income, defined as 25% or more of the taxpayer's gross income on the return.

The IRS recommends keeping tax documents related to real estate for up to seven years after the sale. Documents claiming a worthless securities loss or bad debt deduction should also be saved for seven years after you file your tax return.

If you misplace or accidentally throw out old tax returns, you can request a copy from the last six years from the IRS by filing out Form 4506 and mailing it in. The fee per copy is \$50 and it could take up to 75 days to arrive.

Tax transcripts, however, are free and available online in five to 10 days for the current tax year and usually the previous three years. A tax return transcript will show most line items, including your AGI and any additional forms or schedules filed, but won't show any changes or amendments made to the original return. Other transcripts, such as the wage and income transcript and tax account transcript, can provide tax information from the past 10 years. If and when you dispose of old tax returns, make sure to properly shred the documents to protect against identity theft.

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Finding Forgotten Money

In the United States, millions of dollars wait in old bank accounts, forgotten retirement and pension plans, and tax refunds for their legal owners to claim them. The most frequent reason money goes unclaimed? Due to misaddressed mail or checks, or notifications weren't forwarded after recipients moved. Here's how to track down and claim any money you are owed.



1. Search for unclaimed money in your state

Businesses send money to state-run unclaimed property offices when they can't locate the owner. The unclaimed funds held by the state are often from bank accounts, insurance policies, or your state government.

- Start your search for unclaimed money with your state's unclaimed property office.

- Search for unclaimed money using a multi-state database. Perform your search using your name, especially if you've moved to another state.
- Verify how to claim your money. Each state has its own rules about how you prove that you're the owner and claim the money.

2. Search for Money from Employers

- **Unpaid Wages** – The Department of Labor (DOL) may recover back wages for you if your employer broke labor laws. If you think you may be owed back wages from your employer:
 - Search DOL's database of workers who have money waiting to be claimed. DOL holds unpaid wages for up to three years.
- **Pensions from Former Employers** – Search for unclaimed pensions from companies that either:
 - Went out of business or
 - Ended a defined pension plan

3. Search for Money from Insurance

- **VA Life Insurance Funds** – Search the U.S. Department of Veterans Affairs (VA) database for unclaimed insurance funds.
 - The VA may owe money to current or former policyholders or their beneficiaries.
 - This database doesn't include funds from:
 - Servicemembers' Group Life Insurance (SGLI)
 - Veterans' Group Life Insurance (VGLI) policies from 1965 to the present
- **FHA-Insurance Refunds** – If you had an FHA-insured mortgage, you may be eligible for a refund. FHA insurance refunds are issued by the U.S. Department of Housing and Urban Development (HUD).
 - Search the HUD database with your FHA case number. Case numbers have three digits, a dash, and the next six digits – for example, 051-456789.

4. Search for Money from Tax Refunds

- **Tax Refunds** – The Internal Revenue Service (IRS) may owe you money if your refund was unclaimed or undelivered.

5. Search for Money from Banking and Investments

- **Bank Failures** – Search for unclaimed funds from failed financial institutions. The Federal Deposit Insurance Corporation (FDIC) lists them.
- **Credit Union Failures** – Find unclaimed deposits from credit unions.
- **SEC Claims Funds** – The Securities and Exchange Commission (SEC) lists enforcement cases in which a company or person owes investors' money.
- **Replace a Savings Bond** – Replace a lost, stolen, or destroyed paper savings bond.

6. International Unclaimed Money

Foreign Claims – U.S. nationals can find money owed to them from foreign governments after the loss of property.

Undelivered and Unclaimed Federal Tax Refund Checks

Every year, the Internal Revenue Service (IRS) has millions of dollars in tax refunds that go undelivered or unclaimed.

Undelivered Federal Tax Refund Checks

Refund checks are mailed to your last known address. If you move without notifying the IRS or the U.S. Postal Service (USPS), your refund check may be returned to the IRS.

If you were expecting a federal tax refund and did not receive it, check the IRS' [Where's My Refund](#) page. You'll need to enter your Social Security number, filing status, and the exact whole dollar amount of your refund. You may be prompted to change your address online.

You can also [call the IRS](#) to check on the status of your refund. Wait times to speak with a representative can be long. But, you can avoid waiting by using the automated phone system. Follow the message prompts when you call.

If you move, submit a [Change of Address - Form 8822](#) (PDF, [Download Adobe Reader](#)) to the IRS; you should also submit a [Change of Address](#) to the USPS.

Unclaimed Federal Tax Refunds

If you are eligible for a federal tax refund and don't file a return, then your refund will go unclaimed. Even if you aren't required to file a return, it might benefit you to file if:

- Federal taxes were withheld from your pay

and/or

- You qualify for the [Earned Income Tax Credit \(EITC\)](#)

You may not have filed a tax return because your wages were below the filing requirement. But you can still file a return within three years of the filing deadline to get your refund.

State Refund Checks

For information about your state tax refund check, [contact your state revenue department](#).

Beware of Fraudsters

Although you can search for lost funds on your own, some businesses may offer to retrieve your money in exchange for a percentage of the recovered amount. If you go that route, stick with companies that get paid only once you receive your money. Stay away from any company requiring an upfront payment, that's a big, red flag.

More resources here: <https://www.usa.gov/unclaimed-money>

Staff News

Congratulations to Wealth Advisor, **John Sciuto**, and his wife Riva! They are expecting their first child in December.

We bid a fond farewell to Senior Wealth Advisor, **Ron Lara**, who retired after 50 years in the business.

The renovations in our Falls Church office are wrapping up and will be all ready for us when we re-open the office. Before the pandemic, our Colorado office moved to a new location in Breckenridge. We look forward to the time when we can have visitors!



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Falls Church, VA



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