JGC Wealth Management, LLC

Fee-Only Financial Planning and Asset Management

Larry R. Glaze, CPA, CFP®
Katie M. Fallin

Michael A. Blanchard, CPA/ABV
Joshua D. Morrow, CPA/CTFA

First Quarter Update
March 31, 2020

"<u>The best time to plant a tree was 20 years ago. The next best time to plant a tree is today.</u>" – ancient Chinese proverb

Do you remember May 17th, 1980? It was just another Saturday in the Pacific Northwest. Most people went about their day doing what they did on every Saturday – mowed the lawn, went fishing, watched a little league game, maybe enjoyed some disco on the AM radio (they did that back then, really. And yes, polyester was rampant).

It was just another day, unless perhaps you had planned a wedding that day, or welcomed a new baby into your life. Of course, the next morning everyone living in the region had the date etched in our consciousness forever. The sky turned dark, the ground shook, and 57 people perished in an instant as the earth reminded us how it can alter our best laid plans with impunity. Mt. St. Helens woke up and changed both the landscape, and the way we viewed the snow-capped peaks that grace our view.

In the weeks and months that followed, people that were in the region were forced to deal with life as it was, not as they wished it would be. They wore masks to keep out the ash, businesses and schools were closed, and efforts focused on emergency response and recovery. Slowly, life returned to "normal", but it was a different normal – it was a normal that included the collective memory of dealing with the eruption of a volcano in our backyard.

That day, millions of trees representing nearly 5 billion board feet of timber were destroyed. Each one represented a seed that had sprouted, sent out roots to gather water and nutrients, and slowly reached to the sky. On May 18th, 1980, vast forests were reduced to rubble in what would seem to be a permanent change to the landscape. However, some logs were salvaged and were turned into houses that shelter families even today. And, in the 40 years since, the forests have slowly started to regenerate and reclaim the ground taken from them.

In much the same way, the financial markets might look at February 19th, 2020, as the last "normal" day for quite a while. After that, the reality of the Covid-19 pandemic became quickly evident in the rapid decline in the values of the markets from the "all-time highs" of that day. While we have confidence in the resilience of our economy in the long-term, in the short-term we see markets still in an emergency response and recovery mode. Although this seems unexpected and unprecedented, "historic crises" and the negative market response have happened before, and will happen again. We will be better for this experience, as hard as it seems to see that right now.

So, as we approach the 40th anniversary of the Mt. St. Helens eruption, let's think about planting trees. Real trees are great, of course – if you have the space, get one in the ground and water it today.

However, we cannot help but reflect upon how those who "planted" the seed of a financial plan 20 years ago have greater confidence than those who do not have a plan. Starting a financial plan is the next best thing you can do to prepare for a future where volcanoes erupt, new diseases emerge and spread across the world, and financial markets rapidly change to reflect our uncertainty of the future.

Quarterly Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1Q 2020	**STOCKS**				**BONDS**	
	-20.90%	-23.26%	-23.60%	-29.02%	3.15%	0.51%
Since Jan. 2001						
Avg. Quarterly Return	1.8%	1.2%	2.5%	2.2%	1.2%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%	4.6%	4.6%
	2009 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-3.0%	-2.7%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2016 Q4	2015 Q2

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). Bloomberg Barclays data provided by Bloomberg.

<u>What we are doing right now</u>

First and foremost, we are missing seeing our clients face to face! We are still finding ways to stay in touch, and are starting to engage with video conferences. If you want to have a quick check-in appointment with one of us via your computer, tablet or phone, let us know. As always, our specific advice and actions will vary, depending on your individual needs. In short, we want to remain informed about how you're doing personally, so we can help you remain informed about the evolving financial landscape – especially about changes that might directly impact you. We are here to provide support to you against fixating on daily returns or reacting rashly to scary market news, and to help you optimize new tax breaks, loans, unemployment benefits, and other relief measures that might be available to you as individuals and businesses. We are here to help you respond to the opportunities and challenges to your short and long-term interests and concerns.

Required Minimum Distribution Alert:

The Coronavirus relief bill, which was signed in to law last Friday, April 24th, has changed the way your Required Minimum Distributions from your IRAs can be handled. The good news from Washington is that you are now allowed to skip your RMD for 2020, preventing you from pulling cash out of your investment accounts in a down market. We may advise you to leave your funds in your IRA, or perhaps return them to the IRA if you have taken them out in the last 60 days.

Some benefits of skipping your 2020 RMDs as we see them:

- **Allowing for market recapture** - Your 2020 RMDs are based off of your 12/31/2019 balance, when the market was near all-time highs. Due to the recent market down-turn, most accounts have taken a significant hit so taking funds out to satisfy IRS RMD requirements means you're locking in a loss on that withdrawal, limiting your account's ability to recover with a market up-swing.
- **Tax free growth in a Roth** - Inherited IRAs and Inherited Roth IRAs also have RMD requirements placed on them. Not only is this legislation adding a year to the schedule in which these funds need to be withdrawn, but the more time that investments can be left in a Roth IRA, the better it is for the account holder since those funds grow tax-free.
- **Less taxable income** – for those of you who would choose not to have additional taxable income land on your tax return for 2020, this lessens your tax bill in a year that you could already be feeling somewhat of a pinch.

Planning opportunities to look at right now:

Here are a few things we are looking at – as always, applicability can vary with your goals and situation

- Roth conversions: 2020 has the right mix of low tax rates and market weakness to consider conversions of traditional IRA's into Roth IRA's. Who might benefit?
    - Those who expect their income this year will be lower than in future years
    - Older Oregon residents with more than $1,000,000 in their estate
    - Retirees who are in the "danger zone" of social security taxation every year ($30,000 to $80,000 of total income).
    - Those with IRA accounts that are expected to be inherited by younger family members
- Charitable Contributions with investments. Not-for-profit organizations are facing dramatically increased needs for their services as they respond to the pandemic. There are several ways to help them out and also reduce your tax bill this year. These require planning and paperwork, so give us a call first -
    - For those over 70 ½ (as of December 31, 2019) with traditional IRA accounts, a qualified charitable contribution (QCD) is a way to direct funds directly to an organization.
    - Contribution of appreciated stocks or mutual funds directly to an organization before being sold can create a better tax deduction for you.
- Home Equity Conversion Mortgages, or "reverse mortgage". These are designed for homeowners older than age 62, and in the right situation can provide a significant cash flow improvement in retirement.

3085 River Road North ♦ Salem, OR 97303 ♦ **phone:** 503.304.9248 ♦ **fax:** 503.390.0812 ♦ www.jgcwealth.com

- For those without a mortgage, putting a HECM in place now can be a source of funding for long term health care costs, improvements to allow for aging in place, or supplementary income without selling your home.
- If you have an existing mortgage, a HECM can be used to reduce or eliminate monthly payments. In some cases, we can plan to structure payments to “group” your mortgage interest and increase your deductions over a two or three-year period.

Market Downturns and Recoveries and The Importance of Staying Invested

We are including two slides for you to look at – the first one - “Market Downturns and Recoveries” and the second one - “The Importance of Staying Invested”. The first slide shows the various downturns in the Market from 1929 up to the one before our current downturn and the respective recoveries that have taken place after a market downturn. Downturns are not a complete rarity and occur with some consistency - about every six years. Note that downturns don’t last forever and are followed by recovery periods that vary in length of time. The second slide reflects what would have happened to an investor with $100,000 originally invested who either got out of the market altogether on March 9, 2009 - the low point day of that market decline, got out of the market on March 9, 2009 and reinvested one year later, or just stayed invested throughout this whole period.
The outcome differences are significant and illustrate how important it is not to try to time the market and the importance of staying invested. Combined, the two slides show us a couple things. First, they show us that even though downturns in the market are unpleasant they do not last forever, and second, they show us that staying focused and invested is what is needed to reach your long-term investment goals.

We Are (Still) Here!

To reiterate: We remain here to support you, so you can best support yourself and your loved ones during these challenging times. Please continue to lean on us for both routine requests as well as specialized demands driven by the current crunch. Of course, your unique circumstances will influence the financial choices we’ll be advising you to make in the months ahead. But again, your most rational move is to stick with the plan you already have in place. Update it only when your life’s circumstances call for a change. As always, without the ability to see what is only apparent in hindsight, we encourage you to focus instead on that which we can control. Right now, that is mostly doing all you can to keep yourself and your loved ones out of harm’s way. Please let us know how we can help.

We appreciate your continued trust and are here to help you attempt to reach your financial goals. Please don’t hesitate to contact us to discuss your quarterly reports or financial concerns.

Enclosed are the reports on your portfolio for the quarter ending March 31, 2020. If you want to discuss your portfolio, have had changes in your financial situation, or have any other financial concerns or questions, please call us. We are here to help you. If you have a friend, neighbor or relative who needs a second opinion or you think could use our services, please invite them to contact us. An introduction to our firm might prove to be helpful, and we would be happy to visit with them.

3085 River Road North ⬩ Salem, OR 97303 ⬩ **phone:** 503.304.9248 ⬩ **fax:** 503.390.0812 ⬩ www.jgcwealth.com

Annual Disclosure Offering

As a registered investment advisor, we are required to provide you an annual notice regarding administrative matters. Our Form ADV Part 2 underwent the last annual update on March 3, 2020.

You may request an updated ADV Part 2 brochure by calling (503) 304-9248, emailing info@jgcwealth.com, or sending a request by mail to 3085 River Road N., Salem, OR 97303. Our privacy policy and updated ADV Part 2, as well as the Form ADV Part 2 brochures from the third-party asset management and subadvisor firms we work with, can be downloaded from this page on our website: jgcwealth.com/resources.

Summary of Material Changes:

1. Items 4 and 19 were updated to include Joshua D. Morrow as a Member and principal of JGC Wealth Management.
2. Item 5 was updated to reflect an updated fee schedule for Retirement Plan Consulting fees.
3. Item 12 was updated to describe JGC Wealth Management's access to third party vendor service discounts via their broker-dealer custodian.
4. Item 15 was updated to reflect that JGC Wealth Management may have custody due to Standing Letters of Authorization to transfer funds to third parties.

3085 River Road North ⬩ Salem, OR 97303 ⬩ **phone:** 503.304.9248 ⬩ **fax:** 503.390.0812 ⬩ www.jgcwealth.com

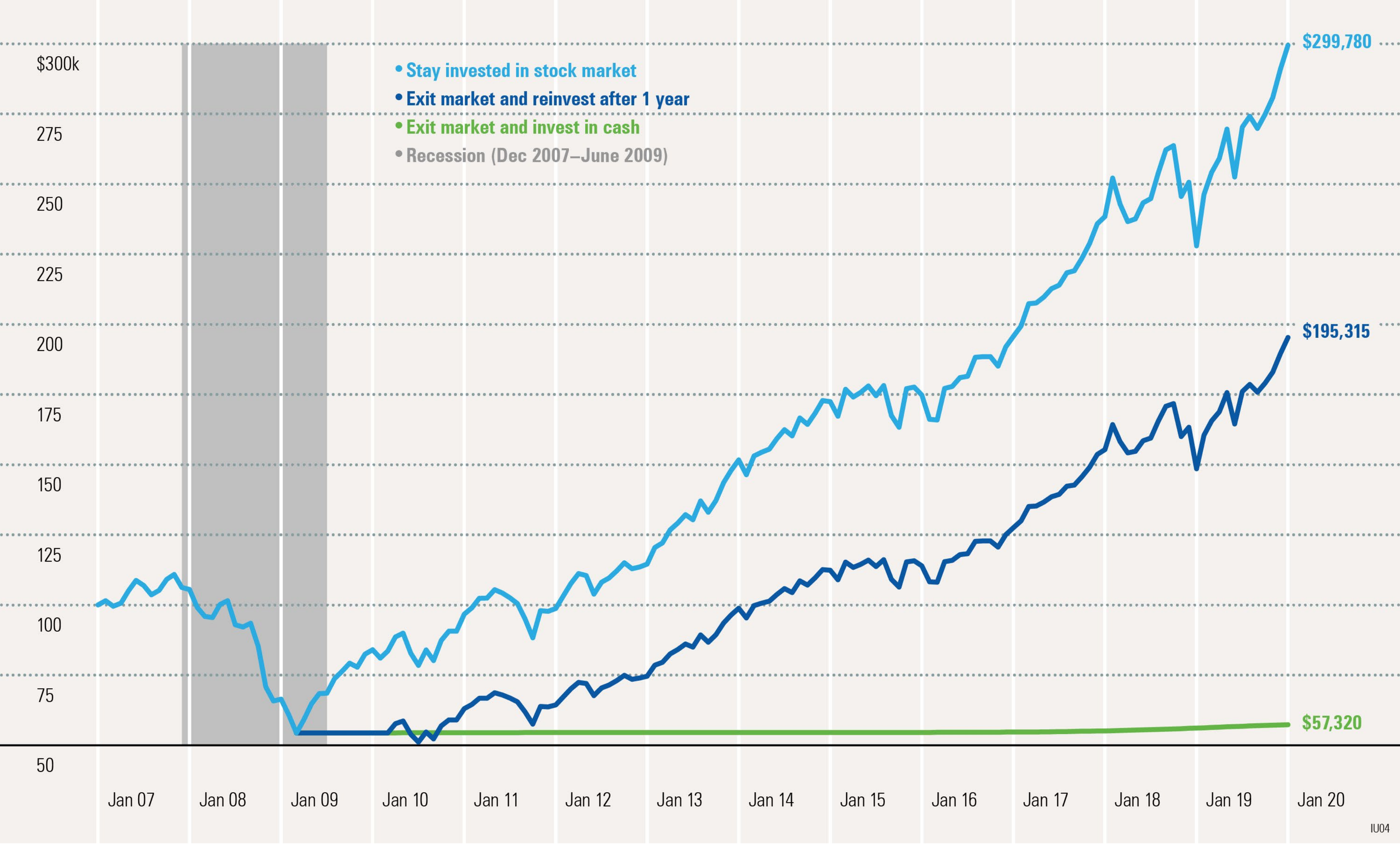
Market Downturns and Recoveries

Downturn	% Loss	Downturn period	Recovery period	Recovery
34 months	–83.4	Sep 1929–June 1932	July 1932–Jan 1945	151 months
6 months	–21.8	June 1946–Nov 1946	Dec 1946–Oct 1949	35 months
7 months	–10.2	Aug 1956–Feb 1957	March 1957–July 1957	5 months
5 months	–15.0	Aug 1957–Dec 1957	Jan 1958–July 1958	7 months
6 months	–22.3	Jan 1962–June 1962	July 1962–April 1963	10 months
8 months	–15.6	Feb 1966–Sep 1966	Oct 1966–March 1967	6 months
19 months	–29.3	Dec 1968–June 1970	July 1970–March 1971	9 months
21 months	–42.6	Jan 1973–Sep 1974	Oct 1974–June 1976	21 months
14 months	–14.3	Jan 1977–Feb 1978	March 1978–July 1978	5 months
20 months	–16.5	Dec 1980–July 1982	Aug 1982–Oct 1982	3 months
3 months	–29.6	Sep 1987–Nov 1987	Dec 1987–May 1989	18 months
5 months	–14.7	June 1990–Oct 1990	Nov 1990–Feb 1991	4 months
2 months	–15.4	July 1998–Aug 1998	Sep 1998–Nov 1998	3 months
25 months	–44.7	Sep 2000–Sep 2002	Oct 2002–Oct 2006	49 months
16 months	–50.9	Nov 2007–Feb 2009	March 2009–March 2012	37 months
3 months	–13.5	Oct 2018–Dec 2018	Jan 2019–Apr 2019	4 months

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Downturns are defined by a time period when the stock market value declined by 10% or more from its peak.

The Importance of Staying Invested

Ending Wealth Values After a Market Decline



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.