

Verity Group Newsletter

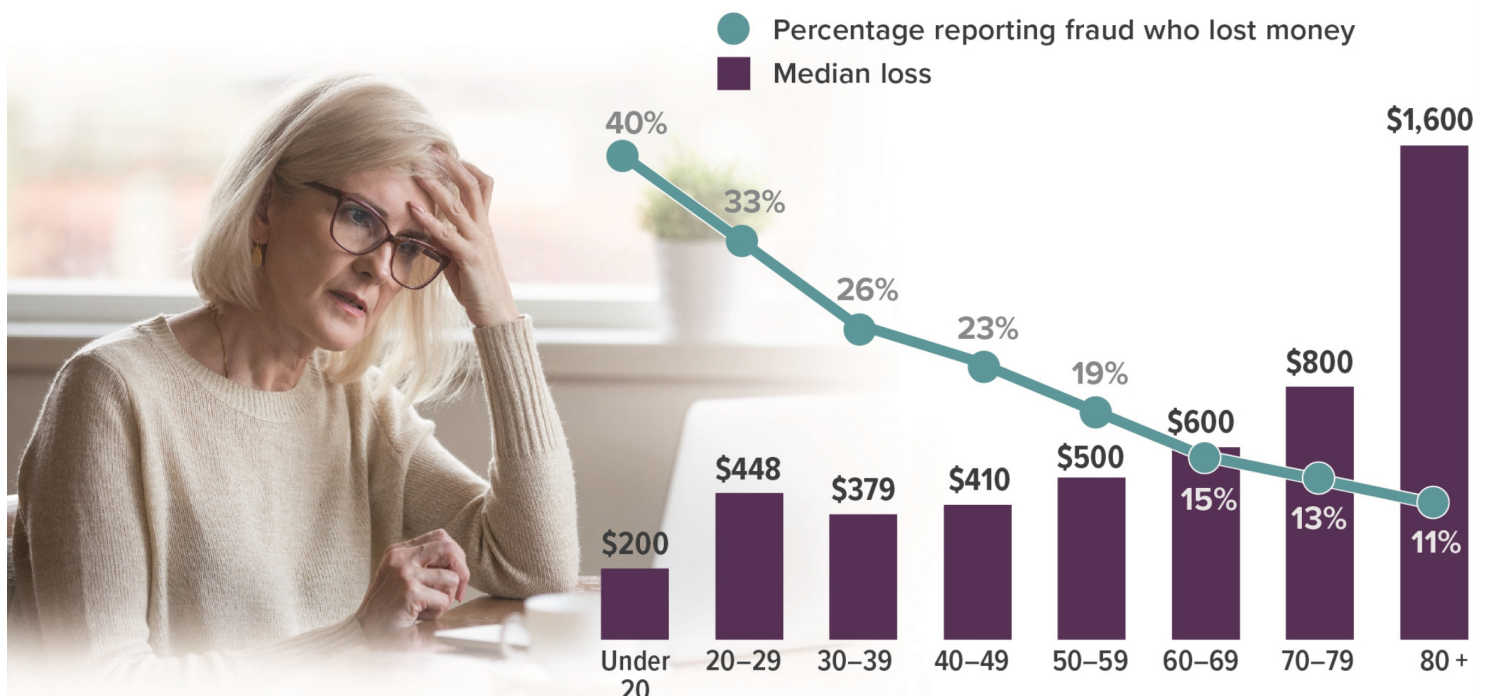


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Skeptical Yet Vulnerable

Older people who encounter fraud are less likely to lose money than younger people, but those who do lose money tend to have higher losses. The Federal Trade Commission received almost 1.7 million fraud reports in 2019, and about half of reports included consumer age information. This chart shows the percentage of those who reported a fraud loss and their median loss, by age group.



Source: Federal Trade Commission, 2020

Tapping Retirement Savings During a Financial Crisis

As the number of COVID-19 cases began to skyrocket in March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation may make it easier for Americans to access money in their retirement plans, temporarily waiving the 10% early-withdrawal penalty and increasing the amount they could borrow. Understanding these new guidelines and the other rules for loans and early withdrawals may help you determine if they are appropriate options during a financial crisis. (Remember that tapping retirement savings now could risk your financial situation in the future.)

Penalty-Free Withdrawals

The newest exception to the 10% early-withdrawal penalty allows IRA account holders and retirement plan participants to take distributions of up to \$100,000 in 2020 for a "coronavirus-related" reason.* These situations include a diagnosis of COVID-19 for account owners and certain family members; a financial setback due to a quarantine, furlough, layoff, or reduced work hours, and in the case of business owners, due to closures or reduced hours; or an inability to work due to lack of child care as a result of the virus. This temporary exception augments the other circumstances for which a penalty-free distribution is typically allowed:

- Death or disability of the account owner
- Unreimbursed medical expenses exceeding 7.5% of adjusted gross income (increases to 10% in 2021)
- A series of "substantially equal periodic payments" over your life expectancy or the joint life expectancy of you and your spouse
- Birth or adoption of a child, up to \$5,000 per account owner
- Certain cases when military reservists are called to active duty

In addition, IRAs (but not work-based plans) allow penalty-free withdrawals for a first-time home purchase (\$10,000 lifetime limit), qualified higher-education expenses, and payments of health insurance premiums in the event of a layoff.

Work-based plans allow exceptions for those who separate from service after age 55 (50 in the case of qualified public safety employees) and distributions as part of a qualified domestic relations order.

Tax Consequences

Penalty-free does not mean tax-free, however. In most cases, when you take a penalty-free distribution, you must report the full amount of the distribution on your income tax return for that year. However, the income associated with a coronavirus-related distribution can be spread over three years for tax purposes, with up to three years to reinvest the money.¹

Retirement Plan Loans

If your work-based retirement plan allows loans, you typically can borrow up to the lesser of 50% of your vested balance or \$50,000. Most loans must be repaid within five years, but if the money is used to purchase a primary residence, the repayment period may be longer. The CARES Act permits employers to increase this amount to the lesser of 100% of the vested balance or \$100,000 for loans to coronavirus-affected individuals made between March 27, 2020, and September 22, 2020.* Affected participants who have outstanding loans on or after March 27, 2020, will be able to delay any payments due in 2020 by one year.²

Hardship Withdrawals

Many work-based retirement plans also permit hardship withdrawals in certain circumstances. Although these distributions are not exempt from the 10% early-withdrawal penalty, they can be a lifeline for people who need money in an emergency.

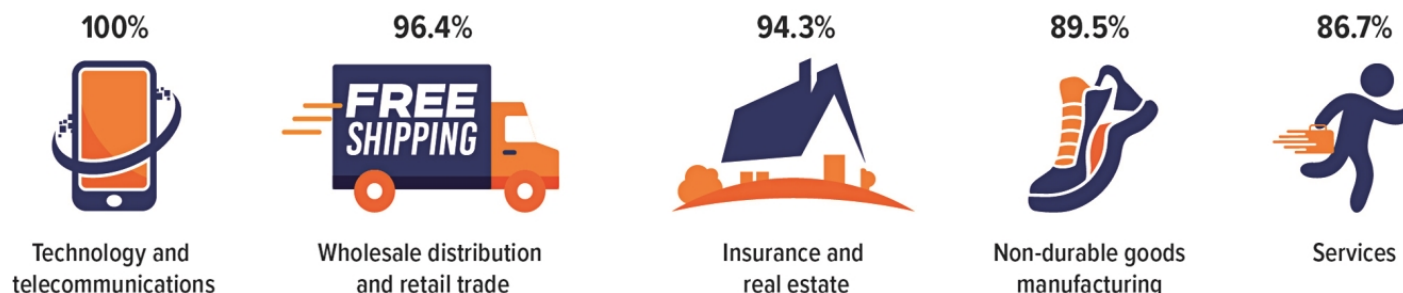
For more information about your options, contact your IRA or retirement plan administrator.

*Employers do not have to adopt the new withdrawal and loan provisions.

1) Amounts reinvested may reduce your tax obligation on the distributions; however, due to the timing of distributions and required tax filings, you may have to file an amended return to seek a refund on any taxes previously paid on withdrawn amounts. 2) The original five-year repayment period will be extended for the delay, but interest will continue to accrue. 3) Source: Plan Sponsor Council of America, 2019 (2018 data)

Five Industries Most Likely to Offer Retirement Plan Loans

Percentage of plans that offer loans, by type of industry³



Portfolio Performance: Choose Your Benchmarks Wisely

Dramatic market turbulence has been common in 2020, and you can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of these major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Both the Dow and the S&P 500 track the stocks of large domestic companies. But with about 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the market and is considered to be representative of U.S. stocks in general. These indexes are useful tools for tracking stock market trends; however, some investors mistakenly think of them as benchmarks for the performance of their own portfolios

It doesn't make sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" in good times is usually unrealistic, unless you are willing to expose 100% of your savings to the risk and volatility associated with stock investments. On the other hand, if you have a well-diversified portfolio, you might be happy to see that your portfolio doesn't lose as much as the market when stocks are falling.

Asset Allocation: It's Personal

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

The desire to become a more disciplined investor is often tested by the arrival of your account statements.

Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.

Telemedicine: The Virtual Doctor Will See You Now

Widespread smartphone use, loosening regulations, and employers seeking health cost savings are three trends that have been driving the rapid expansion of telemedicine. And that was before social distancing guidelines to help control the spread of COVID-19 made the availability of remote medical care more vital than anyone anticipated.

Easy Interaction with Health Professionals

Telemedicine offers a way for patients to interact with doctors or nurses through a website or mobile app using a secure audio or video connection.

Patients have immediate access to advice and treatment any time of the day or night, while avoiding unnecessary and costly emergency room visits. And health providers have the ability to bill for consultations and other services provided from a distance.

Telemedicine can be used to treat minor health problems such as allergies and rashes, or for an urgent condition such as a high fever. It also makes it easier to access therapy for mental health issues such as depression and anxiety.

In other cases, doctors can remotely monitor the vital signs of patients with chronic conditions, or follow up with patients after a hospital discharge. Telemedicine can also fill gaps in the availability of specialty care, especially in rural areas.

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Offered by Many Health Plans

In 2019, nearly nine out of 10 large employers (500 or more employees) offered telemedicine programs in their benefit packages, but many workers had not tried them out.

Only 9% of eligible employees utilized telemedicine services in 2018 (the most recent year for which data is available), even though virtual consultations often have lower copays and are generally less expensive than in-person office visits, especially for those with high deductibles.¹

If your health plan includes telemedicine services, you might take a closer look at the details, download the app, and/or register for an online account. This way, you'll be ready to log in quickly the next time your family faces a medical problem.

1) Mercer National Survey of Employer-Sponsored Health Plans, 2019

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