SERVING THOSE WHO SERVE

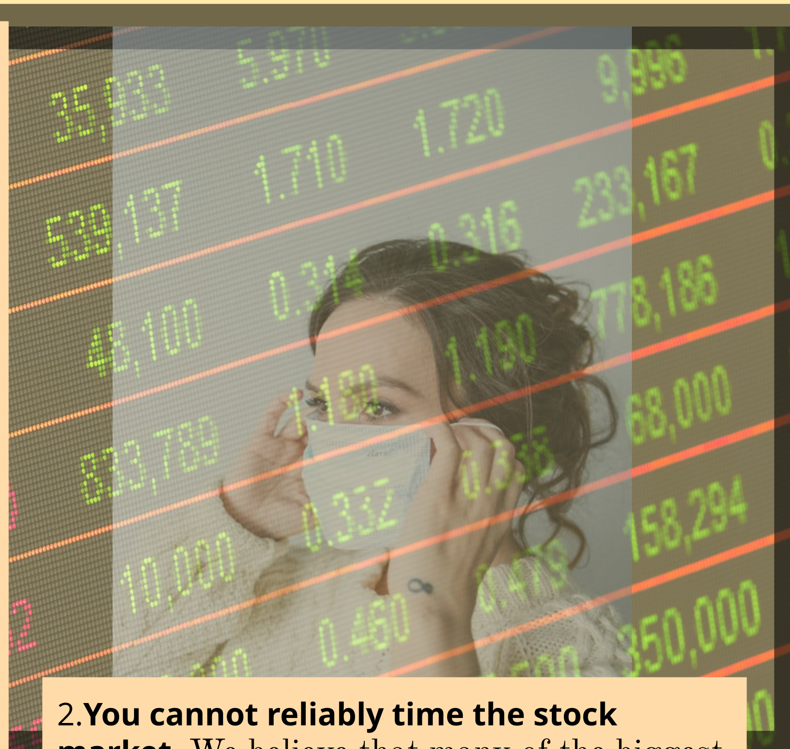
Quarterly Newsletter

April 2020

The Coronavirus & Your Investments

(Yes, Including the TSP)

By Thomas Lee, CFP, AIF, CHFEBC, Head Financial Planning and Investments STWS



Every stock market correction is different as is every global health crisis.Obviously, we cannot know how the Coronavirus will play out.However, we do know that we have survived and thrived after every epidemic and pandemic over the past 50 years.Below we list some of the more recent ones including stock market returns at the 6 month and 1 year marks.Thankfully, there are some principles of investing that have worked throughout the worst historical stock market crises which can help us get through this current one.

What follows should not be taken as a recommendation for your personal situation.Consult your advisor.

1.**Diversification.** If your investment objective includes investing in bonds, it is likely that you are investing in US government and/or municipal bonds. Much of the returns have been positive in these bonds since the Coronavirus emergence. Your TSP has two bond investment choices.

2.**You cannot reliably time the stock market.** We believe that many of the biggest mistakes that investors make are during times of volatility.This usually entails some version of selling investments and moving into cash until things calm down.

3.**Dollar cost averaging.**If you are investing systematically (Ex TSP), keep doing it.It is quite possible that the money you are investing now will generate high returns over the long run.

4.**Loss aversion.**We recommend that you fight this feeling.There are three techniques that can help.First of all, do not look at your investment statements.Secondly, do not pay attention to the daily moves of the stock market.Finally, do not pay attention to anybody making predictions about the stock market (including friends, family, financial experts, and office “experts”).

5.**Roth.** Consider investing in your Roth TSP or do some Roth Conversion.Down stock markets can be opportune times to take advantage of Roth strategies.By contributing to the Roth TSP, when the stock market recovers, you will have built up tax free growth inside of your retirement plan.If you have a traditional IRA outside of your TSP, you can do a Roth conversion with some or all of the IRA.You will be paying taxes now, but the tax free growth may more than offset these taxes over time.Roth conversions can be particularly advantageous if you are able to pay for taxes with money outside of the IRA.Please consult your tax advisor about these strategies.

6.**Stick with your investment plan**. We think this is the bottom line.You should change your investment plan when your **financial objectives change**, not when financial markets fluctuate.

Hang in there and wash your hands!

(See "Disclaimers" section)

May 2020 Seminars:

5/14/20: *Washington, DC*

5/18/20: *Arlington, VA*

5/19/20: *Rockville, MD*

5/22/20: *Columbia, MD*

stwsseminars.com

EPIDEMIC	MONTH END	6-MONTH % CHANGE IN S&P500	12-MONTH % CHANGE IN S&P500
HIV/AIDS	June 1982	-0.3%	-16.5%
Pneumonic Plague	September 1994	8.2%	26.3%
SARS	April 2003	14.59%	20.76%
Avian Flu	June 2006	11.66%	18.36%
Dengue Fever	September 2006	6.36%	14.29%
Swine Flu	April 2009	18.72%	35.96%
Cholera	November 2010	13.95%	5.63%
MERS	May 2013	10.74%	17.96%
Ebola	March 2014	5.34%	10.44%
Measles/Rubeola	December 2014	.20%	-0.73%
Zika	January 2016	12.03%	17.45%
Measles/Rubeola	June 2019	9.82%	n/a

(Source: Dow Jones Market Data)

FED ZONE

featured article by Ed Zurndorfer

How the SECURE Act Passage Affects IRA Owners & TSP Participants & Their Beneficiaries

Before adjourning in late December, Congress enacted a $1.4 trillion year-end spending bill that keeps the federal government running through Sept. 30, 2020. President Trump signed the legislation. Tucked away inside this spending legislation is the **Setting Every Community Up for Retirement Enhancement (SECURE) Act-** which includes significant changes to individual retirement arrangements (IRAs) and retirement plans, including the Thrift Savings Plan (TSP). When discussing the SECURE Act, this column goes over the most important retirement planning changes to IRAs and to the TSP resulting from the SECURE Act passage, including the advantages and disadvantages of each change affecting federal employees and annuitants.

(1) Age limit eliminated for traditional IRA contributions.

Effective Jan. 1, 2020, the SECURE Act eliminated the age limit for making traditional IRA contributions. With this change, those individuals who have earned income (salary or self-employment income) or whose spouses have earned income can continue to contribute to a traditional IRA regardless of their age. Until this change, starting in the year an individual reached age 70.5, the individual could not contribute to a traditional IRA, even if the individual had earned income or whose spouse had earned income. Note that this change takes effect on Jan. 1, 2020 meaning that federal employees over age 70.5, and/or who have working spouses with earned income, cannot make traditional IRA contributions for the year 2019 even though the deadline to make 2019 IRA contributions is the 2019 income tax filing deadline of April 15, 2020. But they can make IRA contributions for tax year 2020.

(2) Changes the age of initiation for required minimum distributions (RMDs) from 70.5 to age 72 for all retirement accounts subject to RMDs, including the TSP

Note that this change for taking one's first RMD from age 70.5 to age 72 affects traditional IRA owners and qualified retirement plan owners, including traditional TSP and Roth TSP participants, who become age 70.5 after Dec. 31, 2019 (individuals born after June 30, 1949). This change is a tremendous benefit for employees and annuitants born after June 30, 1949 and will allow additional time for the traditional and Roth TSPs and traditional IRAs that are owned by federal employees and annuitants, to grow tax-deferred or tax-free. The fact that many federal employees are remaining in the workforce longer which in turn means that these employees can wait somewhat longer before being subject to the RMD of their traditional IRAs and their traditional TSP and Roth TSP accounts. This should prove to be beneficial to these employees and to their beneficiaries. The new proposed changes in the RMD life expectancy tables in 2021, combined with the new RMD age, will allow those who do not need the funds to keep them growing, tax-deferred or tax-free (Roth TSP), a little longer. The law has not changed for individuals over 70.5 owning traditional IRAs who use qualified charitable distributions (QCDs) to fulfill their traditional RMDs. QCDs can still be performed at age 70.5, even though no RMDs will be required until age 72 for traditional IRA owners born after June 30, 1949.

(3) Taxable Non-Tuition Fellowship and Stipend Payments Treated As Compensation for IRA Contribution Purposes.

Beginning in 2020, individuals who have taxable stipends or other amounts paid to them to aid in the pursuit of a graduate or postdoctoral study can use those amounts as compensation for IRA/Roth IRA contribution purposes. Many federal employees and uniformed service members have children or other family members who are working on graduate degrees (Masters, PhD) or are pursuing postdoctoral opportunities. They are receiving fellowship and/or stipend payments that while considered taxable compensation, until the passage of the SECURE Act this income did not count as far as allowing these individuals to contribute to some type of IRA (traditional or Roth). These individuals also may not be married or if they are married, their spouses do not have earned income which will allow them to contribute to an IRA. Now these individuals (and their spouses if married) can contribute to some type of IRA which, for many of them, means starting to save for their retirement in their 20's which they are highly encouraged to do. Starting for calendar year 2020, they can contribute as much as $6,000 ($7,000 if they are age 50 or older) to an IRA. There are no disadvantages to this provision of the SECURE Act.

(4) New Exception to the 10 Percent Penalty for Childbirth or Adoption.

The SECURE Act adds a new 10 percent penalty exception for birth or adoption, but the distribution is still subject to federal and state income taxes.The exception allows up to $5,000 to be distributed penalty-free from an IRA or from a defined contribution plan (such as the TSP) as a "qualified birth or adoption distribution". To meet the requirements of a qualified or adoption distribution, an individual must take a distribution from his or her retirement account at any point during the one-year beginning on either the date of birth, or the date on which the adoption of an individual under the age of 18 is finalized. Also, the $5,000 limit is a limit "with respect to any birth or adoption". This means that the $5,000 withdrawal applies to each subsequent birth or legal adoption. Furthermore, the exception applies on an individual basis, meaning that if both a child's parents have available retirement assets, then each parent can make a qualified birth or adoption distribution of up to $5,000 for each child born or adopted. Finally, in the event a parent took a qualified distribution and is able to "repay" such amount, the parent may do so back to the qualified retirement plan or IRA from which the distribution was made.

*Past investment performance is not indicative and no guarantee of future investment return.

For full "FED ZONE" disclosures, please read the 'disclaimers' section

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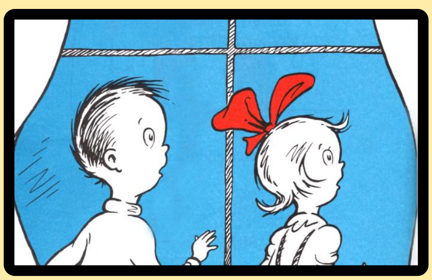
FEDLIFE PODCAST:
now on Spotify!

blog.stwserve.com/podcast

Health & Wellbeing:

Staying Sane While Stuck Inside

As the Coronavirus crisis impacts the DC-Maryland-Virginia are with rapid intensity, school buildings have been closed and shelter-in-place orders have been decreed. Here are some fun activities to do while stuck indoors (with or without children):



-**Read**. Either the old fashioned way or electronically. Many libraries are offering e-books for free.

-**Write or Draw.** If not a journal or story, write a letter to a loved one, especially if you know a Senior Citizen who you are unable to physically visit now. You or your kids could also draw them a picture if writing isn't your thing.

-**Games.** Board games and card games are a great way to pass time without a TV or Phone involved.

-**Solitude.** When stuck indoors for a long period of time, don't forget your "me-time" and space is important.

The Coach's Corner

by Executive Coach, Robert Oberleitner

Teleworking More?

It is likely that as you read this, you or employees that work with you, are among the many federal workers who are teleworking more in recent weeks than ever before. Current events have required us all to make adjustments to our work routines.

Telework is an effective and productive way for both employees and employers to get work done. A study by Stanford University in 2015 showed a productivity increase of a full day's work taking into account work and cost savings. Workers generally took fewer sick days, shorter breaks and put in more hours when not having to account for their daily commute. Gallup research data shows 54% of workers indicated they would leave their job for another that provided some form of telework.

Telework is not without challenges as some full-time teleworkers over time report feelings of isolation due to extended periods without in-person co-worker interactions. How does a leader manage this?

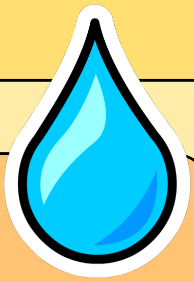
In a telework environment it is important for managers to make a point to reach out and connect with employees who are working virtually. It can be easy to get lost in the workload and forget them. In a mixed workforce (some teleworking and some in person) be particularly cognizant of including remote employees in discussions and decisions.

During meetings with a virtual component, be sure when asking for input to specially ask for any comments from those on-line. When at all possible, conduct meetings with remote workers using videoconferencing. Video allows all meeting participants to see and pick up on visual clues (e.g. facial expressions and body language) in the meeting. Additionally, people are more likely to voluntarily participate if they know the rest of the group can see them. If you are running the meeting, make a note to look for those who may be virtually raising their hand on a video conference call.
Meetings scheduled back to back to back particularly grueling for virtual workers.

Consider shortening meetings to 25 and 50 minutes to allow employees, and yourself, time to get up from the computer screen, stretch and refocus.

Time will tell if federal agencies will continue to invest in the flexibility and capabilities of telework. With practice, the right tools and awareness of managers leading virtual meetings federal agencies will benefit from the advantages of a workforce that has teleworking capability.

(See "Disclaimers" section)

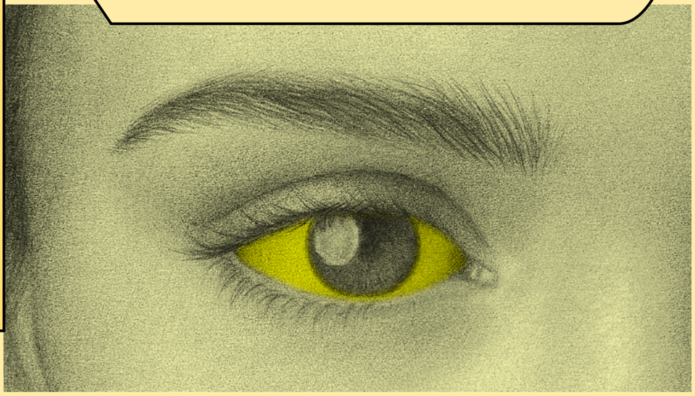


Fun Fact:

There is a cloud of water vapor 12 billion light-years away with 140 trillion times more water than all of Earth's oceans

History Tidbit:

The 1793 Yellow Fever Epidemic in Philadelphia killed 5,000 people between August 1st and November 9th



AGENCY SPOTLIGHT:

Centers for Disease Control

Acronym: C.D.C.

Established: 1946

Located: Atlanta, GA

# of Employees: 10,000+

Leading Director: Robert Redfield

Mission:

"to protect America from health, safety and security threats, both foreign and in the U.S. Whether diseases start at home or abroad, are chronic or acute, curable or preventable, human error or deliberate attack, CDC fights disease and supports communities and citizens to do the same."

source: cdc.gov

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The FT 400 was developed in collaboration with Ignites Research, a subsidiary of the FT that provides specialized content on asset management. To qualify for the list, advisers had to have 10 years of experience and at least $300 million in assets under management (AUM) and no more than 60% of the AUM with institutional clients. The FT reaches out to some of the largest brokerages in the U.S. and asks them to provide a list of advisors who meet the minimum criteria outlined above. These advisors are then invited to apply for the ranking. Only advisors who submit an online application can be considered for the ranking.In 2019, roughly 960 applications were received and 400 were selected to the final list (41.7%).The 400 qualified advisers were then scored on six attributes: AUM, AUM growth rate, compliance record, years of experience, industry certifications, and online accessibility. AUM is the top factor, accounting for roughly 60-70 percent of the applicant's score. Additionally, to provide a diversity of advisors, the FT placed a cap on the number of advisors from any one state that's roughly correlated to the distribution of millionaires across the U.S. The ranking may not be representative of any one client's experience, is not an endorsement, and is not indicative of advisor's future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for this award/rating. The FT is not affiliated with Raymond James.

Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation.Past performance may not be indicative of future results. Holding investments for the long-term does not insure a profitable outcome. Dollar-cost averaging cannot guarantee a profit or protect against a loss, and you should consider your financial ability to continue purchases through periods of low-price levels.

Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications.