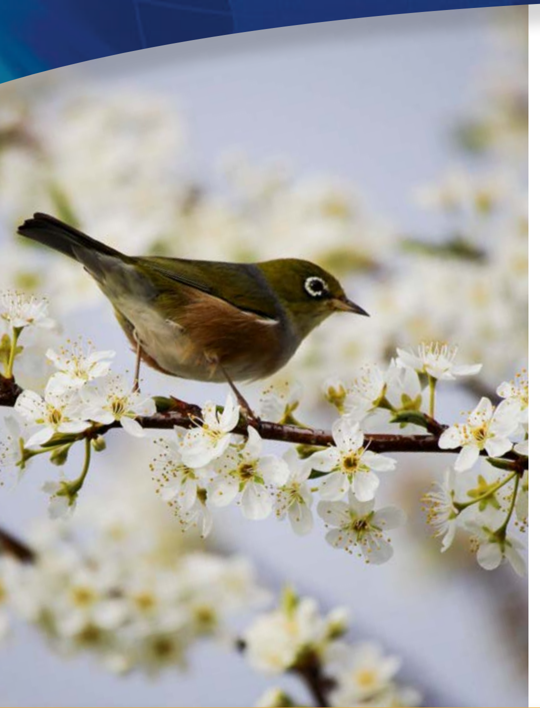
SPRING 2020

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management



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Coronavirus and the Economy

For most of our lives, the economy moved along at high speeds. Most of us experienced endless meetings, business opportunities, travel, sports, entertainment, and technology advancements. Life moved so fast that many of us may not have found time to process where we were heading and what was really important.

Now we are in a recession, even if not yet officially experiencing two consecutive quarters of economic decline. The economy is in a major contraction. Investment portfolios are down, unemployment is way up, and people are worried. Most of us have time on our hands. Even for those fortunate enough to have adequate food, shelter and resources, the temptation is to worry about the many unknowns, which can take a toll on our energy and outlook.

There is some good news. Not every sector in the economy is down. The COVID-19 death rate is lower than expected. Some scientists believe the number of people with coronavirus antibodies may be higher than known. If true, this herd immunity will eventually help facilitate a gradual re-opening of the economy.

Many recessions are demand-based recessions: people not wanting to buy consumer goods. However, this recession is a supply-based recession. People want to buy consumer goods but are not permitted to. The current COVID-19 mitigation plan requires sequestering and social distancing from others.

Previous supply-based recessions, such as during the beginning of WWII, were V-shaped. The surprise attack on Pearl Harbor demonstrated the U.S. military was unprepared. It looked like Germany was on the verge of victory. People were fearful. But the U.S. government, businesses, and people responded. Businesses retooled to support the war. Germany and Japan were defeated. Once our soldiers returned from war and re-entered the workforce, the pent-up demand was high, and the economy soared.

It appears likely the recovery will be swift. There is pent-up demand, which will stimulate the economy once people are comfortable returning to work and life. The COVID-19 stimulus package is providing liquidity to help keep businesses in business and employees employed. This will help support consumer demand once we move into a recovery.

Many believe there will be no growth in the economy through this summer, and the unemployment rate will exceed 10%. Certain sectors of the economy, such as transportation, leisure, and service, have been hit hard.

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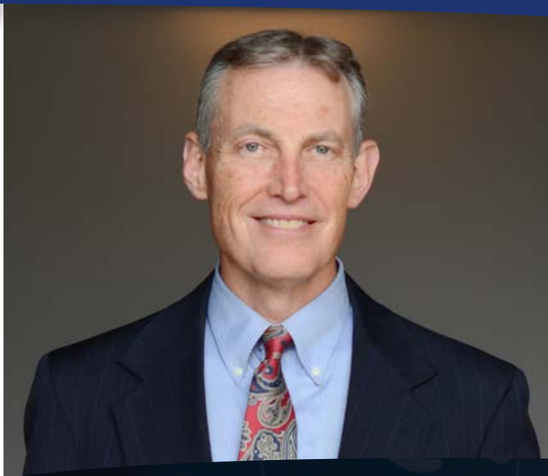
JENTNER WEALTH MANAGEMENT

THE PRESIDENT'S WORD

The Paradox of Perceived Risk

Though investing in stocks may sound riskier than investing in fixed income, historical data shows it has been a less risky choice over the long term.


Bruce Jentner, CFP®, Chairman

Living in the U.S. provides significant economic advantages. These include opportunities to get a good education and a reasonable job. Let's assume you go to school, graduate, and get an average job. The reported median personal income as of October 2019 is $45,646. Now let's assume you follow the advice of the financial gurus and deposit 10% of every paycheck into your 401(k) plan.

People uncomfortable with the stock market may be tempted to select a relatively conservative bond investment in their 401(k), which historically has earned about 3% annually on average. Assuming wages increase 2% annually for inflation and if you continue depositing 10% of your wages into your 401(k), after 40 years and an assumed 3% annual growth rate, your account would grow to about $481,000. That appears to be a relatively healthy sum until you adjust for inflation.

If inflation averaged 2% annually, the $481,000 would have an equivalent inflation-adjusted value of only $218,000, generating a potential monthly retirement income of approximately $726. This hardly seems adequate to supplement the Social Security benefit you may receive!

Let's make a small but significant change. If you were willing to ignore stock-market fluctuations and invest your 401(k) deposits into an S&P 500 index fund, after 40 years and if the index fund had an average annual return of 6%, your account could grow to about $922,000. The equivalent inflation-adjusted value would be about $417,000, producing a potential monthly retirement income of about $1,392 to supplement your Social Security benefit.

Essentially doubling your retirement-plan income did not happen by choosing great investments. It was earned by ignoring stock-market fluctuations. This is the paradox of perceived risk. Although this feels riskier, long-term historical returns indicate this approach has been less risky and more favorable to investors.

Are you willing to invest some amount out of every paycheck toward your retirement? Are you willing to accept the higher perceived risk of the stock market? The way you answer these questions can make a significant difference in your retirement independence.

Coronavirus and the Economy

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What about the market? Market predictions can be noisy and inaccurate, especially during difficult times. Perhaps the market will begin its recovery and return to previous levels over the next 12 to 18 months. Everything depends on our ability to develop effective treatments and vaccines. The fact is no one knows when these advancements will be available.

In the real world, companies create wealth by solving problems and meeting needs. Some people want to wait for a clearer view of the future before acting with courage and faith, but when the future is clear again, present investment bargains will be gone. Recessions and market declines are inevitable and to be expected. Even so, a common temptation is to succumb to market predictions. Unfortunately, the historical track record of investing based on market predictions is dismal. Instead, we recommend people with diversified investment portfolios stay invested and employ periodic rebalancing to take advantage of the inevitable market fluctuations without relying on market predictions.

The speed and severity of COVID-19 is taking a huge toll on our lives and on the economy. Yes, this feels scary. Do we have any recommendations? We encourage everyone to stay strong mentally. Focus on what you believe is important: faith, family, and friends. Muster the willpower to look for opportunities to help others. We mourn for those we have lost to this virus. We help those who need our assistance. We stand on guard to protect ourselves and our loved ones. This is when strength, courage, and emotional maturity are invaluable.

Societies historically overcome pandemics. Markets eventually recover. Over and over, financial markets demonstrate a remarkable ability to overcome bad news. Even though most of us have nothing in our own experience with which to compare this pandemic, we have been here before. This too shall pass. This is exactly the type of storm Jentner's investment portfolios are designed to weather. With more than 10,000 securities in more than 40 countries, Jentner portfolios will participate in the ingenuity of mankind and the economic opportunities that will inevitably present themselves. Jentner Wealth Management has a 35-year history dedicated to helping people steward their resources wisely. Call on us if we can help answer questions you may have.

The Importance of Personal Umbrella Policies

Insurance policies can be used to help protect your assets and your family's financial security.

Unexpected accidents or tragedies can have a significant impact on personal financial independence and security. What would happen if you or your child caused a car accident resulting in serious injuries or the death of others? An accident can potentially expose your life savings, assets, and future earnings.

An umbrella policy is insurance that sits on top of your existing homeowner and auto insurance policies. It provides additional liability coverage to protect you from large losses above those policies' limits. This type of insurance is often overlooked because it is not understood, but it can be a very effective way to protect your assets from the risk of unexpected large claims or lawsuits, which can happen to anyone.

The Basics of Umbrella Policies

Umbrella insurance provides additional liability coverage that takes effect after your other insurance coverage limits are reached. To have an umbrella policy, you need to have homeowners and automobile insurance policies in place. It cannot be purchased separately. Your insurance company may require certain types of coverage and minimum levels of coverage in those policies to add umbrella coverage.

When Would This Insurance Apply?

Umbrella policies can pick up where auto or homeowners policies leave off. Many standard insurance policies have a cap on liability coverage of $500,000. If there was a judgment against you in excess of your other policies' liability coverage limits, your umbrella coverage could protect you from using your personal assets to pay for the remainder of the claim. For example, if you were responsible for a car accident where others were seriously injured and the damages were more than your automobile insurance liability limits, your umbrella policy could cover the difference.

Umbrella policies usually cover bodily and personal injuries and property damage, along with related legal defense costs. They may also cover damage claims such as defamation of character, slander, and libel. The damages may be caused by you or someone else that you are responsible for, like your spouse or children. They usually do not cover theft or damage you cause to your own personal property, business losses, or criminal acts.

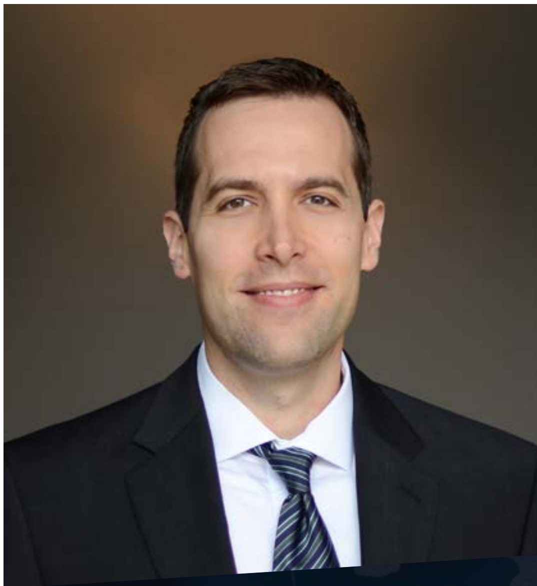
How Much Coverage Is Needed?

Typical umbrella policies cover at least $1 million in liability. The general guideline is that an umbrella policy should cover your net worth if it is $20 million or less. Above $20 million, coverage depends on the amount of risk the policy holder is willing to take. Your insurance company may limit the size of the umbrella policy it will offer, but there are also specialty insurance companies that provide umbrella coverage.

How Much Does It Cost?

Overall, umbrella policies are not expensive. The cost of a $1 million personal umbrella liability policy is about $150-$300 a year. The cost will be based on your existing liability insurance coverage, assets covered (home, cars, boats, planes), where assets are located, the number and age of people to be covered by the umbrella policy, and your prior insurance claim history. Insurance is regulated at the individual state level, and state regulations and their litigation environment can affect rates and availability.

Many insurance companies offer online tools where you can input your personal information and get pricing estimates for comparison, along with additional information about umbrella insurance. Reach out to your insurance agent and find out how you can add umbrella policy coverage to your wealth-protection plan. If you already have an umbrella policy, make sure your coverage limits are appropriate and up to date based on your current net worth and family situation. Let us know how we can help.



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Protect Yourself from Social Security Scams

Have you ever received a phone call warning you about suspicious activity in your Social Security account? These scams are on the rise. Sometimes, the scammers threaten your benefits will be reduced if you don't call back, or they threaten to sue or arrest you. Other times, they say you have been the victim of identity theft. They may even try to entice you to give information by offering to increase your benefits.

As well, scammers may send documents by email or regular mail using what looks like official government letterhead. Because Social Security numbers are key to your personal and financial information, it is critically important to protect them.

Here are some red flags to watch for:

- Rather than call, the Social Security office will usually communicate by mail.
- Social Security does not accept gift cards, cash, prepaid debit cards, wire transfers, or cryptocurrency.
- Fake letters often have spelling and grammar errors.

During tax-filing season, you need to be especially cautious as scammers use Social Security numbers to fraudulently claim tax refunds before taxpayers file their returns. You may try to e-file your tax return and receive a message that your return is rejected because of a duplicate Social Security number or that a dependent you are claiming has already been claimed.

Don't let yourself be victimized. Hang up on scam callers immediately, and be cautious about correspondence received by email or regular mail. If you get a letter from the IRS about suspicious activity related to your tax returns or account, call the IRS immediately. You can report suspected Social Security fraud and phone scams at https://oig.ssa.gov.

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