



COVID-19 Impact on Tax Season

The COVID-19 pandemic is creating an ever-changing environment. As of the written date of this article (03.30.20), here's what you should know about how it impacts your taxes:

- The IRS has extended the due date for filing 2019 federal tax returns to July 15, 2020.
- The due date for paying any federal tax due for 2019 is also July 15, 2020.
- This extension includes the first estimated tax payment normally due April 15th.
- The intention of this extension is to allow those affected by COVID-19 additional time to prepare their tax returns without incurring interest, penalty, or additional tax for failure to pay.
- The IRS is urging taxpayers who are due a refund to file as soon as possible.
- The State of Ohio will follow the IRS guidelines concerning the new due date, and we expect that individual cities will do so as well.

Whitcomb & Hess is still here to assist in the completion of your return. Our lobby is open for drop offs and pickups, or you are welcome to use the drop slot in the side door if you prefer not to come in. We also have secure electronic means for you to send your information. While we normally prefer to do business with a handshake, we are encouraging virtual or phone meetings for the time being for your safety as well as ours. We appreciate your understanding.

Visit:
whitcomb.com/covid19
for updates

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Highlights of the CARES Act

By Tim Hilterman, CFP®, CAP®

On March 27, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Here are some highlights on how the bill will help individuals and families:

No RMDs in 2020

Required Minimum Distributions (RMDs) are suspended for 2020. Typically, there is a 50% penalty if one doesn't take their RMD, but this will not be the case in 2020. This provision means savers won't have to sell out of investments at low levels in order to take their RMD.

Early Access to Retirement Savings

For those who might need to access funds in retirement accounts, the CARES Act is providing these special options:

- The 10% early withdrawal penalty on retirement account distributions has been waived, along with the 20% mandatory tax withholding for virus-related distributions from 401(k) accounts.
- These distributions are still considered taxable income, but you have the option to pay the income tax over 3 years.
- You also have the option to recontribute these funds back into the retirement account within three years and these recontributions will not be counted against the annual maximum of the plan.
- This applies to IRAs, 401(k)s, certain deferred comp plans, and several others.
- There is a \$100,000 cumulative maximum across all plans and IRAs.

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Federal Student Loan Payments Suspended

As part of his March 13 national emergency declaration regarding the coronavirus outbreak, President Trump announced that he was freezing student loan interest immediately. For those who hold a federal student loan, you do not have to make any payments through September 30th. There will be no late fees and no interest will accrue during this time. This does not apply to private student loans.

Disclosure Statement

Please contact Whitcomb & Hess, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add, or modify any reasonable restrictions to the management of your account. Also, as required by the United States Securities and Exchange Commission, a copy of our Form ADV2A and Form ADV2B: Firm Brochure, which provides information about the qualifications and business practices of Whitcomb & Hess, is available upon request. To request a copy, contact one of our customer service specialists at info@whitcomb.com.

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An Optimist's Guide to COVID-19

The recent coronavirus pandemic, and resulting panic, has affected every aspect of our lives. It's normal to have fear or doubts during these uncertain times.

From an investment perspective, we have now entered a bear market in stocks, which many experts define as a 20% decrease in value. The emergence of the virus has negatively affected both supply chains and economic demand. Investors are wondering what the ultimate market impact will look like.

One indicator we track is the Chicago Board Options Exchange Volatility Index (VIX for short) which measures the volatility of the S&P 500 stock index. Since its inception in 1990, it has traded between 10 and 90, the higher numbers indicating more volatility. Typically, the VIX trades under 25, but recently, it has registered multiple readings over 80, which is comparable to the peak of the 2008 financial crisis. When the VIX trades at these elevated levels, it is often indicative of an attractive long-term buying opportunity.

Obviously, the pandemic has influenced markets as investors scramble to figure out what the future holds. Despite this ambiguity, a positive outlook makes the most sense. Here are some reasons to be optimistic:

- **Committed, global response** – We are all making committed efforts to limit the spread of the disease. COVID-19 is our biggest current issue and we are fighting it with immediacy and force.
- **Economic stimulus** – In March, the Federal Reserve lowered interest rates to zero. In addition, the federal government passed the CARES Act, a \$2 trillion relief bill designed to support the functioning of financial markets and the economy while the crisis persists which will undoubtedly

cushion the current economic fallout.

- **Medical progress is inevitable** – Consider this list of positives regarding the fight against COVID-19:
 - Work has started on a coronavirus vaccine. It will take time, but it's coming, and the conservative estimate is 12-18 months.
 - In the shorter term, it's possible that existing medications may help alleviate symptoms or even prevent this illness. A number of drugs are currently in trials and some have shown potentially, positive attributes.
 - Testing is becoming more widely available. Abbott Laboratories recently received FDA approval for a point of care test that gives a result in under 15 minutes. Identifying positive cases leads to more-effective quarantine measures to limit the spread.

The bottom line is this: we are fighting this battle on many fronts. Huge success on one front, or small successes on many fronts could all be very positive developments. As we make progress in the fight against the virus, economic growth will return, and the financial markets will continue to rebound.



Ryan Gilmer, CFA®, CMT®
Chief Investment Officer

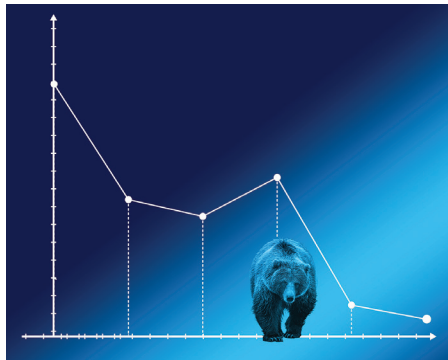
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MARKET UPDATE as of March 31, 2020

| | | | | |
|---|-------------------|--------------------|-------------------|--------------------|
| S&P 500 Composite (US Large Stocks) | 1ST QTR -19.60% | 2020 YTD -19.60% | 5 YR AVG 6.73% | 10 YR AVG 10.53% |
| RUSSELL 2000 (US Small Stocks) | 1ST QTR -30.61% | 2020 YTD -30.61% | 5 YR AVG -0.25% | 10 YR AVG 6.90% |
| MSCI WORLD ex US (International Stocks) | 1ST QTR -23.26% | 2020 YTD -23.26% | 5 YR AVG -0.76% | 10 YR AVG 2.43% |
| BARCLAYS US AGG BOND (Bonds) | 1ST QTR 3.15% | 2020 YTD 3.15% | 5 YR AVG 3.36% | 10 YR AVG 3.88% |

5 Tips for Getting Through a Bear Market



The longest bull market in history is in the books and suddenly we are in the midst of the fastest bear market in history as the world tries to react to the COVID-19 crisis. While this particular threat is new, we've been through bear

markets before. Here are some lessons we learned from the past, and some proactive items to help get you through days that feel more bleak.

- 1. Bear markets don't last forever** – On average, bear markets last 1.3 years and bull markets last 6.6 years. When it seems like the market is in a freefall, it's important to remember that a recovery will come. Additionally, the earliest days of recovery are generally the strongest.
- 2. "Don't try to catch a falling knife"** – Anyone who has loaded a dishwasher recognizes the wisdom in this quote from Warren Buffett. Likewise, we recommend holding your target allocation during times of crisis; selling out completely only ensures that you'll miss out on the strongest part of the recovery. In the 2008-2009 bear market, the S&P 500 Index lost nearly 56%. The following 12 months (March 2009 - March 2010) the S&P 500 was up over 66%, with half of that gain occurring in the first two months (March - May 2009).
- 3. Rebalance your portfolio** – We know the temptation to do something is human nature, so if you feel the need, we advise you to rebalance. High-quality government bonds have held up well during this downturn, but now they offer very little return going forward. Meanwhile, stocks have more potential for gain than they've had in about five years. You might even think about adding an extra 10% of your allocation to stocks now.

4. Maintain regular contributions – We often tout the benefits of dollar-cost averaging or systematic contributions and distributions because they help you avoid trying to "time" the market when buying or selling. Keep contributing to your retirement accounts if you can, or even consider increasing what you're investing. Bear market discounts don't come around that often and purchases during these times can benefit your long-term returns.

5. Convert to Roth IRAs – If you've always wanted more in a Roth IRA or Roth 401(k), now is the time. With portfolios down significantly, you may want to consider converting tax-deferred accounts to Roth. You'll pay the tax in the year of conversion which will likely be much less now than it was before the crisis, or will be after it has passed.

It's normal to feel uneasy during times like these, and even second-guess decisions, but remember that when we worked together to craft your investment strategy and financial plan, we did so knowing there could be rough patches along the way. Successful investors maintain a steadfast approach, focus on their goals, and capitalize on opportunities as they come about. We know this is easier said than done, but optimism is a powerful tool that can help you succeed.

Keep your eyes on the horizon. Be informed and stay positive. We'll walk with you along the way.



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While these measures may help you meet basic needs, we would encourage you to use this as a last resort. Any funds removed from your retirement account won't be participating in the eventual recovery in the market, and you will still owe tax on the distributions.

Stimulus Checks

Most individuals earning less than \$75,000 annually will receive a one-time cash payment of \$1,200 and married couples earning less than \$150,000 annually will receive \$2,400. In addition, families will get \$500 per child. Those making more than these amounts will see a smaller check and the payments will disappear altogether for individuals making more than

\$99,000 and couples making more than \$198,000.

We're continuing to monitor the changes brought about by these unique times. We are ready and available to help. Please reach out to us if we can be of service.



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Upcoming Client
Appreciation Event:

SHRED DAY Friday, May 8th

9am to 12pm
in our parking lot

Whitcomb & Hess is
bringing back **Shred Day!**
As a **thank you** to our clients,
we provide this free event
where you can have your old
documents shredded **securely and**
conveniently on site.

We are glad to offer this service in
an effort to help protect your family
and business from identity theft.

See you at Shred Day!



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Cheers to 37 Years!

By Jordan Kvochick

Whitcomb & Hess would like to announce the retirement of **Bill Harvey, CPA**, who has been with us from nearly the beginning. While we regret that we have had to postpone his retirement party, we would like to thank him for his 37 years of dedicated service to our firm. We asked Bill about his favorite parts of working for W&H:

"I have valued the wonderful clients that I have served through the years – many of whom have become great friends as well. I am grateful for the amazing people I was blessed to work with over 37 years; I will miss you all so much! And I thank the good Lord for putting me in the path of Ed Whitcomb and Jim Hess back in 1983, just as they were looking for an accountant to add to their new firm. It has been a fantastic, albeit too quick, ride to the finish line!"

Bill's easy-going personality, sassy commentary during staff meetings, and his excellent story-telling skills will be missed by the whole team.

"Bill embodies the very heart of W&H. His concern for others and selfless attitude have influenced our firm, our team, and our clients for years. In addition, he has been an outstanding advisor, providing our clients with the highest level of professional advice and care. Bill will be greatly missed, but his fingerprints on W&H will be long lasting."

– Jim Hess, CPA & Founder

Thanks for everything, Bill!

*We wish you a
wonderful retirement.*

