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Financial Solutions for the Life You Are Living and the One You Want to Live

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SPRING 2020

Another Black Swan. Now What to Do?

Did anyone see this one coming? I sure didn't and my peers in the financial industry didn't either. Once in a while, a negative event occurs that is extremely rare and impossible to predict. This is called a Black Swan. Parts of the world are now in lock down over the most current pandemic called the COVID-19, aka Corona Virus. The last pandemic is just over a decade old: the 2009 Flu Pandemic (originally called the Swine Flu). Depending on the source you use, the more recent Brexit news could have also been referred to by some as a Black Swan event. A surprise outcome in the U.K. lead to a very disruptive two weeks for worldwide markets. Uncertainties often lead to temporary, yet very high volatility in the stock market and inevitably leads to market sell offs and in some cases a Bear Market (markets down 20% from the most recent highs). The current crisis seems to have extra element of unknowns. The worldwide COVID-19 case number and subsequent number of people that have passed away has increased and the very fact the folks can be giving it to others without showing symptoms.

First and foremost, please take necessary precautions for you and your family. If you are considered At Risk, please heed the warnings posted. This is one of those times when less is more, meaning, it is okay to just stay away from normal group outings that may put you or your loved ones at risk. If you are unable to leave your house and feel it would be too risky, please don't hesitate to reach out for help. On the flip side, if you are able to help people in need during this time, please do so within your local community.

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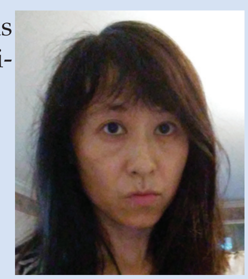
New Associate Financial Advisor Hire!



Lihong (Katy) Kan joined us a little over two months ago after working for Merrill Lynch Bank of America for two years. Prior to it, Katy spent over twenty years in the technology consulting industry working for the State of Texas, EDS, and SAIC respectively.

Katy was born and raised in Tianjin, China and came to USA almost 30 years ago. She finished her high school at the prestigious NanKai Middle School and went on to finish her double Bachelors' degree from Tsinghua University in Beijing, China. She moved to Northern Virginia in 1999 after spending years' of studying and working in Austin, Texas. She obtained her MBA from the Robert H. Smith School of Business at the University of Maryland at College park out of her love for investing and finance. After over twenty years' working in IT field, she finally made a career change in 2017, following her true passion for helping people with their finances.

Katy live with her son Chris, a high school junior, in Fairfax, not very far from the office here in Annandale VA. Katy loves reading, watching movies, hiking, and keep abreast of financial news. She returns to China annually to visit with her parents, relatives, and friends.

Sincerely,

Andrew D. Wade, CFP®
President

Another Black Swan

Continued from page 1

Glass half empty: we live in a 24/7 information age. A story can take hold and have a life of its own. This is where we are today: every conversation at home, work, neighborhood, church, synagogue, school, university, sports venue, or media coverage is of one focus only. I don't know what the new headlines will be next week, next month, or next quarter, but there will be a new headline eventually. There probably will not be a pause and we will be thrust straight into the 2020 election narrative. We can only focus on what we can control and we can't control headlines.

Glass half full: as of this writing, life in China is slowly starting to get back to normal. Factories are opening back up and normalcy is staring to resume. The very first three local cases in Maryland are now fully recovered and symptom free. Viruses run a course, grow, peak, and then recede. The message is, if we are all careful and take precautionary measures as a whole, we can 'flatten the curve'. With all of the tools being used by the federal and local officials, as well as some good common sense hygiene, I am confident this too will pass. The timing of how long this will last is anyone's guess. The timing is different for each and every pandemic (& other crises) and this is no different. My advice is like previous market downturns, just hold tight and it will recover in time. This is the 7th major virus since I entered this business 23 years ago.

As of this writing there is a discussion about a late tax filing without penalty. If you are due a refund, you may not want to wait for your filing regardless. Keep in mind, the Traditional and Roth IRA contributions remain at $6,000 for under age 50 and $7,000 for age 50 or over. Yes, there are income limits on each. Contributions made during this time frame are a bargain compared to just a few weeks ago. If you have any worries or concerns, please don't hesitate to call the office @ 703-658-0080. Also, within this newsletter is letter from our parent company about contingency plans during this time.

Sincerely,

Andrew D. Wade, CFP®
President

To: Financial Advisors and Clients

I wanted to share with you how we at SA Stone Wealth Management, and our parent company, INTL FCStone, are monitoring the situation around COVID-19 (Novel Coronavirus). We are taking this seriously and are diligently focusing on two priorities: the safety of our people (employees, advisors and clients), and the continuity of our investment and business operations.

In order to meet regulatory requirements, we have extensive Business Continuity Plans that have been continuously evaluated and improved over the last several years. Also, as part of INTL FCStone, we are supported, and stress tested, at a level expected of an international firm connected to 87 trading markets worldwide. The team designs, tests and updates impact-based planning for events including health pandemics, natural disasters, data security breaches, acts of terrorism, political unrest, and power and transportation outages. We also engage with industry peers to share best practices and ideas.

We are following the guidance from our corporate parent, regulators, and industry and government health organizations. As we have already seen with some companies, one of the scenarios contemplated is the need for staff to work from home and still have full functionality and access to all systems. This has long been part of our Business Continuity Planning process and while we have tested this in the past, we have been undergoing additional testing in the event we need to implement this on a widespread basis during this time. Our standing Business Continuity Plan also includes access to off-site/remote facilities that allow us to quickly be operational in the event that a quarantine is suggested for a particular building or location.

We are committed to monitoring the situation, maintaining open communication with you, and doing everything possible to provide operational and business support without disruption while also keeping our employees and advisors safe.

Thank you for your continued trust in us.

Jay Carter
President & CEO

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How Much Will College Really Cost?

The average cost of a public four-year in-state college education, including room, board, and fees, can add up to approximately $21,000 per year — and that's just in today's dollars (Source: *Trends in College Pricing 2018*). While your first thought may be to protect your child from a lifetime of student loan payments, it's equally important to consider how covering all or a portion of these costs could affect your own future.

Let's assume you're 50 when your child begins attending college and you pay approximately 60% of the cost, for a total of $12,500 per year for four years. That's $50,000 not going toward your IRA, 401(k), or other investment options. Assuming you retire at age 65 and earn a 4% annual average return between now and your planned retirement time, you just forfeited more than $85,000 in potential retirement funds.

You might also be contemplating taking out a loan to cover college costs. Once those loans are due, you're opting to juggle both retirement investing and debt at a time when you should be saving more toward retirement than ever. Keep in mind, there are far fewer options for parents when it comes to loan repayment and/or forgiveness than there are for students. And even if you're willing to sacrifice an extra few years of retirement to finance your children's college educations, you may feel differently as you grow older — especially if factors such as unforeseen health issues or fluctuations in the economy impact your plans to work longer.

On the other hand, your child has his/her entire life to pay off student loan debt, even if it means putting in extra hours or sacrificing discretionary spending for a while. Unlike you, he/she has decades of working years ahead to manage college debt.

The good news is you can still help your college-bound children in ways that significantly reduce their burden without impacting your retirement plans:

Provide Food and Shelter

The average cost of room and board ranged from approximately $11,000 to $12,700 annually for the 2018–2019 school year, accounting for as much as half of the annual costs of college (Source: *Trends in College Pricing 2018*). When you consider that the expense of a dorm room and food can essentially double the costs of college, the simple act of continuing to house and pay for your children's necessities during their college years can save them from accumulating tens of thousands of dollars in debt. While staying home may not hold the same thrills as the traditional college experience, there are numerous benefits that offset forgoing that experience.

Additionally, because your child is taking advantage of your free room and board by attending a local college, you'll inadvertently help them dodge the costs of pricier out-of-state or private colleges that can double the cost of tuition (and accumulated debt).

Cut Back on Unnecessary Spending

Vacations, new car payments, and even the daily latte you enjoy add up quickly. You may be surprised at how much you can contribute by skimping on spending for a few years until your child graduates. To take advantage of extra savings, print out prior credit card and bank statements and scrutinize each expense line by line, asking yourself if it's an essential or simply a want. Forgoing these costs can provide you with hundreds of extra dollars each month to help your son or daughter with tuition. Tip: Make sure everyone is making sacrifices, not just mom or dad. Call a family meeting and discuss the financial advantages of making sacrifices.

Plan Ahead

If your children are still young, investing in a 529 plan, Roth IRA, or alternative investment each month while continuing to maximize your retirement contributions can make a huge difference in college costs down the road. Even encouraging family members and loved ones to give college savings money as gifts can quickly add up.

With your help and encouragement, your children can combine income from savings, part-time jobs, grants, scholarships, and loans to finance their college education in a manageable way once loan payments become due. Furthermore, because they're actively involved in the financial aspects of their educations, they're much more likely to stay on track and value the many gifts college education affords. While they may begin their adult lives with some debt, they have the energy and time you don't to pay it off. And because you were savvy when it came to your retirement, they won't be faced with the obligation to financially help you in your old age.

Please call to discuss in detail how you can maximize both retirement and college savings. ❍❍❍

Principles of Stock Diversification

Diversification is a practice investors use to reduce risk and maximize returns by investing in various industries that will most likely react differently to the same event in the market. When investing, there are two types of risk one faces:

✔ **Undiversifiable** — Also known as systematic or market risk, this is risk that all companies are exposed to and includes inflation, interest rates, exchange rates, political instability, etc. This risk is just the price of doing business, as all investors must assume it.

✔ **Diversifiable** — Also known as unsystematic risk, this is risk that can be specific to a company, industry, market, or country. Diversification can help manage and reduce this risk.

A properly diversified equity portfolio should hold stocks from different industries, company sizes, valuations, growth rates, and countries to help reduce volatility. The more uncorrelated the stocks in your portfolio are, the more you are limiting your risk exposure.

While there is always debate about how many stocks to own in a well-diversified portfolio, most experts agree that 15 to 20 stocks across different industries is optimal. This portfolio size is manageable, yet it allows you some room for losses.

The other extreme is overdiversification where investors hold too many stocks, which makes it almost impossible to know the companies well. Not being knowledgeable about your stock investments can lead to making irrational decisions.

Another impact of overdiversification is that an investor can become indifferent regarding his/her investment decisions. If you're holding over 100 stocks, any individual stock might represent only a small percentage of the total portfolio. If the stock turns out to be a loser, it won't cost you very much; but if it provides great returns, you won't reap the benefits either.

Diversifying your stock portfolio will help you manage the risk of the price movements of your assets, but it can't completely eliminate risk and volatility.

Please call if you'd like to discuss diversification in more detail. ❍❍❍

Financial Planning for College Students

Here are some tips to get you started managing your own money.

Create a Budget — Make a spreadsheet of your fixed expenses, including rent, tuition, books, utilities, and food. Next you will want to list your discretionary expenses. Now add up all of your income and subtract all of your expenses from your income.

Live Within Your Means — You have to make sure you pay all of your financial obligations before spending money on non-necessities. That means learning to live within the money you have every month.

Avoid Debt, but Establish Credit — You should have a credit card you use for emergencies, but avoid using it for everyday needs unless you can repay it in full monthly. If you are disciplined enough to pay off the card monthly, using a credit card to pay your expenses can help build your credit score. This is important because once you graduate, you will need a good credit score to land a job, rent an apartment, and buy a car. ❍❍❍

"Excellence it to a common thing in an uncommon way."

~ Booker T. Washington