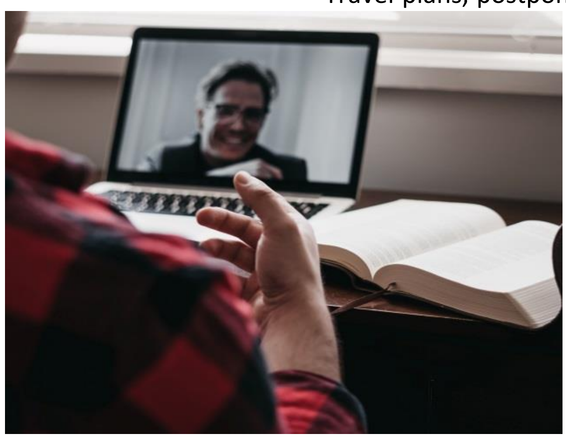
KEMP Financial Management, LLC

July 2020: Let's Beat This Together

California Phase 3: Back in the Office

Lissa, Patrick, Kate and Rob are back in the office practicing appropriate protocol as required under current Orange County Health and State of California Guidelines. Wyatt is working remotely (allowing for more social distancing in the office), but engaged just like normal as if he were here. Like everyone, we are doing our best to stay safe, healthy and connected and we hope the same is true for you!

The virus is ever present and ongoing. Everyday seems to usher everyone into new territory. While we appreciate the ongoing efforts to reopen the economy, we recognize the comfort zone for each individual is unique to their personal circumstances. Accordingly, we believe it is most appropriate to hold meetings through our virtual platform, with occasional office visits from existing and new clients when appropriate.



<u>If you would like assistance establishing virtual communication, please contact the office and we would be delighted to get you up and running! It's quick and easy! Plus, we always enjoy connecting.</u>

In March and April of this year, your Team at KFM was busy taking advantage of tax loss harvesting, rebalancing portfolios that drifted away from their targets (selling bonds and buying stocks) as well as discussing strategies around Required Minimum Distributions (see below) where appropriate.

More recently, we have been reviewing portfolios for rebalance opportunities going the opposite direction due to the recovery in the capital markets. While we are not market timing, we will be rebalancing portfolios where appropriate when markets get near the values in early June 2020. This will not be true for all portfolios due to potential capital gain exposure and/or cash flow needs. But rest assured, your Team is monitoring each of our client portfolios as the markets continue to recover.

<u>You matter to us! You are family!</u> We want nothing more for you than to be safe and healthy. We have your financial well-being covered. Health is first. We greatly look forward to catching up during your regularly scheduled reviews. We miss meeting in the "Family Room", but will do our best to provide the same experience through our "virtual" platform.

What were your plans for Summer?

This past quarter ushered in the "reopening" of our economy throughout various parts of the Country. While states and counties continue to work towards a "new normal", and it's great to have more flexibility, not everyone feels compelled to venture out.

Since our last newsletter, conversations with clients continued to revolve around their safety, health and concerns for their own family members. It was not uncommon to hear family visits (including Mother's Day and Father's Day) were limited to Facetime or Zoom.

Travel plans, postponements and cancellations were second on the list of disappointments. Our clients are busy; they travel a lot. Figuring out the ins and outs of each carrier, hotel or cruise line's policy has also been a challenge for clients.

Many clients had children and grandchildren graduating from high school and college. Most ceremonies were held online (allowing for participation), but was just not quite the same as being there.

As for the virus, we are grateful that only a few clients and family members of clients have been stricken with COVID-19. But we are most grateful that everyone that had it has fully recovered!

All in all, as difficult as the last 90 days have been, our clients have found positives. Increased "virtual" visits and phone calls with family and friends. Frequent updates from colleagues. Finding new "streaming" services that offer classic movies and independent films. Reading e-books on rental from the library. Taking time to explore on-line classes through the community colleges. Simply just finding great ways to fill their time.

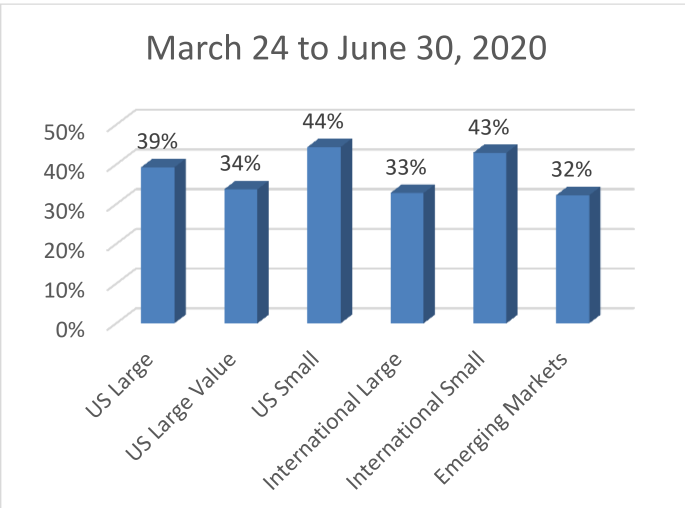
We have enjoyed staying connected with you! We value and appreciate the relationships we have created with you, and like you, look forward to better days ahead. They will come.

Capital Markets Update

March 23rd offered the "lows" of the capital markets so far this year. There is regular debate as to whether or not we will revisit the "lows" once again this summer versus having seen the "bottom" in March. While NOBODY knows, we are hopeful the "bottom" is behind us, but do feel volatility will be with us until more positive news comes from controlling the pandemic.

We continue to remind you to **not** watch or listen to the financial media. If you choose to do so, remember the "market pundits" are doing nothing more than offering their opinions. If they were totally honest, they would start and end all opinions with "but we don't really know". As we have shared over the past 33 years, nobody has the crystal ball, even though they act and talk like they do.

You should be encouraged by the rebound in the major asset classes since March 24th. This is precisely why we advise: "Market Timing is not an investment strategy!" (Truth #5)



Looking at the rebound, you would never know that Coronavirus cases continue to rise along with ongoing gloomy unemployment data. If you ventured outside your home to dine out or stay at a hotel, you might question the improvement in the markets. A natural conclusion might be to feel there is a disconnect with the markets and reality of the current environment.

While this seems painfully obvious, please remember the capital markets do not work based on real time data. The capital markets are always forward thinking. When the market declined in February and March, "it" was telling us a recession is coming. What the market has appeared to tell us over the past several weeks; the economic recovery has begun.

If you choose to review your current quarterly statement ending June 30th, you will find not all of the asset classes have recovered to the degree of U.S. Large (S&P 500). This is not to be unexpected as the asset classes that are still lagging the recovery are US Value, US Small, International (Large and Small) and Emerging Markets. Given the continued uncertainty, the lagging asset classes actually do make sense. However, one should expect greater recovery from these asset classes once the uncertainty becomes more certain.

Over the past several weeks, we have seen an increase in interest in "second opinions" from friends and family who are in great need of a "plan". We greatly value and appreciate your trust and confidence and we thank you for allowing us to help those who are close to you.

Should you have any concern about your current financial situation or simply just need to have your questions answered, please schedule a meeting through our KFM website (kempfm.com/schedule) or give us a call. We would be honored to discuss your current situation at any time. We are here for you!

Important Legislative Update

Reminder: Probably the most significant update for many of our clients from the recent CARES (Coronavirus Aid, Relief and Economic Stimulus) Act is relief from Required Minimum Distributions (RMD) for 2020. All RMDs for 2020 have been suspended, including distributions from Inherited IRAs. That is correct, you are not required to take RMDs for 2020.

We have taken the time to reach out to all of our clients to discuss plans for their RMDs for 2020. Since the calls were made, **a new development has just become available.**

The Internal Revenue Service announced in June that there is now "BLANKET" Relief for **ALL** Unwanted RMDs. The deadline has been extended to August 31, 2020 to return any unwanted 2020 RMDs.

If you received RMDs before the announcement that RMDs were no-longer required, you can return any or all of those RMD's through August 31, 2020. For example, if an RMD was received in January and February 2020, the RMDs can be repaid to your IRA. The 60-day rollover rule has been extended to cover all prior RMDs received prior to August 31st. In addition, the "once-per-year" is waived for this release. (IRS Notice 2020-51)

This new guidance applies to RMDs only. Withdrawals of non-RMD funds are still bound by the "one-rollover-per-year" rule and the standard 60-day rollover rule.

We are not tax professionals and we highly recommend you speak with your tax professional should you have any questions from the provided summary. Past performance is not indicative of future performance. Indexes (such as the S&P 500) are unmanaged baskets of securities not available for direct investment.