A·C·H
Investment Group, Inc.

June 30, 2020

Dear Valued Investor,

The July Fourth holiday will be very different this year. Although it's a time to enjoy family and friends, and maybe even watch some fireworks, social distancing and a new wave of COVID-19 cases also may take a seat at the picnic table. We all continue to believe our doctors and medical community will help us conquer this disease; however, with more than 10 million confirmed cases of COVID-19 around the globe (Johns Hopkins), this terrible fight is far from over. Meanwhile, the US economy appears to be turning a major corner, and better times may be ahead later in 2020.

Recent economic data has created some fireworks itself, coming in significantly better than what economists had expected, and in some cases, beating previous records. For example, the May US Bureau of Labor Statistics employment report showed a record 2.5 million jobs created—10 million more than economists expected, according to Bloomberg. Additionally, retail sales soared nearly 18% in May, according to the US Census Bureau, again much better than what was expected. Even though these rebounds are coming off historically low levels, it has been encouraging to see how quickly the economy may be coming back.

The big question, though, is when will the economy get back to normal? Although parts of our economy are coming back quickly, other areas may take years to come back fully. Industries like hotels, restaurants, and airlines are going to be under pressure for a long time. In fact, in the 10 US recessions since 1950, it took nearly 30 months on average for all of the jobs that were lost to come back. More recently, it took four years for all the jobs to return after the tech bubble recession in the early 2000s, and more than six years for all of the lost jobs to return after the financial crisis of 2008–09. Our economy has lost nearly 20 million jobs in the past three months, and even with re-hiring activity in May and June, it may take years to recover all of those job losses. (Jobs data from US Census Bureau)

A major second wave of COVID-19 is the big wild card. Although most of us don't expect to go into full lockdown mode again like we did in March and April, more restrictions may be put in place, which could hinder the economic recovery. But it isn't all bad news. On June 22, Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Disease, said at a congressional hearing that a vaccine may be available by early 2021. He noted that in the past it has taken years to develop a vaccine against viruses, but with the entire world working together to beat COVID-19, this vaccine may be the fastest to market ever produced.

Voltaire said, "History never repeats itself. Man always does." Given the stock market is driven by fear and greed, it has very human-like qualities, which means history may be a guide for what may happen next. In March 2003, stocks hit a major low before a huge spike into early summer, when stocks consolidated—or sat on their gains—during the summer months, followed by an eventual move higher later in the year. There was a very similar reaction in the summer of 2009 after the March 2009 bear market lows. So far in 2020 we've had the March lows and a huge rally, so historically, a summertime pullback or consolidation would be normal—and maybe even healthy.

While we've faced several health, social, and economic crises this year, July Fourth is a good time to think about how lucky we are to live in this great country and to remember the resilience and perseverance we've demonstrated over the past 244 years. History has shown us that better times will come.

Best wishes for a happy and safe Fourth of July, and contact me if you have any questions.

Sincerely,

Janet Fox

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President
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Important Information

All data is provided as of June 30, 2020.

All index data from FactSet.

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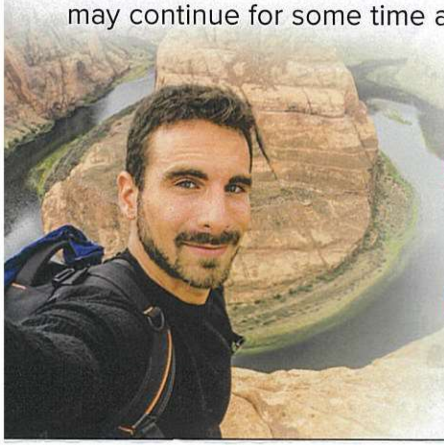
Your Money Management Newsletter

Foreign Tourists

More than 79 million foreign tourists visited the United States in 2019, with residents of Canada and Mexico accounting for almost half of the total. The countries below were the top 10 sources of overseas visitors. Travel restrictions and lockdowns due to COVID-19 have severely disrupted the flow of foreign tourists in 2020. It's too early to know the full extent of the damage to the tourism sector, but the effects may continue for some time after the virus is controlled.



International visits to the United States in 2019, in millions

United Kingdom	4.8
Japan	3.8
China	2.8
South Korea	2.3
Brazil	2.1
Germany	2.1
France	1.8
India	1.5
Australia	1.3
Italy	1.1

Source: National Travel and Tourism Office, 2020

$254.2 billion

Spending by foreign visitors to the United States in 2019, down 0.7% from 2018. This includes spending within the United States and airfare on U.S. airlines. Such spending is considered an export, whereas spending by U.S. residents in other countries is an import. In 2019, the United States had a travel and tourism trade surplus of $58.6 billion, down almost 16% from 2018.

Sources: U.S. Bureau of Economic Analysis, 2020; National Travel and Tourism Office, 2020

Practical insights for your **FINANCIAL GOALS**

Tapping Retirement Savings During a Financial Crisis

As the number of COVID-19 cases began to skyrocket in March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation made it easier for Americans to access money in their retirement plans, temporarily waiving the 10% early-withdrawal penalty and increasing the amount they could borrow. Understanding these new guidelines and the other rules for loans and early withdrawals may help you determine if they are appropriate options during a financial crisis. (Remember that tapping retirement savings now could risk your financial situation in the future.)

Penalty-Free Withdrawals

The newest exception to the 10% early-withdrawal penalty allows IRA account holders and retirement plan participants to take distributions of up to $100,000 in 2020 for a "coronavirus-related" reason. These situations include a diagnosis of COVID-19 for account owners and certain family members; a financial setback due to a quarantine, furlough, layoff, or reduced work hours, and in the case of business owners, due to closures or reduced hours; or an inability to work due to lack of child care as a result of the virus. This temporary exception augments the other circumstances for which a penalty-free distribution is typically allowed:

- Death or disability of the account owner
- Unreimbursed medical expenses exceeding 7.5% of adjusted gross income (increases to 10% in 2021)
- A series of "substantially equal periodic payments" over your life expectancy or the joint life expectancy of you and your spouse
- Birth or adoption of a child, up to $5,000 per account owner
- Certain cases when military reservists are called to active duty

In addition, IRAs (but not work-based plans) allow penalty-free withdrawals for a first-time home purchase ($10,000 lifetime limit), qualified higher-education expenses, and payments of health insurance premiums in the event of a layoff. Work-based retirement plans allow exceptions for those who separate from service after age 55 (50 in the case of qualified public safety employees) and distributions as part of a qualified domestic relations order (after a divorce).

Tax Consequences

Penalty-free does not mean tax-free, however. In most cases, when you take a penalty-free distribution, you must report the full amount of the distribution on your income tax return for that year. However, the income associated with a coronavirus-related distribution can be spread over three years for tax purposes, with up to three years to reinvest the money.[1]

Retirement Plan Loans

If your work-based retirement plan allows you to borrow against your vested balance, you typically can borrow up to 50% of your vested balance or $50,000, whichever is less. However, the CARES Act allows you to borrow the lesser of $100,000 or 100% of your vested balance for loans made between March 27, 2020, and September 22, 2020. Most loans must be repaid within five years, but if you use the money to purchase a primary residence, the repayment period may be longer. However, COVID-19 affected participants who have outstanding loans on or after March 27, 2020, will be able to delay any payments due in 2020 by one year.[2]

Hardship Withdrawals

Many work-based retirement plans also permit hardship withdrawals in certain circumstances. Although these distributions are not exempt from the 10% early-withdrawal penalty, they can be a lifeline for people who need money in an emergency.

Find Out More

For more information about tapping your retirement savings before age 59½, contact your IRA or retirement plan administrator.

1) Amounts reinvested may reduce your tax obligation on the distributions; however, due to the timing of distributions and required tax filings, you may have to file an amended return to seek a refund on any taxes previously paid on withdrawn amounts.

2) The original five-year repayment period will be extended for the delay, but interest will continue to accrue.

Five Industries Most Likely to Offer Retirement Plan Loans

Percentage of plans that offer loans, by type of industry

100%	96.4%	94.3%	89.5%	86.7%
Technology and telecommunications	Wholesale distribution and retail trade	Insurance and real estate	Nondurable goods manufacturing	Services

Source: 62nd Annual Survey of Profit Sharing and 401(k) Plans, Plan Sponsor Council of America, 2019 (2018 data)

Portfolio Performance: Choose Your Benchmarks Wisely

Dramatic market turbulence has been common in 2020, and you can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of these major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Both the Dow and the S&P 500 track the stocks of large domestic companies. But with about 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the market and is considered to be representative of U.S. stocks in general. These indexes are useful tools for tracking stock market trends; however, some investors mistakenly think of them as benchmarks for the performance of their own portfolios.

It doesn't make sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" in good times is usually unrealistic, unless you are willing to expose 100% of your savings to the risk and volatility associated with stock investments. On the other hand, if you have a well-diversified portfolio, you might be happy to see that your portfolio doesn't lose as much as the market when stocks are falling.

Asset Allocation: It's Personal

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

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Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.

Debit or Credit? Pick a Card

Americans use debit cards more often than credit cards, but they tend to use credit cards for higher-dollar transactions. The average value of a debit-card transaction in 2018 was just $36, while credit-card transactions averaged $89.[1]

This usage reflects fundamental differences between the two types of cards. A debit card acts like a plastic check and draws directly from your checking account, whereas a credit-card transaction is a loan that remains interest-free only if you pay your monthly bill on time. For this reason, people may use a debit card for regular expenses and a credit card for "extras." However, when deciding which card to use, you should be aware of other differences.

Fraud protection. In general, you are liable for no more than $50 in fraudulent credit-card charges. For debit cards, a $50 limit applies only if a lost card or PIN is reported within 48 hours. The limit is $500 if reported within 60 days, with unlimited liability after that. A credit card may be safer in higher-risk situations, such as when shopping online, when the card will leave your sight (as in a restaurant), or when you are concerned about the security of a card reader. If you regularly use a debit card in these situations, you may want to maintain a lower checking balance and keep most of your funds in savings.

Merchant disputes. You can dispute a credit-card charge before paying your bill and shouldn't have to pay it while the charge is under dispute. Disputing a debit-card charge can be more difficult when the charge has been deducted from your checking account, and it may take some time before the funds are returned.

Rewards and extra benefits. Debit cards offer little or no additional benefits, whereas some credit cards offer cash-back rewards, and major cards may include extra benefits such as travel insurance, extended warranties, and secondary collision and theft coverage for rental cars (up to policy limits). Of course, if you do not pay your credit-card bill in full each month, the interest you pay can outweigh any financial rewards or benefits.

Credit history. Using a credit card can affect your credit score positively or negatively, depending on how you use it. A debit card does not affect your credit score.

Considering the additional protections and benefits, a credit card may be a better choice in some situations — but only if you pay your monthly bill on time.

1) Federal Reserve, 2019

Would you like to discuss your portfolio's performance in relation to the broader market? Call us for an appointment today.