

Sowa Financial Group, Inc.

Your Money Matters.



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Thank you for taking a few minutes to read our newsletter. We've hand-picked the following articles in response to questions that we have been hearing from our clients and radio listeners over recent months; we hope you find them valuable!

As the markets continue to recover from the impact of the pandemic, the disruption to the economy and to our daily lives continues, and we are now faced with the question of how to maintain our plans and goals amid these long-term limitations. In this issue of our quarterly newsletter, we provide some historical perspective on the current times, while keeping in mind the importance of performing your mid-year review.

Be sure to tune in to AM790, weeknights at 5PM, to hear Don, Steven, Donna and Nathan discuss the topics that matter to you on the MoneyTalk radio program. Missed tonight's show? Listen in to the MoneyTalk Podcast at sowafinancial.com/moneytalkradio, or by searching "DON SOWA'S MONEYTALK" wherever you get your podcasts!

New Twist in the Labor Market

In December 2019, women outnumbered men in the U.S. workforce for the first time since April 2010, when layoffs due to the recession disproportionately affected male workers. A larger percentage of men age 16 and older (69.2%) are participating in the workforce than women (57.7%). However, there are more women than men in the population, and big industries such as health and education are keeping more of them in the workforce.



Source: U.S. Bureau of Labor Statistics, 2019

Turbulent Times: Bear Markets Come and Go

The longest bull market in history lasted almost 11 years before coronavirus fears and the realities of a seriously disrupted U.S. economy brought it to an end.¹

Bear markets are typically defined as declines of 20% or more from the most recent high, and bull markets are sustained increases of 20% or more from the bear market low. But there is no official declaration, so often there are different interpretations and a fair amount of debate regarding when these cycles begin and end.

Between February 19 and March 23, 2020, the S&P 500 fell 34% and then took just 15 days to bounce back above the 20% threshold that would technically mark the beginning of a new bull market.²

Still, most investors wait to see if volatility subsides and higher prices persist before they cheer the exit of a bear market. And in the midst of the pandemic, without a clear economic picture, it could be more difficult than usual to tell whether any market advance is a short-term rally or the start of a longer upward trend.

Historical Perspective

The CBOE Volatility Index (VIX), a closely watched measure of stock market volatility and investor anxiety, hit all-time highs in March 2020.³

If you are losing sleep over volatility driven by disheartening news, it may help to remember that the economy and the stock market are cyclical. There have been 10 bear markets since 1950 (not counting the one that began in 2020). Each of these declines was triggered by a different set of circumstances, but the market recovered eventually every time (see table).⁴

On average, bull markets lasted longer (1,955 days) than bear markets (431 days) over this period, and the average bull market advance (172.0%) was greater than the average bear market decline (-34.2%).

The bottom line is that neither the ups nor the downs last forever, even if they feel as though they will. There are buying opportunities in the midst of the worst downturns. And in some cases, people have profited over time by investing carefully just when things seemed bleakest.

Bear Markets Since 1950	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 Index)
August 1956 to October 1957	446	-21.5%
December 1961 to June 1962	196	-28.0%
February 1966 to October 1966	240	-22.2%
November 1968 to May 1970	543	-36.1%
January 1973 to October 1974	630	-48.2%
November 1980 to August 1982	622	-27.1%
August 1987 to December 1987	101	-33.5%
July 1990 to October 1990	87	-19.9%*
March 2000 to October 2002	929	-49.1%
October 2007 to March 2009	517	-56.8%

*The intraday low marked a decline of -20.2%, so this cycle is often considered a bear market.

Making Changes

If you're reconsidering your current investment strategy, a volatile market is probably the worst time to turn your portfolio inside out. Dramatic price swings can magnify the impact of a wholesale restructuring if the timing of that move is a little off.

Changes in your portfolio don't necessarily need to happen all at once. Having appropriate asset allocation and diversification is still the fundamental basis of thoughtful investment planning, so try not to let fear derail your long-term goals.

The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

1-2,4) Yahoo! Finance, 2020 (data for the period 6/13/1949 to 4/7/2020)

3) MarketWatch, March 31, 2020

Mid-Year Is a Good Time to Fine-Tune Your Finances

The first part of 2020 was rocky, but there should be better days ahead. Taking a close look at your finances may give you the foundation you need to begin moving forward. Mid-year is an ideal time to do so, because the planning opportunities are potentially greater than if you waited until the end of the year.

Renew Your Resolutions

At the beginning of the year, you may have vowed to change your financial situation, perhaps by saving more, spending less, or reducing your debt. Are these resolutions still important to you? If your income, expenses, and life circumstances have changed since then, you may need to rethink your priorities.

While it may be difficult to look at your finances during turbulent times, review financial statements and account balances to determine whether you need to make any changes to keep your financial plan on track.

Take Another Look at Your Taxes

Completing a mid-year estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year.

Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at [irs.gov](https://www.irs.gov). If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

Review Your Investments

Review your portfolio to make sure your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk. Look at how your investments have performed against appropriate benchmarks, and in relationship to your expectations and needs. Changes may be warranted, but be careful about making them while the market is volatile.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investing involves risk, including the possible loss of principal and there is no guarantee that any investment strategy will be successful.

Check Your Retirement Savings

If you're still saving for retirement, look for ways to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2020, the contribution limit is \$19,500, or \$26,000 if you're eligible to make catch-up contributions. If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income.

Read About Your Insurance Coverage

What are the terms of your homeowners, renters, and auto insurance policies? How much disability or life insurance coverage do you have? Your insurance needs can change; make sure your coverage has kept pace with your income or family circumstances.

More to Consider

Here are some other questions you may want to ask as part of your mid-year financial review.



Do you have an emergency fund?



Are your beneficiary designations up-to-date?



Have you checked your credit score recently?



Do you need to create or update your will?



How much is left in your flexible spending account?

Medicaid May Pay You as a Family Caregiver

Each day, parents, children, siblings, and spouses selflessly sacrifice their time and energy to care for family members affected by illness, injury, or disability.

According to the Department of Health and Human Services, about 80% of care at home is provided by unpaid caregivers and may include an array of emotional, financial, nursing, social, homemaking, and other services. More than half (58%) have intensive caregiving responsibilities that may include assisting with a personal care activity, such as bathing or feeding.¹

Caregiving can exact an emotional and physical toll. It can be financially draining, too. However, if you are a caregiver of a loved one, you may be able to be paid for your services by Medicaid.

Each state and the District of Columbia have programs that allow qualified individuals to manage their own long-term care services, including the selection of a caregiver.

Many states' Medicaid programs allow the participant to hire relatives or friends to provide needed assistance. But Medicaid services are different in each

state, and states generally have more than one Medicaid program that may offer caregiver benefits.

For instance, some state programs may pay for family caregivers but exclude spouses or in-laws. Others may only provide compensation if you do not live in the same house as the person in your care.

There are a few things to note. Generally, Medicaid looks at the applicant's financial situation (income and assets) as well as his or her functional ability. Once approved, the applicant can apply for a specific Medicaid program that allows for the applicant to manage their own care, including selection of a caregiver who may be paid, directly or indirectly, by Medicaid.

Contact your state Medicaid office to learn about their specific programs and respective eligibility requirements. Also, some states have programs in addition to Medicaid that may pay for family caregiver services.

¹ Department of Health and Human Services, [longtermcare.acl.gov](https://www.longtermcare.acl.gov)

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