



# tempus tidings

1ST QUARTER 2020

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**A**s we embark on a new decade, I have a lot to be grateful for and want to thank you for being a part of Team Tempus. As the market and economy continues to march upward, it is easy to become complacent about our personal financial situation.

If it's been some time since your last meeting, I encourage you to call the office and schedule some time with me to get 2020 off to the right start!

In the meantime, I hope you enjoy this edition of *Tempus Tidings*!

As always, please contact the office at any time if you have questions, concerns or would like to meet.

Sincerely,

*Brittany*



# PRACTICE UPDATES

## Mutual Fund Rebates Update

In November 2019, some clients may have received a letter from Mid Atlantic Financial Management ("MAFM") about mutual fund rebates, which was followed by an email from me helping to explain why you received the letter and what to expect going forward. As of this writing, all rebates have been calculated and will be dispersed beginning the week of January 13, 2020. Although there is no action required on your part, it is important to me that you are well-informed. Please take a moment to review the following recap:

- The November 2019 letter from MAFM was sent to make you aware of a settlement between MAFM and its regulatory body, the United States Securities and Exchange Commission (SEC) regarding mutual fund 12b-1 fees.
- There are different mutual fund share classes, which have different fee structures, some of which include 12b-1 fees.
- For the period of 10-2013 to 4-2018, the SEC reviewed all client mutual fund holdings with 12b-1 fees to determine if a share class was available that did not charge a 12b-1 fee.
- For the period of 10-2013 to 4-2018, if the mutual fund was not converted to a share class without a 12b-1 fee, the SEC is requiring that MAFM reimburse all 12b-1 fees incurred.
- MAFM received the 12b-1 fees and is responsible for reimbursing. Tempus Advisory Group did not and does not receive 12b-1 fees.
- If you received the letter, MAFM will deposit the reimbursement amount to the account which held the mutual fund or issue a check to your address of record if that account is no longer open.
- Most impacted clients had mutual funds with other firms that were transferred to Tempus at which point they were replaced with low-cost exchange traded funds or converted to a share class without 12b-1 fees.
- Regardless, if a client had a mutual fund with 12b-1 fees with Tempus (no matter the length of time it was held) during the period of 10-2013 to 4-2018, the SEC is requiring reimbursement.

## 2019 Year-End Tax Reporting

To ensure a streamlined tax preparation process it is important to hold off scheduling with your accountant/CPA until late February or early March. In fact, I recommend delaying until the first or second week of March to allow enough time to receive your 2019 tax documents. Doing so may help avoid filing amended returns should tax documents be delayed or reissued. As a reminder:

Who Is Reporting?	What Will Be Reported?	When Will It Be Reported/Mailed?
Mid Atlantic	All Tax Documents	February 15, 2020
National Financial Services	1099 Consolidated Tax Statement (1009-DIV, 1099-B, 1099-INT, 1099-MISC, Supplemental Statements)	February 15, 2020
National Financial Services	1099-R on annuities and IRAs	January 20, 2020

## MARKET UPDATE

As of 12-31-2019, the S&P 500 Index returned 31.49%, the US Aggregate Bond Index returned 8.72%, and the MSCI EAFE (global index) returned 26.60% for the year. Meanwhile, the VIX (volatility index) remained steady over the quarter ending the year at 13.78. As expected, the Fed completed a final quarter-point rate hike on December 19th. Here a few key topics we feel deserve the most attention as we head into the new year.

### What's going on?

After three consecutive interest rate cuts of 0.25% by the Federal Reserve, expectations for additional adjustments in the next six months have diminished. According to statements made by Federal Reserve Chairman, Jerome Powell, the central bank is comfortable with the current low inflation environment as well as its projected growth of U.S. GDP figures, both of which are close to 2%. Jobs reports in December came in better than expected and was received well by the stock market. Meanwhile, unemployment figures continue their descent to historic lows, as the latest report decreased from 3.6% to 3.5%. According to statements from the White House, "phase one" agreements between China and the U.S. are imminent during 2020.

### Why is it important?

Coming off the heels of the summer months, investors were concerned that the inversion of the yield curve was signaling that softness in the U.S. economy could continue into the winter. However, as key sources of data have reported, the U.S. is in a healthy position with low inflation and full employment. Regarding the yield curve, three 0.25% interest rate changes by the Fed have resulted in normalization to the curve. All these points have brought relief for investors in the near-term. As the U.S. economy continues to push forward, eyes move towards trade resolutions with China as well as the fundamentals of stocks, such as earnings and cash flow potential.

### What do we think about its potential impact?

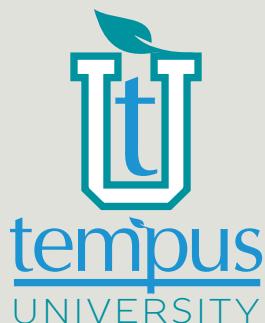
We have begun to see evidence that the market and the economy are now more closely aligned than previous months of the past year or so. Looking to the past, when good economic data was announced, the market would sell-off on fears of the Fed raising interest rates. Inversely, when poor data was announced, the market would rally on hopes of the Fed reducing interest rates. We called time slices such as these "opposite day" or "upside-down markets" due to their counterintuitive nature. However, now that interest rates have normalized and the economy continues its pace of slow and steady, investors are rewarding good economic data by buying stocks instead of selling them.

### The month ahead:

As we begin a new year, we celebrate an economic expansion that has graduated from one decade into the next, investors will be sure to monitor consumer spending during the holiday season. Roughly two-thirds of the U.S. GDP derives from personal consumption, and with record employment figures in effect, a strong holiday season would help kickoff 2020 in a positive direction. However, the looming trade agreements with China have yet to drop off our radar and the potential agreements between the two countries will be an important milestone heading into the new year.

### The bottom line:

Economic data made a decent turnaround during the latter half of the year, and important reports regarding U.S. employment made a positive impact on fears of a recession. Currently, we do not see any evidence for a U.S. recession within the next 6-12 months.



## Financial Blunders 101

Considering the new year and decade, we thought it would be worthwhile to share some of the top financial mistakes we often identify, how to remedy, and (hopefully) avoid them altogether!

### Top Financial Blunders

#### 1. Overspending

The most effective tool against overspending is to create and maintain a budget. There are number of methods available like mint.com to a simple excel worksheet. Whatever your method of choice, you can create a budget in a few simple steps. First, list your net (after-tax) income and all expenses. Second, review the total the activity from your checking or savings account over the past 12 months and calculate the average for each expense. Third, compare your 12-month average to your initial list then prioritize to reduce or eliminate expenses, reallocate dollars to debt reduction and/or create new categories for saving. Once you have established a monthly target for each category track your actual figures each month going forward.

#### 2. Not Saving Enough

Many often feel they lack "enough" to make it worthwhile, but the numbers don't bear that out. In fact, over the last decade, saving \$100 per month, invested in the S&P 500 index would have resulted in a little over \$20,000 today. Another potential area for savings is work-sponsored 401k or 403b plans. Be sure to participate and contribute enough to take full advantage of any employer matching offered.

#### 3. Inadequate Cash Reserve

Setting aside cash for emergencies is essential to protecting your financial life. The general rule of thumb is 3 to 6 months of essential expenses such has housing, transportation, and insurance. Having these dollars set aside can make all the difference when faced with the unexpected.

#### 4. Lack of Risk Management

Risk management covers many areas, but essentially boils down to protection from risk of loss. The most common method of risk management is insurance to cover life, health, injury, and accidents. It is important to complete a personal risk review at least once every three years or when a life event occurs that materially changes your situation. Another forgotten area is portfolio risk, which is especially prevalent during periods of economic and market growth. When everything is humming along, it is easy to become complacent which is why it is important to continually review the potential up and downside of your current portfolio allocation.

#### 5. Outdated or No Estate Planning

As we have discussed in previous editions, many Americans fail to complete simple estate planning, such as creating a will, living will and power of attorney. On the other hand, those that have completed some estate planning fail to review their documents periodically. Leaving loved ones without direction can be costly (both financially and emotionally) and create a burden that can easily avoided by taking a few hours to meet with a qualified attorney to draft a will, living will, and power of attorney for health care and finance. It is also important for parents of young children to consider an additional layer of protection through guardianship planning.

#### Learning from Mistakes

Objectively, failing to have a financial plan in place could rank as the number one financial blunder of the list as nearly all could be avoided through thoughtful financial planning. Many fail to realize that comprehensive financial planning casts a very wide net to address things like budgeting, retirement income planning, and really everything in between. Adequate financial planning should be comprehensive and flexible to address the challenges presented through every stage of your financial life. Although having a plan is important, accountability is key. It is important to track and test your financial plan on an ongoing basis to ensure your goals are on target and remain aligned to your needs.



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## TASTES OF TEMPUS

Don't forget! If you have a recipe you would like to share, we would love to feature it here. Please email it to Amanda at [amanda@tempusadvisory.com](mailto:amanda@tempusadvisory.com).

### Sweet Potato Chili

Prep Time 15 Minutes | Cook Time 35 Minutes | Ready in 50 Minutes

#### Ingredients

2 tbsp. extra-virgin olive oil  
1 medium onion, chopped  
1 bell pepper, chopped  
3 cloves garlic, minced  
1 tbsp. tomato paste  
1 lb. Italian sausage  
1 tbsp. chili powder  
1 tsp. dried oregano  
1/2 tsp. garlic powder  
1/4 tsp. cayenne

#### Kosher salt

Freshly ground black pepper  
4 large sweet potatoes, peeled  
and cubed into 1" pieces  
3 c. low-sodium chicken broth  
1 (14.5-oz.) can diced tomatoes

#### Directions

- In a large pot over medium heat, heat oil. Add onion and bell pepper and cook until soft, 5 minutes.
- Add garlic and cook until fragrant, 1 minute more, then add tomato paste and stir until well coated.
- Add sausage and cook, breaking up meat with a wooden spoon until no longer pink, 7 minutes.
- Add chili powder, oregano, garlic powder, and cayenne and season with salt and pepper.
- Add sweet potatoes, broth, and tomatoes and bring to a boil. Reduce heat and let simmer, covered, until sweet potatoes are tender, about 15 minutes.

## UPCOMING EVENTS

Check out our events for this year. If any are appealing to you, please be sure to let our office know so we can reserve your spot!

Description	Date	Time	Location
Elder Care/Asset Protection Educational Workshops	January 30, 2020	2PM & 6PM	The Crane Room
	March 13, 2020	2PM & 6PM	The Crane Room
	July 25, 2020	2PM & 6PM	The Crane Room
	November 13, 2020	2PM & 6PM	The Crane Room

We will be hosting joint workshops with one of our trusted colleague attorney groups, Sechler Law Firm. We will have two sessions on each day at 2:00 PM and 6:00 PM at the Crane Room. If you would like to attend please email Amanda at [amanda@tempusadvisory.com](mailto:amanda@tempusadvisory.com).