



OUR MISSION IS TO CHANGE LIVES. **ONE "HEMINGTON" AT A TIME.**

# HEMINGTON NEWSLETTER

MAY 2020

## Market Returns After High Unemployment

As governments continue to restrict businesses' activities with mandated closures and social distancing measures to combat COVID-19, it's no surprise that unemployment has increased exponentially. According to the U.S. Department of Labor, unemployment claims for the week ending April 11th were 5.2 million, bringing the total number of coronavirus-related claims to over 22 million (chart below). In March the unemployment rate rose to 4.4% from 3.5%, and is expected to jump as the Bureau of Labor Statistics incorporates recent unemployment data in the April unemployment rate.

**UNEMPLOYMENT INSURANCE WEEKLY CLAIMS (AS OF APRIL 11, 2020)**



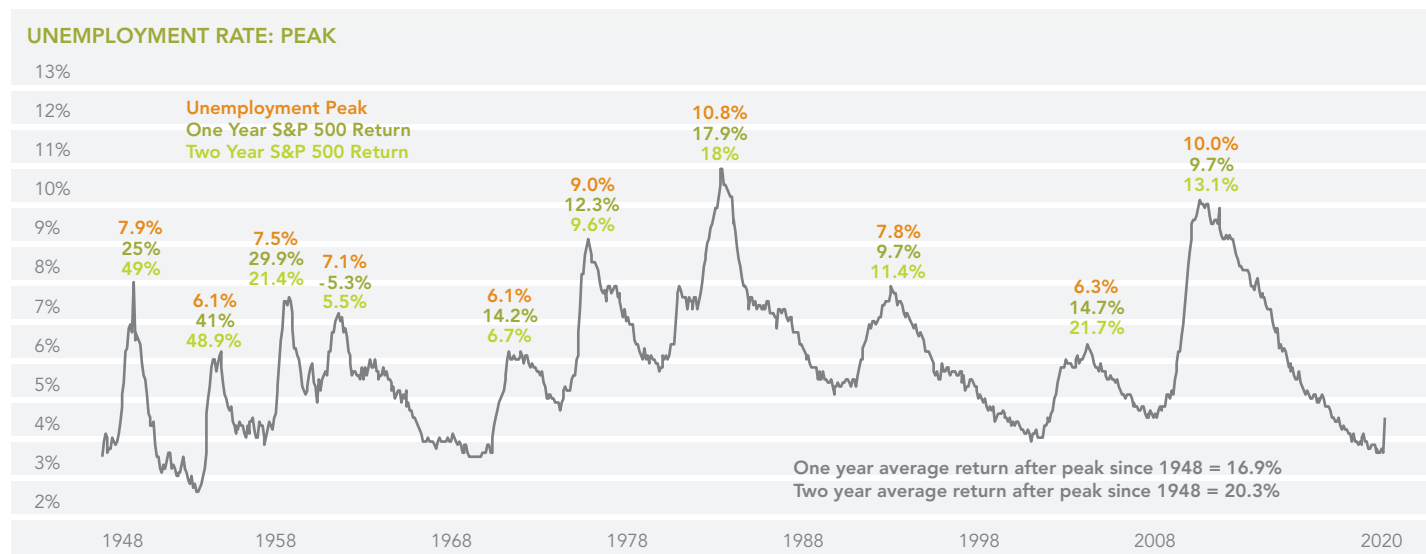
Source: U.S. Employment and Training Administration

CONTINUED ON NEXT PAGE ►

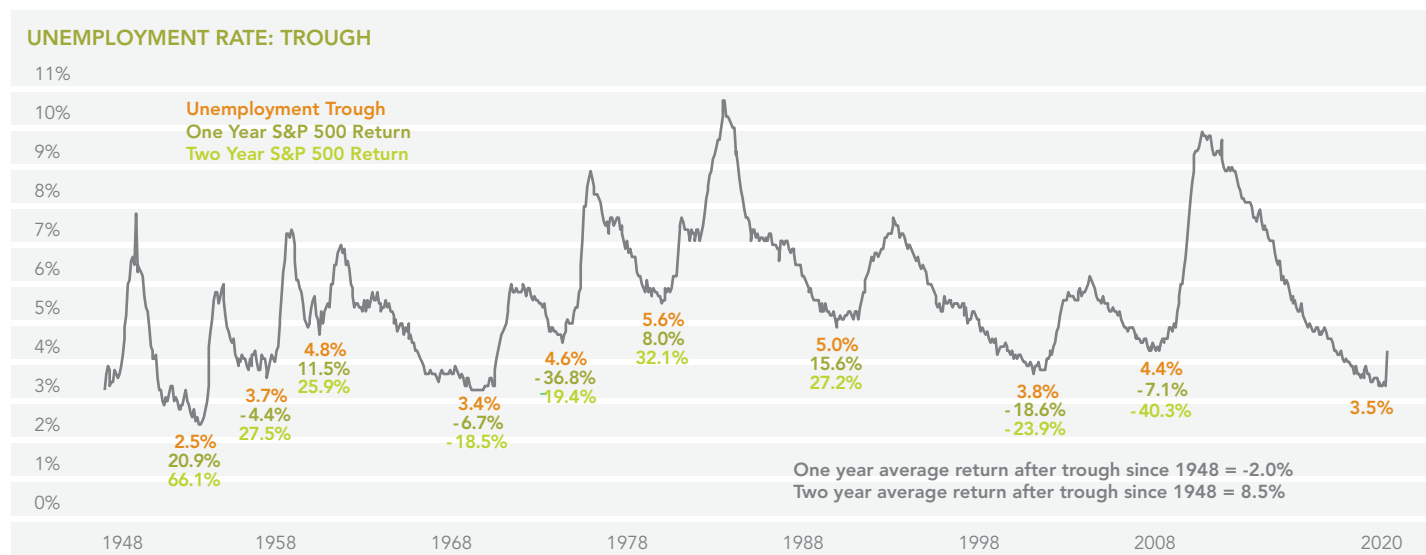


## WHAT DO HIGH UNEMPLOYMENT RATES MEAN FOR MY PORTFOLIO?

While it may seem counterintuitive, historically the U.S. stock market has performed better after the unemployment rate hit a peak. Looking at the chart below, since 1948, after a peak unemployment rate, 1-year and 2-year returns averaged 16.9% and 20.3%, respectively.



In contrast, during periods of low unemployment – when the unemployment rate hits a trough – the subsequent 1- and 2- year average returns of the S&P 500 were lower. The chart below shows 1-year and 2-year average returns after a trough unemployment rate were -2.0% and 8.5%, respectively.



While the unemployment rate is likely to continue to increase before it improves, the turnaround may be quicker than usual. The federal government has funneled trillions of dollars into the economy through stimulus packages to help businesses and individuals weather the coronavirus storm. Federal and state governments are exploring ways to safely reopen the economy and ease restrictions on businesses. No one knows when the worst of the economic impact will be behind us (or if it already is), but we do know the stock market will continue its volatility as market participants react to the daily influx of new information. As we keep saying, the best way to capture market returns is to structure your portfolio for the long term and stay the course.



## HEMINGTON – AGAIN A BEST PLACE TO WORK



For the second year in a row, Hemington is a winner of InvestmentNews' Best Places to Work for Financial Advisers award. InvestmentNews recognized Hemington as one of 75 firms that excel in leadership, work-life balance, employee benefits, and internal practices. It noted that our CEO (Eileen) offers mentoring and bi-monthly meetings with staff. InvestmentNews said that Hemington stands out for its diversity, with women representing 55% of its employees. Staff gave management high marks on fostering a rewarding team environment that emphasizes working together to create the best client experience. Other fun perks include Yoga Fridays, social outings, and an annual charity day.

Each year, InvestmentNews recognizes standout employers in the financial advice industry. Winners are recognized based upon their success in creating a work atmosphere and culture that attracts the best employees.

*"We firmly believe that the quality of our client experience depends upon our ability to not only attract and retain the best talent in our industry but to maintain a culture of teamwork. While this is an ongoing effort, it's a great honor to receive this recognition two years in a row." — Ryon Beyer*

## TIGER 21

Eileen and Ryon were honored to be the sole wealth managers recruited to present an educational session at TIGER 21's annual conference in Phoenix, Arizona in January, attended by more than 800 ultra-affluent investors. They tag-teamed their 2-hour presentation, which covered a historical view of how current events impact financial markets, prudent investing principals and portfolio construction, and the unique way Hemington defines true wealth management.

TIGER 21 is an exclusive peer-to-peer network of ultra-high net worth individuals and families who seek a forum to discuss how they are handling their wealth, including investments, philanthropy, legacy planning and family dynamics. TIGER 21 membership requires a minimum of \$10 million in investable assets, and most members have a net worth in excess of \$100 million. Other membership requirements are more qualitative in nature, including a readiness to share, a willingness to learn, and a commitment to be involved in ongoing meetings and other activities.





# THE CARES ACT

**The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. Touted as a stimulus package, the CARES Act is more of a short-term “liquidity” package, providing ways for businesses and individuals to receive money or delay expenses during the COVID-19 pandemic.**

Several provisions of the CARES Act impact retirement plans:

## **NO REQUIRED MINIMUM DISTRIBUTIONS FOR 2020**

The CARES Act eliminated the requirement to take RMDs in 2020. This applies to both your own IRA and inherited IRAs. If you already have taken an RMD this year, it may be possible to return the funds to your IRA. Since RMDs are based on year-end balances from the prior year, it may make sense to not take it since it would be based on December 31, 2019 account values, and December 31, 2020 values may be lower.

## **“CORONAVIRUS-RELATED DISTRIBUTIONS”**

While most Hemington clients are better served by not touching retirement funds, the CARES Act creates an exception to the 10% early withdrawal penalty for distributions prior to age 59½, if you have been impacted by COVID-19. In 2020, you may take up to \$100,000 from your IRA or 401(k) without paying the 10% penalty, and income taxes on the \$100,000 distribution may be spread over 3 years. You may replace the funds at any time within 3 years (in a single payment or multiple payments); if you do so, you may amend your prior tax return(s) to receive back the taxes paid on the distribution.

## **LOANS FROM 401(k) PLANS**

The amount that may be borrowed from a 401(k) plan has been increased to \$100,000 or 100% of your account balance (up from \$50,000 or 50% of the balance). You will still have to pay interest to your 401(k) for the loan and the interest is not tax deductible; you also miss the possibility of tax-deferred growth.

## **DEADLINE FOR 2019 IRA CONTRIBUTIONS EXTENDED**

You may make 2019 contributions to your traditional IRA or Roth IRA until July 15, 2020.

Here are some of the other provisions that may impact clients:

## **ENHANCEMENTS FOR CHARITABLE CONTRIBUTIONS**

For cash contributions made directly to a charity, you may take an income tax deduction of up to 100% of your adjusted gross income (up from 60% of AGI). This does not apply to contributions to donor advised funds or family-funded private foundations. In addition, for taxpayers who use the standard deduction, there is a new \$300 above-the-line deduction for charitable contributions.

## **DIRECT PAYMENTS TO TAXPAYERS**

A one-time payment of \$1,200 to individuals or \$2,400 to married couples is possible, though income restrictions impact eligibility (payments are phased out after \$75,000 in AGI for individuals and \$150,000 AGI for married couples). Eligible families receive up to \$500 for each child under the age of 17. The federal government intends to send payment in the same manner that 2018 or 2019 income tax payments or refunds were made.

## **DELAY OF FEDERAL INCOME TAX PAYMENTS**

July 15, 2020, is the new deadline for federal income tax returns and payments, as well as estimated income tax payments for the first and second quarters of 2020. Be careful to check tax deadlines in your state as they may differ from the federal deadline.

## **TEMPORARY RELIEF FOR FEDERAL STUDENT LOAN PAYMENTS**

Loan payments for certain federal student loans are suspended for three months (with a possible 3-month extension) and interest will not accrue during this time. These payments will be considered timely for loan forgiveness programs.

The CARES Act provisions generally apply only in 2020. Congress is considering other bills to provide additional aid to Americans impacted by COVID-19. We will continue to monitor for planning opportunities as additional guidance is released and new laws are enacted.





# WHAT'S NEW AT HEMINGTON?

## SPEAKING ENGAGEMENTS

On February 13, Hemington hosted a group of 40 breadwinner women for our annual Be Your Own Valentine event. The event featured **Jen Dawson** and Amy Gardner, Certified Professional Coach for Lawyers, with a conversation about how loving yourself means taking care of your whole self, mindfully managing difficult situations, drawing boundaries, and finding the joy in dropping the ball.

Earlier this year, **Jen Dawson** was the featured speaker for the Parenting Mentor Group of Sidley Austin, for the Life Hacks for Professional Women Event of Barack Ferrazzano, and for the South Loop Mother's Group.

On March 4, **Jen Dawson**, husband Ian, and big brother Tommy welcomed Jack Rhys Dawson into their family. Jack was born 8 lbs 6 oz, 21 inches, and is already smiling often and rolling from his belly to his back. Jen shared the lovely perspective from her doctor who says that bringing a child into this world is one of the most optimistic moments imaginable, and a great reminder about what's important in life. Blessings to baby Jack and their family!



## PARTY NOW!

In February the Hemington team enjoyed a night out to support **Mike Byman** and his band, Party Now!, as they rocked Rhodeside Grill in Arlington. Party Now! played their own songs and covers like Ziggy Stardust and Peace Love and Understanding. Mike is the band's drummer (who knew?), as well as lending to vocals. It was a fun night for all to kick back, relax, and enjoy great music and friends.





# OUR HIGH SCHOOL SENIORS

The Hemington team has four seniors who are graduating from high school this year. We want to give a shout out for their dedication and perseverance through these challenging days. They've missed milestones (no proms, graduations, or other year-end activities), but they are moving on to other endeavors and we wish them well!

## Colin O'Connor

*Gonzaga College High School*

Colin has accepted his appointment to the U.S. Naval Academy where he will play football (free safety). We look forward to joining Patrick and Eileen in cheering him on the field – Go Navy!



## Henry Mitchell

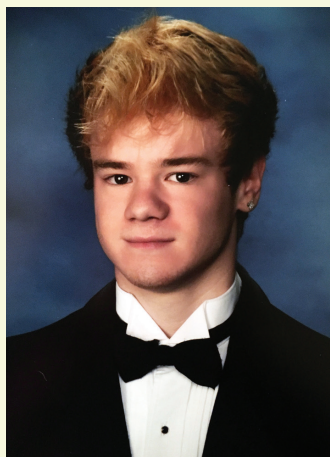
*Bishop O'Connell High School*

Henry plans to attend George Mason University or James Madison University. He will study Criminal Justice.

## Sarah Johnson

*Riverside High School*

Sarah will attend University of Mississippi (Ole Miss) and will study Elementary Education. Hotty Toddy!



## Joey Byman

*McLean High School*

Joey is considering a career in rap music.

## About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

## Hemington Wealth Management

**Falls Church, VA Office**  
7651 Leesburg Pike  
Falls Church, VA 22043

**Phone** 703.828.2479  
**Toll-free** 855.HWM.WLTH (855.496.9584)  
**Email** info@hemingtonwm.com

**Chicago, IL Office**  
150 S. Wacker, Suite 2400  
Chicago, IL 60606

**Phone** 312.757.5339  
**Email** info@hemingtonwm.com