THE
ADVISOR

conquer the complex

"It's my support group for Zoom Fatigue Syndrome."

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SO, YOU'VE BEEN OFFERED EARLY RETIREMENT

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YHB Wealth Advisors

3Q2020

An update on your YHB team members.

The reality of working from home.

I used to think working from home would be wonderful. I could wake up, start dinner, throw a load of laundry in the washer and plug away on the computer. I used to think homeschooling would provide my child the best opportunity to learn. I could make sure she learned what I thought would be the tools to succeed. BOY WAS I WRONG ON BOTH FRONTS! Around the middle of March, YHB enacted a work from home policy and the Governor closed schools for the rest of this school year. BAM, my perfect storm. The first couple of weeks it was the best. I kept my regular work routine, started dinner, got Grace up to home school and plugged away on the computer. I even went so far as to buy extra books from a homeschooling curriculum to help enhance the homeschooling experience. However, as the weeks went on and the days dragged on, my motivation was gone! I don't know if that happened to anyone else, but it has gotten harder not easier. My daughter's favorite excuse for everything is "it doesn't matter, we are in quarantine". This mostly comes into play when I ask her to shower, brush her teeth or hair. I almost think I am raising a teenage boy and not an 8-year-old girl. Some days we get the schooling done and some days we don't. Some days I am organized and get the work cranked out and some days I am doing work at 7 or 8 o'clock at night. And then there are some days where I don't even know what day it is. There are times where the laundry gets done and dinner gets made, then there are times where I think "heck, I don't need to do that today, I can do it tomorrow. I mean it's not like I have anywhere to go or anything else to do". All of this to say, working from home can be both a blessing and hard work or as the old saying goes "fantasy vs reality". I have not lost contact with my clients who make my job so rewarding, and I do get to help my daughter with her homework and that has brought us closer together – but the school better be in session next year!

Jamie Brothers

Welcoming our newest family member.

What a crazy time to be alive, but what a blessing it is to have a new addition to the family! Judah Michael Trimble was born at 11:15p on April 14 and his brother and sister already love him so much. Lindsay and I decided that we would keep him too. We are thankful that he is healthy, super smiley, and that he doesn't have a tax deadline for his birthday.

JT TRIMBLE

Using Your Time at Home to Plan for the Fun Things

And you thought WFH stood for "We're Fantastic Help"...

I now find myself regularly seated at a beautiful table, made of reclaimed Vermont barn wood, in the cool area of my basement. Certainly, I would prefer different circumstances under which I find myself here and it without a doubt has led me to moments of uncertainty as I consider when this will end. However, I must say, there is quite the silver lining to consider. Personally, I have a significant silver lining who came on April 14 at 11:15pm (thankfully prior to that fateful midnight transition) and we have named him Judah Michael Trimble.

Was it quite the experience to be "locked" in a hospital room for 2 days? Absolutely. Yet our hospital staff were INCREDIBLE and we must say that the new wing of INOVA Loudoun is phenomenal. Now I realize you didn't pick up this quarter's edition of "The Advisor" to hear me wax poetic over my personal life, so let's get down to how you can improve your financial and personal well-being by answering the following: **What must you consider as you shelter-in-place, remain safe-in-place, and possibly make the decision to transition to work from home (WFH) on a permanent basis?**

Stay Organized

Presently, I have a mass of clutter including papers, pens, notepads, magazines, chords, textbooks, and notebooks on our table. Since my wife is proudly a very organized woman, I am generously providing her a considerable amount of stress as I WFH. As someone who enjoys the life we share together, I highly recommend organization first and foremost.

On a more serious note, organization can really benefit both your personal life and personal finances. Now is an excellent time to get your budget in order. Identify where you're able to spend less and save more and evaluate how much you actually spend on items or activities you don't always track. We are simply wanting to make sure our spending priorities are in line with our financial goals.

When we talk about building successful financial plans, we really only have 3 ways to increase the likelihood of success in our plans: spend less, save more, and/or retire later. If you're curious about a general target for a budget, see how yours compares to the following guide: 50% necessary expenses (home, groceries, utilities, etc.), 30% discretionary expenses, 20% savings. Having a budget is foundational to financial plan success and feeds into all other areas of our personal finances.

Plan for the Fun Things

Now that you have successfully built and analyzed your budget, it's time to plan that next vacation. Who said financial planning wasn't fun?!

Seriously, after surviving this global pandemic you've earned it! According to Access Development, during 2019, the average American spent on average $1,978 on a summer vacation and $6,080 on international travel.

I can say from personal experience that it is incredibly easy to go into debt from going on vacation. However, there really isn't any reason we should need to go into debt in order to relax and recover from being locked in our homes for 2 months (or more). Taking the time to plan your vacation and researching multiple options in terms of cost provides a great perspective of what your options truly are.

Recently Airbnb had mapped out the top 10 most wish-listed homes across the world. Were you aware that you could reserve a private residence in Bali, complete with a private swimming pool, and located only 3 minutes from the beach? What about a 4-bedroom beach house in Brazil? A private, self-sustaining (solar powered), off-grid retreat in California that is complete with Wi-Fi for your "remote work"? Would you believe that you could reserve any of these places for less than $100/night? Granted these prices are reflective of market demand during the pandemic, but we have had (and still have) quite the amount of time on our hands to research options for an upcoming getaway. Create your budget first, then decide on your destination. Remember, if you're going to use a credit card to pay for your retreat into Zen, make sure we have the cash to pay it off before you accrue interest.

Working from Home

Lastly, you may be considering working from home on a permanent basis. This could provide the opportunity for frequent "working remote" while on vacation opportunities. This may also provide the opportunity to write-off some expenses on our tax return. It is a great time to engage our incredibly knowledgeable CPA's here at YHB to identify how this may affect your tax circumstance.

You may save on vehicle expenses, but you could be spending more on phone, internet, and utilities as a result. Are you able to write-off any of these? This is an excellent question for our tax advisors since there are unique circumstances under which you may and may not be able to write off any of these expenses in your tax filing. Knowing the impact prior to making the decision keeps us from frustration after the fact. With our budgets, our vacations, or our decisions to move the office home we want to know before we go!

JT TRIMBLE

UNMASKING THE FINANCIAL MARKETS

The economic carnage inflicted by the fight against the coronavirus pandemic has been real—and horrific. Over 40 million Americans have filed for jobless claims since mid-March, when the U.S. economy went into lockdown mode to slow the spread of the virus. According to the latest government stats, there are 21 million currently unemployed and a jobless rate of nearly 14%. The investment markets (and the President) cheered this report as it is a slight decline from the previous high in April, even though there is a lot of uncertainty surrounding the numbers, and they are subject to revision up to a year later. However, if the additional 10 million folks who are working part time, but want to work full time (if they could get a job), and the 9 million people who are considered "not in the labor force" by the government bean counters (but still WANT a job) were included in the calculation, the total unemployment rate would be 25%!

After shrinking 4.8% in the first quarter, and despite most States seeing some level of re-opening in late May, some economists are forecasting that U.S. GDP could contract by a staggering 40% in the April-to-June time frame. Regardless what the number turns out to be, there is no doubt that America is smack-dab in the middle of a severe recession, unrivaled in magnitude in the past 80 years.

But as anyone that has at least 50% of their portfolio invested in an equity allocation, and has looked at their account statement for May will see, the equity market has staged a strong rebound from the March/April lows in spite of the current economic reality. What's the deal?

Why has the stock market roared back onto the highway so quickly if the economy is still stuck in the mud?

Primarily it is because Markets, first and foremost, are forward-looking vehicles. They focus on the future, not the present or the past. And right now, markets are peering around the corner and they believe they see things that spell better days ahead. Whether the market is correct in that belief or not will be determined over the course of the future weeks and months. Right now, I believe the market has rebounded because of primarily three factors:

The realization of "less bad" news, and the expectation of future "good" news

Often it isn't necessary for news to actually get "good" for markets to respond positively. The news simply has to get "less bad" and the market will begin to price in the expectation of recovery.

The avalanche of bleak economic data that's roiled the world over the past few months is a direct result of the necessary government-mandated economic lockdowns that spread from east to west in February and March. When businesses and factories are shut down, jobs are lost. Consumer spending plummets. An economy brought to a standstill is going to look just as bad on paper as it does in real life. And that's exactly what happened.

But, importantly, the global economy is no longer at rock bottom. Starting in April, European countries began easing their lockdown restrictions and slowly reopening in piecemeal fashion. This trend spread to the U.S. in May, with all 50 U.S. states now in the process of partially reopening as well.

As the economy begins to rebound, so too will the economic data. As more businesses reopen, the pace of job losses will continue to slow. Consumer confidence should also slowly tick up. A slightly more confident consumer will be likely to spend a bit more—granted, not to anywhere near pre-pandemic levels, but certainly to a level higher than was observed at the peak of the lockdown. Simply put, the more the economy reopens, the more the overall data will improve. And it's this expectation of better economic data that is helping to propel markets forward. Of course, the important caveat to the continued positive effect of this "less bad news" thesis is there is not a resurgence in the virus infection rates across the country.

Unprecedented fiscal and monetary stimulus

The second factor in markets' continued upward climb can be attributed to the speed and vast amounts of fiscal and monetary stimulus injected into the global economy since March. The combination of fiscal and monetary stimulus already enacted, and announced but yet to be put in place by the Federal government and Federal Reserve amount to almost 25% of America's annual GDP. That's a staggeringly large number in scope. And the U.S. is not alone. Australia and Canada have also passed similar, though somewhat smaller relief packages, while Japan takes the cake with a package consisting of a whopping 40% of its yearly GDP!

Collectively, all of this aggressive fiscal and monetary support is like throwing vast amounts of fuel on a sputtering fire. As lockdown restrictions ease and more businesses reopen, that fire—the global economy—will rekindle. Markets, for their part, are betting that the fire will be able to sustain itself for a decent length of time. One possible negative reaction to this vast stimulus could be the igniting of significant global inflation. As a precaution to that possibility we have added some inflation protection to most client portfolios in the form of gold and Treasury Inflation Protected Securities.

Low interest rates

The third factor driving the equity market's recovery are today's really low interest rates. Why? Well, two reasons. Firstly, they remove the attractiveness of bonds as an investment alternative to stocks. Secondly, they make stock valuations "appear" to be less inflated. Recall that stocks are ultimately priced on the net present value of a company's future earnings. With this in mind, there are two ways to increase the net present value of future earnings: by actually achieving higher earnings growth – which is tough in today's economy - or via low interest rates used to "discount" the future earnings.

If, for example, the 10-year U.S. Treasury yield is 62 basis points, and this is used as a barometer for the discount rate of equities, then a dollar of earnings five years from now is worth almost as much as a dollar today—approximately 94 cents. Such an extremely low discount rate would almost entirely compensate for any disruption in short-term earnings, as a company's required earnings growth over the same time period wouldn't need to be as impressive. The bulk of the increase in net present value would come from the discount rate. In other words, a dollar of earnings for a company five years down the road is worth a lot in today's dollars. And if you have strong confidence in the earnings of a company five years from now, you're going to be willing to pay more for that company's stock now.

In summary, though the effects of the mandatory shutdown of most of the global economy in order to stem the spread of the virus have been devastating, the news is becoming less bad as the countries around the world take steps to restart growth. If the news continues to improve, and there doesn't appear to be a sharp resurgence of infection, this combined with the effect of stimulus and low rates could propel further upside for the equity markets. But it remains a very uncertain time and prudence dictates the wise move is to remain conservatively allocated and focus on owning good quality assets for the long term.

RANDY BEEMAN

We made the Top Firms by AUM list!

YHB Wealth Advisors, LLC, a registered investment advisory firm, is pleased to announce it was recently ranked on Accounting Today's 2020 Wealth Magnets - Top Firms by AUM (assets under management). YHB Wealth Advisors ranked as the 5th largest based in Virginia.

"Making the list of top firms is a tribute to the trust our clients place in YHB, for which we are honored," said Randy Beeman, Director of YHB Wealth Advisors. "We started offering these services to clients just three years ago and are very pleased with the growth."

Accounting Today has been compiling the list of leading U.S. wealth management firms by assets under management for the past decade. To qualify for the ranking, the entity must be a CPA firm that has a financial planning practice (including subsidiaries and affiliates), and at least one of the financial planners in the practice must hold a CPA credential.

YHB Wealth Advisors was founded in December 2017 as a limited liability company and is a subsidiary of Yount, Hyde & Barbour, P.C. YHB Wealth Advisors is proud to provide services to individuals, families, trusts, businesses, charitable foundations and institutions.

The 2020 Wealth Magnets Ranking of the Top 150 Firms by AUM is published by Accounting Today, an independent company unaffiliated with YHB Wealth Advisors. The ranking is exclusively by assets under management and is based on submissions by over 200 firms. YHB Wealth Advisors did not pay to be included in this ranking. Working with a ranked advisor should be evaluated properly and has no correlation to investment results. Working with a highly-ranked advisor does not ensure that a client or prospective client will experience a higher level of performance or results. Third-party rankings are no guarantee of future investment success or performance. This ranking is conducted by a third-party provider and not meant to serve as an endorsement for YHB Wealth Advisors. Rankings should not be considered an endorsement of the wealth manager by any client nor are they representative of any one client's evaluation. For informational purposes only.

So, You've Been Offered Early Retirement...

Many people have not only found themselves working from home in recent months, but they've been wondering when they will get back in the office. Others have received the offer of never having to return to the office. Perhaps your company has given you such an offer of "early retirement" and you're wondering whether or not you should take it.

The COVID-19 pandemic has created a unique circumstance where companies are trying to limit their long-term cash outflows with a short-term cash outlay. However, what may be best for the company's cash flow may not be best for yours and you need a framework in which to evaluate this offer. Here are some primary considerations to utilize in making this decision:

1 – Do you want to retire?
This is a rather simple consideration but perhaps the most important. If you are not ready to retire then this makes the decision rather easy. Often I am engaged by my friends to help them make decisions and they are caught off-guard by this question. Even if the numbers make sense, the numbers are not all that matter. We want our life to be what we make of it, and with planning we should be able to retire when we are good and ready.

2 – Is the amount of money offered enough?
The amount of cash offered is certainly a major factor, particularly if it is what you will be living on for the foreseeable future. Perhaps this isn't early retirement but it is evaluating a pension offer of either the lump sum payment vs. lifetime payments. It's fairly easy to evaluate present cash value vs. the value of all future payments. (Lottery winners also have to solve this issue.)

Outside of impact to personal tax circumstances, the real question becomes: Is this amount of money going to last? This is where your budget comes in handy because it will help you know how long your necessary expenses will be covered in addition to how much discretionary spending we will have. In taking the early retirement, if you're beginning to draw on your retirement accounts sooner than anticipated, we have to evaluate how our spending is going to affect this. The longevity of your accounts will certainly be tested if you begin to spend them sooner than originally planned.

3 – What else is included in your offer for early retirement?
We are not simply looking to replace income for a certain period of time because you are no longer receiving income from your employer. Items to consider outside of salary replacement are health insurance, life insurance, and other fringe benefits unique to the employment offer (such as discounts on cell phone service, gym membership, etc.).

If you are not old enough to qualify for Medicare you are either going to enroll in COBRA, seek healthcare coverage from another employer (i.e. a new job), or go to the marketplace.

Both COBRA and the marketplace will likely significantly increase your monthly expenses for health premiums. This is probably the single greatest increase of necessary expenses in one's budget once they retire.

4 – What is the impact upon your Social Security benefit and filing?
You may be on track to take your benefits as planned or this may accelerate your filing. In either case your benefit may also end up smaller than anticipated due to either an early filing (prior to FRA) or because you are no longer earning credits. When planning your retirement, we cannot overlook the role Social Security will play in it. There are obvious concerns with the system that need to be addressed, but we can only work with the information given.

5 – Do you want to take the early retirement and transition into another career?
I take the perspective that this is an excellent opportunity to take a short vacation, appropriately payoff some debts, and save as much as possible while making either a career or job change. Receiving a severance and then working part-time or full-time elsewhere simply improves your financial circumstances.

As I always say, "the best way to improve our financial plan is to save more, spend less, and retire later." There are not many circumstances that allow you do enact all three of these strategies at once, quite like this. Without question it should at least be a consideration when presented with an early retirement or severance offer.

Now that you're sufficiently equipped for framing your decision as you evaluate your early retirement, don't forget to keep us in the loop. Your financial plan will thank you later!

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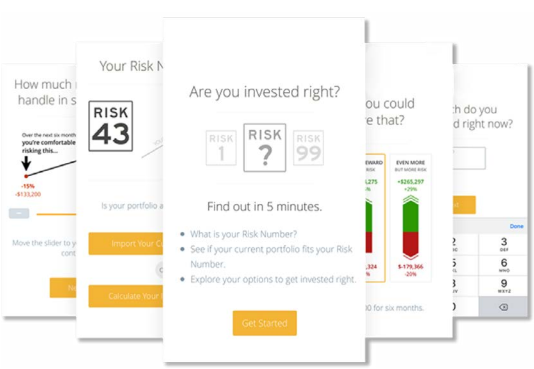
What is your Risk Tolerance?



Riskalyze helps you understand your risk tolerance and align your investment strategy to provide you peace of mind. As a friend of YHB Wealth you complimentary access to a Risk Number-centric view of your wealth.

This complimentary survey explains your risk score, while also providing:

- Perspective on aligning your portfolio allocation to match your personal preferences and priorities
- A comfort zone of how you should expect a portfolio to perform based upon your risk score
- The opportunity to discuss the results with a qualified YHB Wealth Advisor

Get Your Score at YHBcpa.com/riskalyze