

SUMMIT PERSPECTIVE

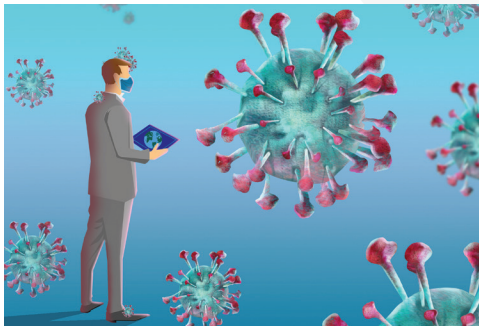
THE SAGA OF 2020

To the delight of humankind, the calendar now reads 2021! It is difficult, if not impossible, to describe the events of the last twelve months in a way that would do it justice. In a word ... UNBELIEVABLE!

The pandemic of 2020 changed our world to such an extent that a discussion about investing and financial planning seems trite by comparison. With over 20 million Americans infected and the death of 350,000 citizens, this has been a most sobering crisis. Furthermore, the havoc wrought on society by the policies that were implemented to combat COVID-19 have taken a tremendous toll on our well-being. Who could have imagined home lockdowns, a life lived on Zoom, eating takeout as a civic duty, and a shortage of toilet paper? We've lost track of the number of things from 2020 we never thought we would see in our lifetimes!

From an investing and planning perspective, 2020 was equally unbelievable. The year started with optimism as the economy was firing on all cylinders after spectacular market growth in 2019. However, optimism turned to panic in short order as the coronavirus pandemic swept across the globe. In five short weeks, the S&P 500 fell 34 percent ... the fastest bear market in history¹. Subsequently, central bankers and governments stepped in with massive stimulus packages to pump life into an economy wracked with massive unemployment and business dislocation. It really was different this time!

What happened next was equally stunning. Despite terrible news on the COVID front, the equity markets began to climb the proverbial "wall of worry" that often accompanies recovery. With the pandemic raging on, civil unrest spreading like wildfire, and the most contentious election in memory, there was plenty to worry about. Yet somehow the markets looked beyond the current maelstrom, imagined a world with a vaccine and a re-opened



society. Thus, despite the noise, the markets powered forward to new highs as we approached yearend. Investor emotions spanned the spectrum from panic to fear of missing out in just a few months. If there was ever an example of the futility of market timing, 2020 was it. Those who panicked out of the downturn and "waited for the smoke to clear" on the pandemic or the election were severely disappointed. Thankfully, with the coaching of their advisors, our clients (almost without exception) trusted their planning and maintained their investment strategy. It was not different this time after all!

As 2021 dawns, we find a series of contradictions that cloud the landscape. The virus rages on and the lockdowns are having little effect. Yet, the first vaccines are here, and the promise is of more to come. Small businesses are hurting, and many good people are out of work, yet markets are near all-time highs. Finally, the political landscape remains unsettled, yet it seems clear that America is moving forward with a new administration and Congress.

Where does that leave the lifetime investor in pursuit of their goals? In pretty much the same uncertain position in which they start every year. There are always a host of issues that threaten our economy and volatility often shows up unexpectedly. Market valuations are relatively high and as we have seen historically, downturns tend to be swift and dramatic. But those same downturns have never been permanent.

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FINANCIAL GROUP, LLC

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**Our Symposium Series
Continues in 2021!**

Summit Trivia Challenge

“

*Things work out best
for those who make
the best of how things
work out.*

– John Wooden

”

KUDOS!

Summit Spirit Award: Teresa

Each quarter, Summit recognizes one team member who receives kudos from their peers and managers for going the extra mile. The winner receives \$1,000 to donate to the charity of his or her choice. Congratulations to Teresa Hookey, Controller, as the recipient of this quarter's Summit Spirit award!

Teresa: I am donating my Summit Spirit Award to Cougs Feeding Cougs, a Washington State University program that supports students who are concerned about where they'll get their next meal. Like many college towns, the Pullman, WA community is hurting as a result of COVID-19 closing down local businesses, thus taking away the opportunity for students to earn money working local part-time jobs to pay for the basic living expenses of college.



My daughter Melissa is a senior at WSU and has witnessed firsthand the struggles some students face in deciding if they have enough money to buy food. This program provides immediate assistance to eligible students who will use the funds provided to buy nutritious meals at various WSU dining locations.

To join Teresa in her efforts, visit www.studentaffairs.wsu.edu/initiatives/cougs-feeding-cougs/

SUMMIT UNIVERSITY



Upcoming
Virtual Courses
and Workshops

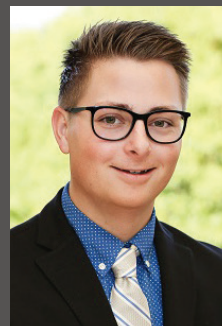
UNDERSTANDING YOUR STOCK-BASED COMPENSATION PLAN

Thursday, February 4th
4-5 pm



Congratulations, you have a stock-based compensation plan! Now what? Employer Stock Options and Restricted Stock Units are a great benefit to have and understanding how they fit into your holistic financial situation is key to maximizing them. Learn about these benefits and the many factors to consider at our upcoming workshop.

Learn more and register for classes through the Summit University page on our website: summitadvisors.com/education/university/ OR call 925-866-7800.



STAFF SPOTLIGHT

Connor Merrigan,
Financial Advisor

Connor has been an integral part of the Summit Financial Planning team since his arrival in 2018. We are excited to announce Connor will now be utilizing his planning acumen in his new role as Financial Advisor. Connor will join Steve Wilcox's established practice providing the utmost care and diligence to our clients. Please join us in congratulating Connor on his promotion!

TAX-TIME REMINDER



Income tax filing season is almost here, and we wanted to provide a note regarding when you can expect 1099s to be available. While we cannot control the release of the 1099 Form, the following is the timeline that has been provided by the issuers. Please note that the dates are estimates and should not be considered as the hard release date.

- January 31 – 1099s mailed for accounts holding stocks, bonds, and options
- February 15 – 1099s mailed for accounts holding mutual funds, UITs, REITs, certain equities; pending 1099 Notices mailed for accounts awaiting data from issuers or processing/review
- February 28 – 1099s mailed for income reclassifications that were previously pending
- March 15 – 1099s for all remaining accounts

STIMULUS REVISITED



After much wrangling on Capitol Hill, and some saber rattling by the White House, another stimulus package was passed at yearend. It

is welcomed by employees laid off by lockdowns due to the COVID surge and is a lifeline to restaurants and other small businesses that are hanging on by a thread. Once again, payments to citizens and the Paycheck Protection Program (PPP) were the highlight of the legislation.

Stimulus Checks of \$600 Per Eligible Person – For single tax filers with less than \$75,000 in Adjusted Gross Income (AGI), they will receive a payment of \$600 per person in the household (i.e., a single parent with one child under 17 would receive \$1,200). Joint tax filers with AGI below \$150,000 receive the same \$600 per-person benefit. So, an eligible husband and wife would receive \$1,200 where an eligible family of four would receive \$2,400. These payments are phased out for single filing taxpayers above \$100,000, and joint filers above \$200,000. For those laid off by recent lockdowns, the funds likely cannot come soon enough.

Paycheck Protection Program – The new bill contained two important aspects related to the PPP loans.

1. The bill clarified the deductibility of expenses paid by the first PPP loans earlier in the year. Up until this point, the IRS was not allowing a tax write-off for the expenses paid with the initial PPP loans. This, in effect, made the PPP loans a taxable payment. While it was clear as to Congress' intent in the passage of the CARES Act earlier in the year, the IRS was still holding this position until passage of the latest bill. This is welcome news to business owners who were perplexed as to their tax liability relating to these loans.
2. A second round of PPP loans was authorized. For companies that can demonstrate a loss of 25 percent of

revenue or more in one quarter in 2020 vs. the same quarter in 2019, a second round of PPP loans is available. This is for companies that obtained and spent a PPP loan in the first round of stimulus. If a company did not receive a loan the first time around, the window has reopened for them and they have a chance to get a loan under the initial rules.

There were some additional clarifications regarding eligible expenses and more flexible timeframes to spend the loan as well. We recommend you speak with your tax advisor if you have questions regarding the specifics. We didn't view them as significant as they all made things easier to qualify, and most clients had already met the requirements for forgiveness under the initial rules. The PPP loans have been a lifeline to many companies that would have certainly folded under the circumstances.

End of the RMD Holiday – One important component of the new Stimulus package was something that was absent. There was no mention of further suspending Required Minimum Distributions on retirement accounts. Therefore, people over age 72 (or who were already taking distributions under the prior rules) will be required to take those RMDs again in 2021. Please talk with your advisor if you suspended those for 2020, as it may factor into your portfolio construction and cash flow management in the year ahead.

The 5,000-plus pages of the bill contained a host of other minor provisions that didn't seem particularly noteworthy to clients or impacted such a small group of people as to not merit mention here. If you have questions about the package or think something applies to you, please don't hesitate to reach out to us and we can either answer the question or point you to the subject matter expert to get the answer. We all hope for an end to the pandemic and no further need for these packages in the year ahead!

PROTECT YOURSELF – IRS Expands the Voluntary Identification Protection PIN Program

Beginning in January 2021, the IRS will expand taxpayer protection against tax fraud when filing their returns.

Previously, the IRS would assign an Identity Protection PIN (IP PIN) to a taxpayer to use when they became a confirmed victim of identity fraud. The IP PIN was available to taxpayers in only 20 states to authenticate their identity when filing their tax return.

The IP PIN program will be expanded on an opt-in basis to all taxpayers filing a federal tax return beginning in mid-January of 2021 via the **Get an IP PIN** tool on the IRS website (<https://bit.ly/2VWo9ea>).

Note that the six-digit IP PIN will be valid for one year and will need to be renewed each subsequent year. Once you are issued an IP PIN it must be used in conjunction with the filing of your tax return.

Given the increasing risk of identity fraud, an IP PIN should be used as an additional safeguard. You should not share your IP PIN with anyone other than your tax professional and only when you are ready to sign and submit your return. Remember, the IRS will never ask for your IP PIN. Phone calls, email or texts asking for your IP PIN are scams.





Our virtual Summit Symposium Series continues in 2021! On Thursday, January 21 International Business and Finance Professor at Emory University, Jeff Rosensweig, will address the impacts of COVID-19 and the presidential election on our economy. One of our favorite economists, Jeff will provide valuable

insight on the economic landscape going into the New Year in a relatable, entertaining way.



Our series will come to a climactic end on Saturday, February 27 as we bring you bestselling author and one of the world's leading experts on happiness, Shawn Achor. Shawn is the author of *The Happiness Advantage* and *Big Potential* and his TED Talk is one of the most popular of all time, with more than 23 million views.

Join us for this rare opportunity. You'll be glad you did!

Sign up on our website today!

SUMMIT TRIVIA CHALLENGE

The answer to this quarter's question can be found on the Summit Facebook page (facebook.com/summitfinancialgroup/). Each person submitting the correct response will be entered to win a \$25 Starbucks gift card.

Ready? Here it is ...

Which two charities did Summit support in early December? (Hint: Look for two posts, two days apart.)

Congratulations to last quarter's winner, Patty Pratt!

Know the answer? Email it to angela@summitadvisors.com by February 1. The Trivia Challenge winner will be notified via email.



THE SAGA OF 2020 Continued from Page 1

We encourage people to lean in to three principles as we navigate this uncertainty:

Diversify – 2020 saw the largest bifurcation in performance in recent memory. A host of technology stocks soared during the pandemic, while many other industries were hit hard. Many investors (and even some weak-willed advisors) have abandoned their diversification principles to chase that performance. We caution investors against this. There's no way to know if or when there is a reversion to the mean, but we find the risk associated with overconcentration unsavory and unnecessary.

Manage Cash Flow – Downturns can be deep and swift and being forced to sell assets in a time of market loss is harmful to long-term results. Talk with your advisor about your cash flow needs so that you are not in a pinch if the *Apocalypse du Jour* arrives. Rebalancing might provide you the ability to manage through a downturn that lasts longer than the steep (but thankfully brief) drop of 2020.

Monitor Your Behavior – Last year was a striking example of the folly of reacting to short-term news. Hopefully the scars of 2020 have built another layer of resilience into the investor psyche and they are less tempted to panic in times of turmoil. But each new downturn contains its own special brand of fear, and it is a constant battle to resist the urge to react to that fear.

After surviving the year 2020, we all look forward to brighter days ahead. We certainly hope that 2021 brings an end to the pandemic and that some of the joyful activities of life can resume. We thank our frontline workers and health care professionals who put themselves in harm's way to keep our society afloat during this difficult time. And we thank you for trusting us to guide you through this recent storm. It is a pleasure to serve you and we are thankful for the trust you have placed in us.

¹ Beth Kindig (March 26, 2020); *Algorithms Sped Up Selling, Leading to the Fastest Bear Market in Stock Market History*; MarketWatch.

Neither diversification nor asset allocation guarantee against loss, they are methods used to manage risk. Investments will fluctuate and when redeemed may be worth more or less than when originally invested.

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