

Allegheny Insights: April 17, 2020

Economy & Markets

The stock market is in the midst of a strong rally, with the S&P 500 Index up more than 20% from the March 23rd low through April 16th. Bear market rallies are common occurrences. During the fourth quarter of 2008, the S&P 500 Index rallied 24% before falling once again and eventually bottoming in March 2009. This rally seems to be supported by a three-legged stool: the slowing of the COVID-19 growth rate; massive stimulus from the Federal Reserve and Congress; and the stabilization of oil prices.

However, most of the positives are counterbalanced by negatives. Stabilizing oil prices, for example, do not change the fact that oil demand remains low due to the global economy shutting down. Stimulus spending was desperately needed, but this stimulus is more setting a floor for the economy than providing a catalyst for future growth. Data on COVID-19 has been showing a “flattening of the curve,” and social distancing appears to be working in Europe, and even in the U.S., but much uncertainty remains. We are simply nowhere near returning to the pre-virus “normal.”

It is always tempting to chase bear market rallies higher given the speed and magnitude of the moves. The uncertainties associated with these rallies, and indeed with the overall economic environment, are precisely why we construct investment portfolios with longer time horizons in mind.

Financial Planning Updates

With the CARES Act now officially written into law, some interesting planning opportunities have arisen. As far as retirement savings are concerned, the most important provision in the Act is the waiver of 2020 required minimum distributions. This provision applies to current retirees of age who own an IRA, 401(k), or 403(b). It also applies to owners of non-spousal beneficiary individual retirement accounts (often referred to as BDA IRAs).

For those in the first category, if distributions were already made from these accounts, there is a window of opportunity to “return” them to the account to enjoy an additional year of tax-deferred growth.

While some clients will be happy to avoid their 2020 RMDs, those who will fall into lower tax brackets this year may instead want to consider accelerating distributions from these accounts through Roth IRA conversions. This strategy must be applied on a case-by-case basis to an individual or family’s unique income and tax circumstances, however. Therefore, it is best to consult with your CFP® professional before pursuing it.

Allegheny Financial Group and Allegheny Investments Business Updates

The entire Allegheny staff, except for a handful of essential employees, is now working remotely. Thus far, we are pleased with the performance of our technology systems under these conditions and will continue to work remotely until we receive new guidance from the Pennsylvania state government regarding the mandatory stay-at-home order. We remain confident in our ability to advise you during these challenging times. Allegheny offers many electronic options including mobile check deposit, electronic signatures, and virtual meetings that help us serve you more efficiently. Ask your financial advisor or a staff member for more information on these options.

We remain deeply grateful for your ongoing trust and support, and we extend our best wishes for the health and safety of you and your loved ones. As always, we stand ready to assist you with your investment and planning needs. We look forward to continuing to serve you.

Sincerely,

Allegheny Financial Group, LTD
Allegheny Investments, LTD