COVID-19 UPDATE
CARES Act & Stock Market Volatility Impact on Your Company 401(k)
May 1, 2020
For Today’s Session

• Webinar will be recorded
• All Attendees will be placed on mute
• Questions may be input into the Questions Box within the GOTOWEBINAR
• Survey will be sent after the webinar
The information presented today is provided for educational purposes and should not be considered legal advice.
CARES Act & Stock Market Volatility: Impact on Your Company 401(k)

• Stock Market Update
• The CARES Act & Your Retirement Plan
• How to Implement & Communicate
• The Hierarchy of (Financial) Needs
• Q&A
Stock Market Update
S&P 500 Index at Inflection Points

**S&P 500 Price Index**

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<tbody>
<tr>
<td>Index Level</td>
<td>1,527</td>
<td>1,565</td>
<td>3,231</td>
</tr>
<tr>
<td>P/E Ratio (fwd.)</td>
<td>27.2x</td>
<td>15.7x</td>
<td>18.2x</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.4%</td>
<td>1.9%</td>
<td>1.9%</td>
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<tr>
<td>10-yr. Treasury</td>
<td>6.2%</td>
<td>4.7%</td>
<td>1.9%</td>
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Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 index price, divided by consensus estimates for earnings in the next 12 months (NTM), and provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

*Guide to the Markets – U.S.* Data are as of December 31, 2019.
S&P 500 Index at Inflection Points

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The Importance of Staying Invested

S&P 500 (*GSPC) *
2,867.91  +31.17 (+1.10%)
As of 16:52AM EDT. Market open.

Down 30%...time to panic?
Down 11%
Annual Returns and Intra-year Declines

S&P 500 intra-year declines vs. calendar year returns
Despite average intra-year drops of 13.8%, annual returns positive in 30 of 40 years

Source: FactSet, Standard & Poor’s, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.

The CARES Act & Your Retirement Plan
Distributions

Old School (hardship)

- 10% early withdrawal penalty if taken before age 59.5
- State & federal income taxes withheld & due the year of distribution
- Cannot be put back into the plan

New School (COVID-19)

- No penalty, even if under age 59.5
- Income taxes are not required to be withheld & can be spread out over a 3-year period
- Employees have the option of paying the amount back within 3 years
- Maximum distribution of $100,000
**Old School**
- Can only take a loan up to:
  - 50% of vested account balance
  - Max $50,000
- Loan repayments begin right away

**New School (COVID-19)**
- New maximum loan amount:
  - 100% of vested account balance
  - Max $100,000
- Delay loan repayments up to one year
How to Implement & Communicate
Getting PPP Money?

- Don’t forget to withhold and match.
- Pre-fund Safe Harbor contributions?

Loans

- Does your plan currently allow loans?
  - How many at a time?
- Loan repayment deferment
If You Have an Advisor

- Ask for CARES Act recommendation
- Ask if opt-in or opt-out to adopt provisions
- Ask for help with employee education
If You Do Not Have an Advisor

• Contact vendor/recordkeeper
• “I would like to adopt CARES Act loan and distribution provisions. Please let me know how to do so if not already done.”
Hierarchy of Financial Needs

- Other Investing
- Low-Interest Debt
- Max Retirement Savings
- Max HSA Savings
- Goal-Based Savings
- Retirement Savings to get 100% On-Track
- Emergency Savings to Cover 3 Months of Expenses
- High-Interest Debt
- Retirement Savings to Get Full Match
- HSA Savings to Cover Deductible
- $1,000 in Emergency Savings
We’re Happy to Help

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We’re Happy to Help

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