Fall 2020
The COVID Effect on Your Bank Account

By: Sarah Mahaffa, CFP®
Sr. Wealth Advisor and
Manager of Financial Planning

Nine months ago, Covid-19 impacted all aspects of our lives. The Bureau of Economic Analysis reports that savings almost tripled over the first two quarters of 2020. This additional savings helps to cushion rainy day funds, but in today's low-rate environment, there comes the point that you should think about how to make the cash - that you worked hard for - work even harder for you.

So what should be top of mind for you? Is there a home improvement project that you've been considering? Depending on the project's scope, you may be able to pay cash for some or all of it. With interest rates as low as they are, you could also consider taking out a Home Equity Loan if your cash cushion isn't enough to absorb the financing.

While no one likes to pay more in taxes, if you have additional cash on hand, you could consider converting some of your pre-tax retirement funds to a Roth IRA. Any funds converted to a Roth IRA will be part of your taxable income this year, but all future growth and distributions are tax-free. Your extra cash will be available to pay the additional income tax owed on the conversion. If you anticipate being in a higher tax bracket in the future, doing a Roth conversion now can save you money in the long run. However, there is a five year holding period on distributions of funds that were converted. If you anticipate using the funds in less than five years, you will want to skip this option. Don't forget to keep your tax advisor in the loop as well.

What about investing some of that extra cash in your brokerage account? You can spread out your investments over the next few months to average into the market rather than investing the funds in one swoop. We expect the market to return more than your savings account over the long term, but there will certainly be bumps along the way. Talk to your financial advisor about investing your cash in areas that align with your risk tolerance.

Alternatively, what does your portfolio look like? Are you holding any positions with large capital gains? It may seem counterintuitive to sell something that you have made money on, but you also want to have a plan in place to protect those gains and avoid getting too concentrated on one investment. Buy low, sell high, right? Your extra cash can be earmarked for the capital gains taxes that are generated. If you don't want to exit a particular investment, you can sell a position at a gain and immediately buy the same investment so that you were never out. This works for harvesting gains, but won't work for harvesting losses.

Non-profits will gladly take your excess cash off your hands. If you plan to take the standard deduction in 2020, you can deduct cash gifts to charities up to $300. Also, for 2020 only, the CARES Act allows taxpayers who itemize on Schedule A to deduct cash gifts up to 100% of their Adjusted Gross Income.

Indiana residents can get an Indiana state income tax credit by contributing money to an Indiana 529 account. The credit is equal to 20% of the contribution, with a maximum credit of $1,000. You do not have to be the account owner to make a contribution and receive a credit.

COVID-19 has forced us to think differently about everything, from toilet paper to getting together with friends and family. Somewhere in the middle of everything is your bank account and financial well-being.

Luckily, there are different options available for individuals with varying cash balances and seeking differing goals. Contact your Bedel team directly to learn more about any of these possible solutions.

Contact Sarah if you have questions or want additional information regarding this topic.

In This Issue

Happy Holidays

We wish you a very happy Holiday Season and a New Year filled with peace and prosperity.

BLT Corner

Happy Thanksgiving!

In what has been a challenging year for all of us, hopefully you can still find much for which to be thankful. From a financial perspective, the financial markets have been very resilient. After selling off in the 1st quarter, stocks and bonds have rallied significantly and recently hit all-time highs. In our office, we have been surprised by how effective working remotely can be.

In this issue of our newsletter, Sarah Mahaffa discusses some of the options available if you have accumulated more cash than you need. Jonathan Koop provides an update on the real estate market and how it has been impacted by the pandemic. Abby VanDerHayden discusses the Flexible Spending Account; what to do if you have money still in the account at this time of year and how your election for 2021 could look.

In November, Pfizer and Moderna released preliminary results of the large trials for their vaccines, which thus far have proven more effective than anyone had hoped. Now we await the vaccines and distributions' potential approval, which will take several months before everyone has an opportunity to be inoculated. In the meantime, other vaccine candidates are being tested and could become available for distribution.

The election results have brought to the forefront potential tax law changes. We will continue to monitor any tax law developments and communicate how any possible updates could impact your financial plan. At this point, it is still too early to tell what could happen. Given the economic uncertainty over the next few months with the pandemic, any tax law revisions are not likely to be quickly enacted. Most likely, they won't be in effect until 2022 at the earliest. And 2022 is another election year, so if changes are not passed before, it might be difficult to pass them during an election year.

Unfortunately, COVID infection numbers are rising around the country, but we remain hopeful that you and yours are safe. At the office, we continue to hold mostly virtual meetings. However, if a client needs an in-person meeting, this can certainly be accommodated. Our office follows all safety protocols for cleaning, mask wearing, and social distancing.

Our office did a virtual trick or treat in October, with each employee being tricked or treated by a colleague, and sometimes both! We continue to look for ways to stay connected in order to reduce any feelings of isolation. We hope you have been able to do the same with your friends and family.

We wish you a wonderful and safe holiday season!

The Bedel Leadership Team

Generation NeXt

Dependent Care FSA Considerations for 2021

By: Abby VanDerHeyden, CFP®
Wealth Advisor and
GenNeXt Team Leader

COVID-19 altered the childcare landscape for many parents. Some families have experienced a decrease in childcare expenses due to COVID, whether it be their daycare temporarily closing or a canceled summer camp. With all of this in mind, what should your dependent care FSA election look like for 2021?

What is a dependent care FSA?

A dependent care flexible savings account (FSA) is an account offered by employers to allow employees to make pre-tax contributions and receive tax-free reimbursements for qualified childcare expenses. The maximum contribution in 2020 is $5,000 for a married couple or $2,500 for a single individual. Below is a list of common qualified childcare expenses:

- Preschool
- Before or after school programs
- Babysitting (work-related)
- Nanny
- Day camps

Not all employers offer these types of accounts. If you're eligible to open an account, beware that FSAs are notorious for having "use-it-or-lose-it" stipulations, and funds in the account do not usually roll over from year to year. However, some employers grant leniency in the form of grace periods. A grace period allows employees to spend down remaining account balances from the previous year for a pre-determined period, usually ending on March 31 of the new plan year.

What options do you have for unused dependent care FSA funds?

In May 2020, the IRS ruled that employers can extend grace periods for unused dependent care FSA funds. Employers who took the IRS up on this guidance are allowed to direct 2019 unused balances towards 2020 childcare expenses up until December 31, 2020. However, the IRS has not addressed unused balances from contributions to FSAs made during the 2020 plan year. There is a chance that employers will be allowed similar grace period flexibility in 2021, but this is not guaranteed.

In the meantime, here are some steps to take if you anticipate leftover dependent care FSA funds from the 2020 plan year:

- Inquire about grace period provisions your company might already offer (as mentioned above, some companies allow for a grace period ending on March 31 regardless of COVID-19)
- Determine if your company altered their plan mid-year 2020 to allow for an extended grace period until December 31, 2020 (if they did, they might consider doing the same in 2021 depending on how the IRS ultimately rules on the topic)
- Comb through year-to-date expenses and determine if there are any qualified childcare expenses that you overlooked or forgot to reimburse
- Be aware of any upcoming qualified childcare expenses for the remainder of the year and be sure to submit for reimbursement

continued on page 3

Industry News

How COVID-19 Impacts Real Estate

By: Jonathan Koop, CFA
Portfolio Manager and
Manager of Investment Management

The real estate sector has not been spared from the fallout due to COVID-19 related lockdowns. Like the stock market, not all real estate types are the same, and some areas have experienced more adversity from the lockdowns than others. Retail and commercial office real estate have been hit the hardest. On the other hand, the market for single-family homes has been relatively resilient.

While it seems the economy has bottomed out and the recovery has begun, high unemployment and the prospect of a "second wave" of COVID-19 cases continues to create uncertainty for many businesses. The lockdowns and stay-at-home-orders earlier this year ignited a trend towards people working from home. This put considerable negative pressure on commercial and retail real estate prices. Large and crowded office spaces were no longer desirable, and many local retail stores were forced to close.

However, while many people are still working from home, this current trend's long-term impact remains unclear. Some companies have reported decreased productivity from their employees working from home, which may hasten a return to employees working in the office. Furthermore, while employees working from home may reduce some companies' need for office space, it is also possible that businesses may need more space to provide the safe, socially-distanced working conditions that employees may demand.

The retail sector has also suffered as businesses deemed 'non-essential' by state and local governments struggled to generate sufficient revenue amid various stay-at-home orders and capacity limitations. While the economy rebounded strongly in the 3rd quarter as GDP jumped by a record annualized rate of 33.1%, it has been estimated that nearly 100,000 businesses across the country closed their doors for good due to the lockdowns. Furthermore, a September survey by the National Federation of Independent Businesses reported that 21% of small businesses said they would have to close within the next six months if conditions did not improve. Despite the recent economic growth, empty storefronts from closed companies will likely have lingering impacts on the retail space. One bright spot in the real estate sector has been single-family housing. Despite the high unemployment rate, the sector has benefited from government protections for homeowners, historically low mortgage rates, and demographic trends. Fewer evictions and better home equity (only 2% of homeowners have negative equity) have prevented a glut of supply like that which contributed to the housing price collapse in 2008. The increase in workplace mobility has also supported home prices. The ability to work from home has allowed people to move further away from crowded city centers and apartment living, driving up demand. Finally, the growing number of Baby Boomers retiring in place' will continue to put downward pressure on the supply of homes for sale, further supporting prices in the housing market.

Contact Jonathan if you have questions or want additional information regarding this topic.

Ask Bedel

What is Robinhood?

By: Anthony Harcourt, CIMA®
Portfolio Manager

Robinhood is a digital brokerage platform that is built to appeal to smartphone users. It advertises commission-free trading with no account minimums. It was founded in 2013 but has recently exploded in popularity as millions of Americans, namely millennials, have been stuck at home in 2020 with the urge to make money trading stocks (or fill the void left by a lack of sports gambling. It has very attractive qualities for first-time investors, such as one-click trading, easy access to complex investment products, and game-like features such as emoji-filled phone notifications, falling confetti, etc.

Q: Should I use Robinhood to save and invest?

A: Robinhood doesn't operate like traditional brokerage firms such as Charles Schwab and Fidelity, who provide customer support, services for advisors, and robust research capabilities. In our view, Robinhood is a good place for individuals who want to dip a toe into stock trading as a hobby. For example, if you're going to save for an emergency fund, Robinhood is not your best option. You don't want to trade stocks with money that you might need quickly. Your emergency fund is better suited for a bank savings account. If you are saving for retirement, we recommend seeking a financial professional's advice instead of doing it yourself via an online brokerage like Robinhood. If you start pouring significant money into stocks without a financial plan you can jeopardize your financial future. If you have a financial plan in place with a diversified investment strategy for the bulk of your portfolio and still have the itch to trade stocks with a small chunk of 'fun money,' then by all means, go for it!

Q: I've read stories on the internet about young people beating professional fund managers' returns during the pandemic. Can this be true?

A: It can be. Suppose a novice trader buys extremely risky stocks with a large portion of their account, and those stocks go up quickly as many did in the initial recovery from the COVID lows in March-April of 2020. In that case, they can beat any professional fund's returns. But those situations are rarely sustainable as a long-term strategy. Professional fund managers typically don't develop their strategy around short term returns and trading the riskiest stocks. Instead, they build diversified portfolios with specific long-term objectives in mind.

Contact Anthony if you have questions or want additional information regarding this topic.

GENERATION NEXT CONTINUED...

What should you consider for your 2021 dependent care FSA elections?

Give careful consideration before making 2021 dependent care FSA elections. What were your childcare expenses in 2020? Did COVID-19 alter your expenses at all? Unfortunately, no one knows what effect the virus will continue to have on workplaces and childcare in the New Year. Make a conservative estimate and contribute only the amount you will spend in 2021. The tax savings experienced from dependent care FSAs are nice, but avoiding lost contributions at the end of the year should be the primary goal!

- Do you have the excess cash on hand?
- Will your lender allow you to add it to the loan principal?
- Can you secure additional financing?

Conclusion

The idea of having a say in every little detail of a brand new home sounds appealing. Be sure to weigh your financing options and consider the risks before breaking ground!

Contact Abby if you have questions or want additional information regarding this topic.

BEDELFINANCIAL

Presorted
First Class
U.S. Postage Paid
INDIANAPOLIS, IN
Permit No. 9395

Contact Us!

8940 River Crossing Blvd., Suite 120
Indianapolis, IN 46240
Phone: (317) 843-1358
Toll Free: (888) 843-1358
Fax: (317) 574-5999
Web: BedelFinancial.com
Twitter: Twitter.com/BedelFinancial
FB: Facebook.com/BedelFinancial
LinkedIn: Bedel Financial Consulting, Inc.

Corporate Calendar

Bedel Financial Consulting will be closed for business on the upcoming days:

Nov. 26	**Thanksgiving**
Nov. 27	**Day after Thanksgiving**
Dec. 25	**Christmas Day**
Jan. 1	**New Years Day**

Our Staff

Andriel Adams
Administrative Assistant
aadams@bedelfinancial.com

Kate Arndt, CFP®
Financial Planner
karndt@bedelfinancial.com

Elaine E. Bedel, CFP®
CEO & President
"Executive On Loan"
ebedel@bedelfinancial.com

Evan D. Bedel, CFP®
GenNeXt Advisor &
Director of Finance and Strategy
evbedel@bedelfinancial.com

Meredith Carbrey, CFP®
Sr. Wealth Advisor
mcarbrey@bedelfinancial.com

Ryan Collier, CIMA®
Sr. Portfolio Manager and Director of Investment Management
rcollier@bedelfinancial.com

Dave Crossman, CFA
Sr. Portfolio Manager
dcrossman@bedelfinancial.com

Kristina Dougan
Operations Specialist and Investment Assistant
kdougan@bedelfinancial.com

Cindy Garman
Administrative Coordinator
cgarman@bedelfinancial.com

Alex Golding
Operations Specialist and Investment Assistant
agolding@bedelfinancial.com

Anthony Harcourt, CIMA®
Portfolio Manager
aharcourt@bedelfinancial.com

Amy K. House
IT & Digital Marketing Specialist
ahouse@bedelfinancial.com

Kathryn J. Hower, CFP®
Senior Wealth Advisor and Director of Financial Planning
khower@bedelfinancial.com

Jonathan Koop, CFA
Portfolio Manager and Manager of Investment Management
jkoop@bedelfinancial.com

Sarah Mahaffa, CFP®
Sr. Wealth Advisor and Manager of Financial Planning
smahaffa@bedelfinancial.com

Nick Rosebraugh
Operations Specialist and Investment Assistant
nrosebraugh@bedelfinancial.com

Mathew Ryan, CFP®
Financial Planning Specialist
mryan@bedelfinancial.com

Austin Stagman, CIMA®
Portfolio Manager
astagman@bedelfinancial.com

Brad Stark
Chief Compliance Officer
bstark@bedelfinancial.com

Cassi Vanderpool
Director of Administration
cvanderpool@bedelfinancial.com

Abby VanDerHeyden, CFP®
Wealth Advisor and Generation NeXt Team Leader
avanderheyden@bedelfinancial.com

Chris Wakefield
Marketing Specialist
cwakefield@bedelfinancial.com

William J. Wendling, CFA
Sr. Portfolio Manager, CIO
bwendling@bedelfinancial.com