MARKET INSIGHTS
The full economic impact of the coronavirus pandemic remains to be seen.
see page 2

REVIEW OF INVESTMENT DECISIONS
As the historic events of the pandemic quickly unfolded, we made some changes in client accounts.
see page 3

RETURNING AN UNWANTED 2020 RMD
If you want to reduce or eliminate your withdrawals for 2020, you will be able to lower your tax burden.
see page 4

ADVANCE
CAPITAL MANAGEMENT

FINANCIAL LIVING

volume Q2 2020

A QUARTERLY NEWSLETTER FOR THE CLIENTS AND FRIENDS OF ADVANCE CAPITAL MANAGEMENT

A Letter of Appreciation

We realize the events of the past few months are very unsettling and difficult to put into words. The spread of the coronavirus and its devastating effects on our daily lives has literally shut down economic activity around the world and ravaged the capital markets. It is hard to recall a singular event that has had such a wide-ranging impact on our health, citizens, workers and businesses.

The human toll is evident in the many stories of infections and deaths around the world. Yet, amidst this unprecedented uncertainty and fear, there are glimmers of hope and renewal. People are making a difference to combat this virus and put our lives back in order. While a vaccine and identifiable treatment is not yet available, the scientific community is working diligently to provide a solution in short order. Healthcare workers and first responders have illustrated to everyone what true sacrifice and dedication looks like. Both the federal government and Federal Reserve have stepped in to help workers and businesses weather this financial storm and “bridge the gap” until we can restart the economy over the next few months.

During this tumultuous period, the employees of Advance Capital have worked tirelessly to navigate through the plethora of information and tried to make the best decisions for our clients and the company. Over the past month or so, we have constantly communicated to you our thoughts on the economy, capital markets and investment moves we have made on your behalf. All our employees across every department have risen to this historic challenge to provide the quality of service you have come to expect and have accomplished this feat while working remotely in their homes.

Our commitment to you is unconditional. No matter the circumstances or challenges, we have always put you, our clients, first. This will never change. Your financial well-being is our top priority. On behalf of everyone at Advance Capital, thank you for your unwavering commitment and trust in our firm. In the near future, we will begin to transition back to our offices and, hopefully, get back to some sense of normalcy. As this occurs, we will keep you updated.

- **Chris Kostiz.** *President and Chief Investment Officer*

Market Insights: Q1 2020

John F. Kennedy once said, “the symbol for crisis is composed of two characters. One represents danger and the other represents opportunity.” Today, we are dealing with the danger; in the future, there will be plenty of opportunities.

The crisis from the Coronavirus outbreak on our economy and capital markets are both historic and unprecedented. Never has one event virtually shut down economic activity and altered our daily lives. Not only domestically, but in major developed economies around the world. While the safety of all citizens is the top priority, major sectors of the economy could be severely impacted for months as this global pandemic plays out. It is unclear whether most companies have the financial flexibility to survive. The Federal Reserve (Fed) along with the federal government have taken dramatic steps to provide financial stimulus to consumers, businesses and the financial markets. For now, these efforts have provided some relief, but it is still too early to know whether these actions will be enough to halt the economic and financial market slide. Collectively, our society will find a way through this situation, but our reality has changed. Many personal and economic obstacles lie ahead.

The full economic impact is yet to be seen

Prior to the Coronavirus outbreak and ensuing economic tsunami, the economy was in pretty good shape. The nation’s unemployment rate had fallen to a 50-year low of 3.5%, jobless claims were minimal and wage growth had finally started to accelerate. The manufacturing sector was rebounding a bit from its recent slump, and new housing starts were accelerating. This has now all changed. Economic activity has come to a crawl as most states impose measures to slow the spread of the virus. Schools, bars, restaurants and other non-essential businesses have been severely curtailed. Unemployment claims have skyrocketed to historic levels and early estimates indicate a fall in Gross Domestic Product (GDP) of close to 10-20 percent for the second quarter. Assuming the effects of the virus subside by summer, the final two quarters could see a rebound in the economy and, hopefully, a return to business as usual. But, like everything, we need to take a wait-and-see approach.

The Federal Reserve is all in

Amidst this social and economic upheaval, the Fed has taken dramatic steps to aid both the economy and capital markets. They cut interest rates to zero and increased their balance sheet by over $3 trillion in order to purchase U.S. Treasury bonds, mortgage-backed and corporate securities. They have become the lender of last resort with virtually no limits on the amount they are willing to commit to stabilize the financial system. The federal government approved a massive stimulus package of around $2 -3 trillion to keep businesses afloat and pay workers during this nationwide lockdown. Governments and central bankers around the world have joined in to support their economies and capital markets. The European Central Bank (ECB) announced a new $700 billion Pandemic Emergency Purchase Program to purchase securities to help support the European economy. The Bank of England (BOE) cut interest rates to 0.1 percent and increased their bond buying program to $750 billion. Other central bankers around the world have taken similar action to try to halt the economic and capital market slide. The depths and uncertainty of this crisis can’t be underestimated or minimized.

As these events unfolded, the volatility in the capital markets became historic and stocks fell into a bear market. From recent highs, the S&P 500 Index fell about 34 percent into late March, before bouncing back dramatically through April. Small and mid-cap stocks fell harder, but also witnessed a significant rebound. Across the globe, international stocks were also hit hard amidst the fallout from the virus and the economic impact. In bonds, most sectors were hit with U.S. treasury bonds holding up the best.

Our actions

What action did we take? First and foremost, we are long-term investors. That will never change. We believe that while markets can be volatile over short periods of time, over the long term, markets tend to rise. However, during extreme market conditions, we believe immediate action may be appropriate for client accounts. In early March, we thought both the economy and capital markets would continue to fall as a direct consequence of the virus outbreak. At that time, we reduced stocks across client accounts, along with a slight reduction in a bond fund and held an extraordinary amount in cash. In general, we raised about 25-30 percent in cash for clients. This was not an emotional reaction, but one based on our assessment of the unprecedented situation and our view that risk assets, such as stocks, would continue to suffer until the federal government and the Fed flooded the

(Continued on page 4.)

It is not possible to invest directly into an index. The indices mentioned in this article are unmanaged and are not affiliated with Advance Capital Companies.

A Review of Our Investment Decisions

While the coronavirus continues to ravage communities, there are early signs that perhaps the worst is behind us and that the shelter-at-home policies have helped to moderate its spread. As states begin to contemplate re-opening their economies, it is unknown what the “new normal” might look like. Along the way, both the federal government and the Federal Reserve (Fed) have released trillions of dollars in new stimulus programs to help mitigate the financial pressures for companies, individuals, homeowners and the financial markets. The question is: Will it be enough to stem the slide in economic activity?

As these historic events quickly unfolded, we stepped up our efforts to analyze the ever-changing data and made some changes in client accounts as a result. In mid-March, we reduced clients’ exposure to stocks by about one-third and sold out of a foreign bond fund. These proceeds were held in cash. We took this action due to the increasing economic and market uncertainty surrounding the outbreak. Our intent was to reduce account volatility and reinvest once there was more economic clarity and if the Fed rescued the financial markets.

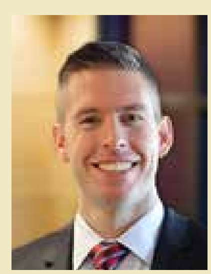
By the end of March, the Fed released its first set of financial packages to backstop the credit markets. With investment-grade and high-yield bonds trading at their lowest levels in a decade, we took the opportunity to invest the foreign bond proceeds into these two sectors. In early April, the Fed announced another $2.3 trillion in loans to support the economy. This funding is aimed at households and employers of all sizes and to bolster the ability of state and local governments to deliver critical services during the pandemic. It also announced wider support for the credit markets, including buying high-yield bonds along with a lending facility for states and municipalities.

This unprecedented action by the Fed changed our perspective on the capital markets, particularly for stocks. Although the capital markets remained extremely volatile, the clarity we received from the Fed about their unlimited support for the financial system led us to reassess our outlook for stocks and the excess cash held in client accounts. As a result, we reinvested a majority of the proceeds from the earlier stock sale back into a small- and large-cap stock fund. While we don’t believe everything is now “fixed,” we acknowledge the Fed’s power to alter the direction of the markets.

Today, we continue to hold a small cash cushion in client accounts and will redeploy it when market valuations and metrics are more appropriate. To be clear, the timing and degree of these recent changes are not typical or normal for us. But we are not living in “normal” times. Holding excess cash in accounts is a very rare occurrence and is not part of our long-term strategy. But our primary concern is to protect and grow client assets in a responsible and well-defined manner.

Looking ahead, we expect the economy to slowly recover as many states start lifting restrictions over the next few months. Yet, the damage will be severe and the impact on jobs, growth and the psyche of consumers will be lasting. Along the way, the capital markets will likely remain volatile and uncertain. Still, we feel relatively confident that the support by the Fed should keep both the economy and the markets somewhat stable. We will continue to do our best to analyze the situation and make the best decisions for our clients. ■

We are very pleased to announce that **Terra Hohf** has been named to ***Forbes'* Top Women Wealth Advisers for 2020** list! Head to our blog at blog.acadviser.com to read her thoughts about this award and her experience working in a predominantly male profession.



Welcome to our newest financial adviser in the Illinois office, **Jonathan DeMoss**! Prior to joining us, Jonathan served as the Northeast Advisor Consultant for Innovator ETFs and held a Senior ETF Advisor Consultant position for PowerShares. Jonathan earned a Bachelor of Arts degree in business and economics from Wheaton College. He is currently a Chartered Financial Analyst Level 3 Candidate.

Returning an Unwanted 2020 RMD

In March, Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which included a provision that waives 2020 Required Minimum Distribution (RMD) requirements. This means that anyone subject to an RMD (401k, 403b, traditional IRA and inherited IRA owners) may suspend withdrawals this year.

As a reminder, withdrawals from traditional retirement accounts are subject to ordinary income taxes. So, keeping any unwanted funds in your accounts can help you save significant tax dollars this year.

If you have the flexibility in your budget to reduce or eliminate your withdrawals for 2020, you will be able to lower your tax burden. As an example, let's say you pay a tax rate of 20% on your IRA distributions. For each $1,000 you are able to reduce your withdrawals, you are likely to save approximately $200 in taxes.

What if you have already taken the money out?

A related CARES Act provision allows individuals who have already taken their RMD for 2020 to "return" the funds to the original account or roll it over to another retirement account.

You may be able to return an unwanted RMD under a few different scenarios:

- If your RMD falls under the 60-day rollover rule: when a distribution from an IRA or a retirement plan is paid directly to you, you can deposit all or a portion of it in an IRA or another retirement plan within 60 days (this can be done only once per year)

- If you have taken a withdrawal on or after February 1, you now have until July 15 to roll it over to another account (IRS Notice 2020-23)

- If you have been directly affected by the COVID-19 virus, you may be able to treat it as a Coronavirus-Related Distribution under the CARES Act

What options are available to you depend on your personal situation.

For non-spouse beneficiaries of inherited retirement accounts, there is, unfortunately, no option to fix an unwanted RMD, as you are not permitted to rollover funds in any case. Spousal beneficiaries, on the other hand, you at least have the option to make spousal rollovers to move distributions to your own retirement accounts (but such rollovers are subject to the once-per-year 60-day rollover rule).

If you would like to consider returning your RMD, or if you would like to adjust your withdrawals, please contact your financial adviser. ■

Market Insights *(Continued from page 2.)*

system with money to save the financial system. By the end of March, the government and the Federal Reserve did just that. They agreed on massive stimulus packages to help individuals, corporations and the financial system during this dire period. Investors are now assessing whether this will be enough. Given this new information, we invested a portion of the cash into bonds in late March. In early April, once the Federal Reserve came out with another huge stimulus plan, we invested the majority of the remaining cash into stocks.

In this extremely uncertain and historically unprecedented period, we have been singularly focused on our clients' long-term financial health and protecting assets, while also keeping an eye on opportunities. As a nation, we will rise to the occasion and work through this crisis. It will take time, with many sacrifices along the way. We are eternally grateful for your continued confidence and trust in our firm. Should you have any questions or concerns, please do not hesitate to reach out to your financial adviser. ■

HEADQUARTERS
One Towne Square
Suite 444
Southfield, MI 48076
(800) 345-4783
(248) 350-0115 Fax

GRAND RAPIDS, MI
625 Kenmoor Avenue SE
Suite 307
Grand Rapids, MI 49546
(800) 444-1053
(616) 954-2499 Fax

LISLE, IL
4225 Naperville Road
Suite 160
Lisle, IL 60532
(800) 327-3770
(630) 955-3404 Fax

INDEPENDENCE, OH
Crown Centre
5005 Rockside Road, Suite 215
Independence, OH 44131
(800) 457-4304
(216) 520-1535 Fax