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THE PRINCIPLE QUARTERLY

JULY 2020



Dear Friends,
Welcome to the first edition of *The Principle Quarterly*. Our goal is to keep you abreast of various wealth management and financial planning topics in a simplified and timely manner. We realize there is so much information out there to read and digest; we aim to provide the “need to know,” to save you time while keeping you informed. This edition of the newsletter contains a brief overview of some key financial topics that may impact your lifestyle, at various phases, including the CARES Act and keeping you cybersafe in an increasingly digital world.

We hope you enjoy the newsletter and encourage you to call or email us with any feedback or questions you may have!

Be well,
Bob

What’s Happening?



We are growing! Expanding from our headquarters in Madison, CT, we opened a new location at 20 Bay Street, Westport, CT — the former Westport Pediatrics office for over 30 years — a well-known town landmark. Our freshly renovated office opened in early April, in response to a rapidly growing client base in Fairfield County. Since then, we have been actively working with new professional partners, the area Chambers of Commerce, the Westport Women’s Club and the Downtown Merchants Association. Lastly, we recently sponsored Drive In Night and are lending support to the local food pantry.



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The CARES Act

By Megan Maruzo and Julina Ogilvie



On March 27, 2020, the President signed into law the CARES (Coronavirus Aid, Relief and Economic Security) Act, providing over \$2 trillion in stimulus funding to lessen the impact of the global coronavirus pandemic on the economy. Government funding from the new law is designed to reach a broad constituency including large and small businesses, individuals and families, gig workers and independent contractors, and hospitals.

Among the important provisions of the CARES Act are the following:

Extension of Tax Filing Deadline from April 15th to July 15th

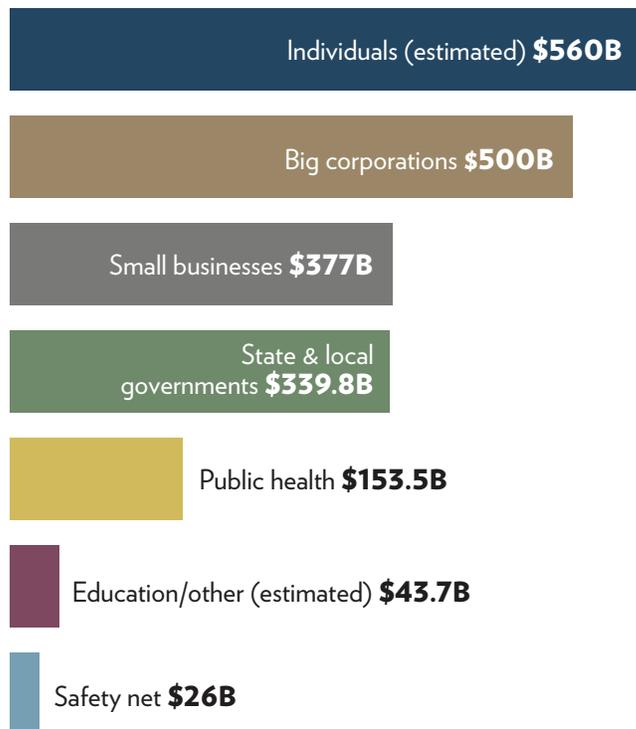
Enhancement of Unemployment Benefits

- CARES Act expands unemployment benefits to include furloughed workers, gig workers, and freelancers.
- Increases benefits by \$600 per week for four months.
- Thirteen additional weeks of benefits are also available to workers who have exhausted their unemployment compensation.

Paycheck Protection Program (PPP) and Payroll Protection Program Flexibility Act (PPPFA)– Support for Small Businesses

- The CARES Act allocated nearly \$350 billion to help qualified businesses maintain their payroll and cover some overhead expenses through the virus-induced shutdown. It received an infusion of another \$320 billion in April bringing the program total to \$670 billion.
- The program offers so-called Small Business Interruption loans of up to 2.5 times a business's average 2019 monthly payroll up to a maximum of \$10 million.

What's Inside the CARES Act Package



Source: NPR.org, estimates for third relief bill based on bill text, committee and administration numbers

- The new law, PPPFA signed by President Trump on June 5, 2020, addressed concerns raised by small businesses related to the original PPP and:
 1. Reduces the amount of the loan required to be spent on payroll from 75% to 60%, while retaining the same guidelines for eligible expenses — rent, mortgage payments, utilities, and interest on loans.
 2. Increases the time to use funds from 8 to 24 weeks, which gives businesses until the end of the year.
 3. Pushes back the deadline to rehire workers and have salaries count towards forgiveness from June 30 to December 31, 2020.
 4. Eases rehire requirements by extending the deadline to December 31, 2020 and adding reduced headcount exceptions.
 5. Extends the repayment term for loans issued after June 5th from 2 years to 5 years at 1% interest on all or the portion of the loan amount not forgiven. The first payment is deferred 6 months.

The CARES Act, continued



Special Retirement Plan Distributions

The CARES Act loosens several restrictions regarding accessing retirement savings.

- Waives the RMD (Required Minimum Distribution) rules for 401(k) plans and IRAs.
- Waives the 10% penalty on early withdrawals up to \$100,000 from 401(k)s.
- On June 23rd, the IRS announced RMDs already taken in 2020 by both IRA owners and beneficiary IRA account owners can be rolled back into retirement accounts by August 31, 2020. Click here for more [details](#).
- Qualified to take special disbursements and loans from tax-advantaged retirement funds of up to \$100,000 without facing a tax penalty:
 1. Those diagnosed with COVID-19 or whose spouses had the disease.
 2. Those who had experienced financial consequences from being quarantined, furloughed, laid off, or having work hours cut.
 3. Those who couldn't work because of lack of child care or pandemic-related closures.

On June 19, 2020, IRS guidance broadened the definition to include those who have suffered COVID-19 related financial consequences because of having a job offer canceled, the start date for a job postponed, or their pay or self-employment income cut.

Recovery Rebate Checks

- All U.S. residents or citizens with adjusted gross income under \$75,000 (\$112,500 for head of household and \$150,000 married), who have a work-eligible Social Security Number, are eligible for the full \$1,200 (\$2,400 married) rebate.
- They are also eligible for an additional \$500 per child up to age 17.
- The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. The amount is completely phased-out for single filers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.



What's Next?

On June 23, 2020, Treasury Secretary Steven Mnuchin suggested that Congress would likely pass a new stimulus bill in July targeting those businesses most impacted. There was no implication as to whether individuals would be included or the dollar amount assigned to the stimulus; however, President Trump has indicated it could amount to \$1 trillion. Other stimulus measures under consideration include a cut in payroll taxes, reduction in capital gains taxes, and a back to work bonus to encourage the unemployed to seek re-employment.

Cybersecurity

By Mike Castiello



With many people working from home and businesses functioning remotely, we have become increasingly dependent on virtual communications over the past several months. On average, three cyber

attacks hit businesses every day. Former Cisco CEO, John Chambers, once said, “there are two types of companies; those that have been hacked and those that don’t know they have been hacked.” Here are some tips to make your digital experience more secure:

- **Use systems and programs you know are reputable.** For virtual visits with your Principle Wealth advisor, we use private meeting rooms in Zoom that are not accessible by the public and are encrypted for your security.
- **Turn on “automatic updates” on your device.** This ensures that you’re running the latest version of an operating system, with the most current digital security and protection.
- **Install the latest antivirus software.** This is essential to guard against malware that hackers may use to gain illicit entry to your devices.
- **Keep careful track of passwords.** The best passwords are long (ideally at least a dozen characters), complex, and difficult to guess. Don’t use personal information (names, birthdates, addresses, etc.) and never use the same password on more than one site. Of course, this makes it difficult to remember every password, so it’s important to find a secure way to store them. Here are some options:
 1. **Online password manager website or app.** You only need to remember one master password to gain access to your other passwords.
 2. **An encrypted password storage program on your phone or computer.** This can help protect your data should your device be lost or stolen.

Top Cybersecurity Threats

MALWARE

Harmful software (such as spyware and viruses) that can covertly obtain information and make a system inoperable

PHISHING

Fraudulent communication from a seemingly reputable source, typically through email, with the goal of stealing personal data, such as login information

MAN-IN-THE-MIDDLE ATTACK

When hackers intervene in a two-party transaction in order to steal data, which can occur when using unsecure wifi

STRUCTURED QUERY LANGUAGE (SQL) INJECTION ATTACK

Targets databases that store critical data in an effort to retrieve customer information, such as credit card data

DISTRIBUTED DENIAL-OF-SERVICE (DDoS) ATTACKS

Attempt to disrupt services of a host connected to the internet by flooding (and crashing) the network



Sources: cisco.com and finra.org

ESG Investing

By Andrew Cialek



Environmental, Social and Governance (ESG) is a philosophy coined in 2005, which refers to factors used to measure social impact and sustainability in companies around the world. These

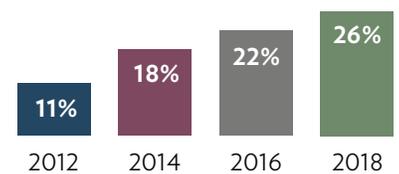
factors typically include key issues such as climate change, human capital and labor management, corporate governance, gender diversity, privacy and data security, among others. ESG investing considers these factors, alongside traditional financial variables, in the investment decision-making process.

It is now estimated that a quarter of all professionally managed assets utilize this process. As interest in investing with a purpose has grown, several leading financial service firms have developed ESG rating systems that score companies based on the alignment of their operations with ESG principles. Companies with higher scores have shown a relatively greater commitment to sustainability and social impact. However, a high score does not mean a company is perfect in all respects. Nike, for example, scores high due to the environmental changes it has made, but it scores very low in the social category as a result of its poor labor conditions and worker treatment.

Despite growth in demand, the varying approaches by investment managers, regulators and investors mean that rating systems can vary and it is questionable as to whether these strategies have consistently outperformed their traditional benchmark. In time, routinely including ESG in investment decisions will potentially help this sector realize its full potential.

Socially Responsible Investing Is On The Rise

Share of ESG assets in professionally managed assets in the United States



Over **\$20 trillion**
in assets under management

ESG measures how companies:

- Respond to climate change
- Treat their workers
- Build trust and foster innovation
- Manage their supply chains

Source: US SIF Foundation data through 2018; *The Remarkable Rise of ESG Investing*, Forbes, July 11, 2018

Principle Wealth Partners Continues to Grow!



We are pleased to announce that **Julina L. Ogilvie, CIMA[®], Partner, has joined the Westport office.** She will help clients address all areas of financial planning, including tax management, wealth

accumulation, cash flow management, insurance and estate planning. She has more than twenty years of experience in the industry and selected Principle Wealth Partners as her new home, noting the firm “provides ‘best-in-class’ investment and client service, all delivered with a fiduciary mindset to do what is right for the client.” She holds a Bachelor of Arts degree from Colgate University.



Alissa Amara has joined the firm as Director of Operations, to ensure that clients receive an exceptional experience. She will also lead the firm’s marketing and community outreach activities. Alissa says

she was attracted to Principle Wealth Partners because the firm is “an industry leader, with a mission deeply rooted with the client in the center of the lens.” Before joining Principle Wealth, she worked in the pharmaceutical industry for more than 15 years, in various sales, marketing and training roles. Alissa holds a Bachelor of Science degree from Bentley University.

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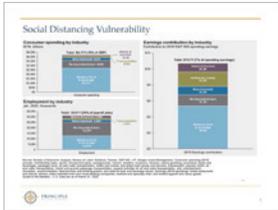
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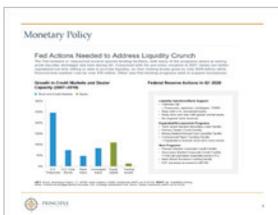
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Looking Back at 2nd Quarter 2020

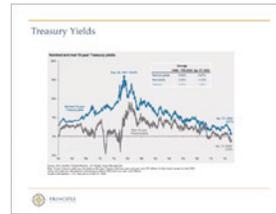
The overriding theme last quarter was the effect COVID-19 is having on our economy, our mindset, and our investments. If you missed the communications we sent out or would like to take another look, here is a list of recent resources with links to the webinar or article content.



Equity Market Update describes the toll social distancing has taken on various sectors of the economy, including employment and corporate profitability and why the old-fashioned approach to investing still applies.



Economic Update explains why the economy and stock market don't move in lockstep and what we can learn from the past.



Fixed Income Update talks about the unusual conditions that have been affecting the bond market, how policymakers are intervening, and where we anticipate finding opportunities.



Don't Let Emotions Lead You Astray shows how watching the news (and checking on the market) too often can cloud one's decision making, the common behavioral biases that often negatively impact investor portfolios and why it's best to put emotions aside.



Mid-Year Tax Planning Checkup provides an explanation of the many ways Principle Wealth Partners works with clients on tax strategies to reduce current tax liability, minimize future tax obligations and help with gifting and charitable contributions.

Watch your inbox for our upcoming Economic Update email and webinar in **late July**.

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The 2020 Forbes Best-In-State Wealth Advisors rankings

Out of 32,000 advisors nominated by their firms, 4,010 received the award. The 2020 Forbes Best-In-State Wealth Advisors rankings were developed in coordination with SHOOK research. This award is based on an algorithm of qualitative criterion for advisors who have a minimum of seven years of experience. This algorithm is qualitatively based, through due diligence reviews and quantitative data, factoring revenue trends, assets under management, compliance records, industry experience, and the encompassment of standards of preferred best practices. Portfolio performance is not considered as a part of the criteria. The Advisor does not pay Forbes or SHOOK in exchange for either the nomination or recognition. However, the Advisor does pay a fee for any marketing materials used that include the award's ribbon. Principle Wealth Partners is not affiliated with Forbes or SHOOK Research, LLC. This ranking is not indicative of an advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation.