

WORTH A REED

Second Quarter 2020



Grateful and Thankful

Amanda E. Lisachenko, CFP, Chief Operating Officer

Covid-19 has us all going a little stir crazy. We miss the simple things we used to take for granted. It is easy to feel isolated, afraid, and a little down. But then a simple phone call, text, e-mail, or wave of the hand from a neighbor reminds us that we are all in this together and lifts our spirit. It is hard to believe but the RFS staff has been working from home since March 16th. Reflecting on these past two months, the words that most come to mind are grateful and thankful. We are grateful and thankful for our clients and that we can continue to provide service to our clients during this time.

It is our job to monitor the global markets, economy, politics, and events. Certainly, none of us foresaw the impact of Covid-19 from its earliest reports of something new in China back in December of 2019. Little did we know that we would soon be executing our Disaster Recovery/Business Continuity (DR/BC) plan. As a financial services business, we have had our plan in place and tested for years, a plan the industry made even more relevant by the tragic events of 9/11/2001. But it was still just a plan, something that was there 'just in case'. Fortunately, as financial planners, we know that planning for the unforeseen is critical.

We have enhanced our DR/BC plan over the years as technology has allowed us to make improvements. RFS moved our

employees to laptops for portability, migrated to a voice over IP (VOIP) phone system, and embraced cloud technology. This along with other behind the scenes improvements in our architecture and security, has allowed us to create a seamless experience for our clients. While working from home, our employees follow our existing Policies and Procedures and privacy and data security remain a priority. Many of you have been shocked to find out that Nikki is answering phones in Stow and then transferring the call to Amanda in Mentor. Occasionally, our cover is blown by our dogs and children in the background. Communication is a key part of our organization, so we have maintained a daily virtual staff meeting to ensure that this did not regress.

We are thankful to have such wonderful clients that have embraced technology during this period. We have had a large increase in the number of new clients using the Client Portal and are still encouraging sign-ups. We continue to hold Update Meetings through a web meeting/conference. Many clients have elected to have their Quarterly Statements posted to their Client Portal in lieu of paper. We want to thank everyone for their openness to change and patience with technology and encourage you to contact us with any questions.

While these technology offerings are great to have, they are not intended as replacements, and we are always just a phone call away. Stay safe everyone! ■

The Changing Investment World

James M. Reed, President & Founder

Simpler Times

When I started in this business 36 years ago, investing was simpler. Bond choices were primarily individual government bonds, corporate bonds, mostly investment-grade and tax-free municipal bonds. Yields were 6% to 12% for taxable bonds and 4% to 6% for municipal bonds. Stock investing consisted of a portfolio of 40 to 50 individual stocks, primarily domestic companies, with diversification being owning large, medium, and small size companies. International stocks were primarily limited to a few in Europe but were difficult to buy. Only 500 mutual funds choices existed.

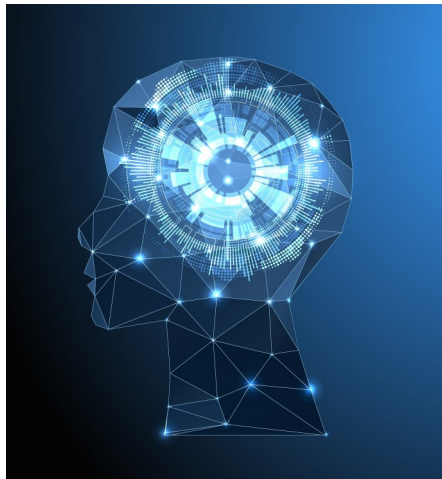
Product Proliferation

Today, domestic bond choices seem almost endless, based on the type of assets being used for collateral, credit quality or maturity. International bonds in both developed or emerging country markets from either corporate or governments are offered in either local currency or U.S. dollar denominated debt.

Stock choices today now include both domestic and international. International stocks can be domiciled in either developed or emerging countries. International investing now involves monitoring currency exchange rates between countries for both stocks and bonds. Over 30,000 mutual funds are available to choose from today.

Technology Influence

As technology advanced from typewriters and punch cards for computers, to PCs, to the Internet, to big data and now



artificial intelligence, layers of complexity have been added. The increased technology capacities have allowed the development of many new products. A common new product is ETF'S or exchange-traded funds. Similarly, technology has fostered many new trading products like derivatives that allow high-speed trades,

based on various algorithms. Many of these traders now only hold securities for nanoseconds or maybe a few days. Due to leverage with these products, the traders can cause very large swings in market values quickly.

Key Issues Impacting Investing Today

There are several issues impacting investing today:

- **Low interest rates** - While this is good if you are applying for a mortgage, the low rates are not so good if you are relying on investment income to live.
- **Liquidity in ETF trading** - To make an index or basket of investments to trade like a stock, requires the ability to buy or sell a basket of similar stocks. If there are no buyers when you want to sell....look out.
- **Passive versus active management** - Technology and big data analysis have made it difficult for stock pickers of large companies to beat their respective index.
- **U.S. dollar** - The strength of the U.S. dollar against other currencies negatively impacts results when translated back into dollars.
- **Creative destruction** - The power of technology and the Internet is impacting how we entertain ourselves, buy things, research information, and pay our bills. These are (but a few) of the trends making it difficult for many companies to stay competitive.

How Has RFS Adapted to These Issues?

- **Low interest rates** - Since the early 2000's we have been using active managers, who do the research on companies to decide what and where to own bonds. Currently our bond funds are collectively yielding a little over 3.5%. In 2006 we added equity income or stable dividend paying stocks to the income sleeve. Today, these funds also collectively yield about 3.5% plus a little appreciation from stocks. Both strategies have worked very well for us for several years.
- **ETF investing and liquidity** - Our research showed domestic stocks using the big common indexes like the Standard & Poor's (S&P) were least likely to have issues. We feel indexes for bonds, equity income and international offered significant risk and have avoided those. The recent freeze up in the bond markets and the collapse of the big commodity ETF supported our decisions to avoid these areas.
- **Passive investing** - This simply is like buying an index of securities that can be treated like a stock throughout the day. Mostly this is in the ETF format and has potential liquidity issues. Technology, Big Data and artificial intelligence have made it difficult for most large company stock pickers to beat their respective index. We started using these passive vehicles in 2012 on a limited basis and expanded our usage within the model changes that were implemented in the fall of 2019. To date, the strategy has worked very well for us.

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HealTech Hub- Telehealth

By Evan Watson, Investment Analyst

Given recent events, it seems only relevant to discuss how healthcare is continuing to change. Last time, I discussed how the revolution in genome sequencing was allowing our healthcare community to fight the virus. This time, I wanted to share a technology that could be beneficial as we are still under shelter in place orders. Telehealth can allow you to visit and discuss any medical questions with a healthcare professional, without having to leave your home.

Telehealth is a new technology that is based around the same technology that provides us with Zoom, Facetime, or Skype. It originated as a way to help those in rural or unreachable locations. The basic idea is that you can have an introductory level conversation with a healthcare professional and never have to leave your home. This can be beneficial both for you and others who you may expose in a normal doctor's office or emergency room.

As mentioned, this is an introductory level of care and does not mean you will never enter a doctor's office again. This just allows the doctor to safely assess your symptoms and get a gauge as to the severity of your illness. For some minor illnesses, they may be able to make an assessment and prescribe treatments that do not require you to go any further. This is particularly good for things like rashes, colds, flus, and more common infections that can be easily diagnosed through physical symptoms and an at home thermometer. It may also be useful in follow up exams after a surgery to see how the progress of healing is going without exposing the patient to other illnesses.

This allows hospitals and offices to minimize the amount of contact with illness to as much as necessary. Additionally, it can help in streamlining work. Following an exam, if you needed further testing like bloodwork, you could be sent to a testing facility that would not expose you to further contamination. Those who need to see their doctor in person, would be able to schedule an appointment and receive treatment in a timelier fashion.

It is a very simple process as well. There are many versions of telehealth that can be downloaded onto phones or tablets. All you really need is a camera and a microphone to be able to talk to the medical professional. You will log on to one of these applications and start by talking with an operator. This operator will ask a couple of generic questions about your symptoms to properly connect you with the correct professional. Once connected, you will go through a relatively normal exam in which you will detail your symptoms. Unlike a normal exam, you won't be asked to say "ahh", but the doctor may ask you to show where your symptoms are occurring and how the tissue around the area looks. For example, if you have a rash, the professional may ask you to show the rash.

Given the current circumstances, telehealth can be an essential tool in order to receive the medical treatment and advice we need without risking anyone else's health. It allows hospitals and offices to reduce the risk of spread of different illnesses and still provide services that the public needs. As our way of life changes and we look for a new normal, telehealth seems to be one area that will continue to grow in popularity. ■



The Changing Investment World (continued)

- **Strong U.S. dollar** - Over the last several years the U.S. dollar has strengthened against most currencies, unfortunately reducing returns when translated back into U.S. dollars. While our managers performed well in local currency returns, the conversion hurt our results. In November 2018, we reduced our international weightings by about half.
- **Creative destruction** - This trend has been growing for 30 years and seems to be picking up speed. While we have had some of our investments deployed in these type of vehicles, we think this recent "stay-at-home" experience will likely accelerate this trend. When we recently redeployed some of the cash, we chose some investments that look for companies with more growth from innovation. To date, these strategies are working well for your portfolio.

Investing is constantly changing, seemingly most recently at the speed of technology. While we embrace change and new ideas, we like to study and research before we make changes. Our investing philosophy is to make good returns with reasonable risk. While we all would like to make more, most of us do not want to risk losing what we have. That also is why occasionally we go defensive to preserve your hard-earned capital. ■

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Practicing Self-Care During the Pandemic

By Colleen M. Cleary, CPA/PFS, CFP®, Financial Advisor

It is an understatement to say that the Coronavirus pandemic and stay-at-home orders have shaken up the routine of everyone's daily lives. From telecommuting to home schooling to social distancing and adding masks to our wardrobes, we all continue to do our part to help stop the spread of the virus. It is normal to have feelings of fear, sadness, and disappointment during this time, especially if you or a loved one are at high risk or have personally confronted sickness or loss from the virus and its complications. First responders and other individuals at the forefront of the crisis put their own physical safety on the line daily to take care of all of us. Many individuals have suffered severe financial loss.

While we all are doing our part to keep others safe during this time, it is also important to take time to care for ourselves. Fear, worry, disappointment, isolation, anxiety, and the other emotions that we are dealing with all take a serious toll on our physical and mental well-being. Be sure to consult a medical professional if these emotions and thoughts become overwhelming or last for several weeks.

Even though so much of what is going on in the world is beyond our control, there are steps we can all take to improve our well being and the lives of others:

- Keep a routine to lessen stress and anxiety. It will help you feel as though you have some control over the situations you are dealing with.
- Keep negative information and thoughts at bay by limiting your exposure to the news and social media.
- If possible, segregate a place for school, work, and home. It will help you be more focused and productive as you tackle each task.
- Work on developing and maintaining healthy habits such as nutritional meals, daily exercise, and good sleep hygiene. You can still go for a walk and maintain social distancing. Notice the budding trees and the quiet in nature. Cook with family members, consider dinner theme nights, or create a "Chopped Challenge" like a family in our office did. Have a picnic or camp out with the kids on the family room floor.
- Take care of yourself mentally by meditating, practicing mindfulness, reading a book, or just doing nothing. It is important to take some time to be alone when you are stressed.



- Pay special attention to children. Life is very different for them too. They look to adults as examples, so be mindful of your reactions and comments about the virus. Give them appropriate information for their age and be sure to monitor and limit their screen time. Teach them what they can do to stay safe and how they can help others.
- Take some time to learn something new. Now may be a time to consider an online course, learn how to salsa dance or do some research on places to visit in the future. Many vacation destinations, museums and national parks are offering online virtual tours. Check out YouTube for videos on just about anything you can think of.
- Keep in touch with others. In addition to taking focus off yourself and distracting you from your own problems, it will help you feel good to do something for someone else. Call or text a person that may be feeling especially isolated, send a note to a friend or family member that lives far away. Let your loved ones know how much they mean to you. Stay in touch with family and friends by taking advantage of technology such as FaceTime, Skype, Zoom and Portal to schedule virtual birthday parties, happy hours, remote board games, family visits and even for story time with a grandchild you can't visit. The possibilities are endless. Get children involved in the process so that they can offer their ideas and creativity.
- Work on a project that you have been putting off, like cleaning out the closet or organizing the family pictures that are still in a plastic crate in the closet. Wouldn't it be fun to reminisce as you look at those smiling faces?
- Take time to laugh and relax. Watch a funny movie or work on a puzzle.

Most of all, rather than thinking about what is missing from your daily life, be thankful and appreciate what you have. ■

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Credit Score Changes are Coming this Year

– Janet Edwards, Director of Operations

Earlier this year, the announcement was made that FICO (formerly the Fair Isaac Corporation) would be making changes to the way credit scores would be calculated for consumers. FICO's new model will be available by the end of the year at all three big credit-reporting firms: Equifax, Experian and TransUnion. That's where lenders go to pull your credit report and the scores they choose to use. A FICO credit score indicates one's ability and likelihood of paying back debt on a range from 350 to 850.

The purpose of this change is for FICO to be able to more accurately calculate the risk of a consumer to lenders. The new scoring model will also take consumers' debt levels into account and will more closely track personal loans.

Previous scoring models took snapshots of a person's payment history. The new model will take a historical view of payments over time and can process much more information. The new model will also place a greater weight on missed payments, meaning that consumers who have fallen behind on repayments will likely see a drop in their credit score. On the plus side, consumers could see a credit score increase if a delinquency is over a year old.

Whose credit scores will likely increase?

If you're the type of consumer who swipes your credit card heavily during a specific time of the month or year — but pays it off quickly, you may see your score increase.

Whose credit scores will likely decrease?

The changes will largely hurt people who make late payments or have missed a payment altogether recently. Additionally, people who carry running credit card balances month to month and try to catch up by taking out personal loans — adding to their debt, are likely to be negatively impacted.

Another factor will be your "credit utilization ratio," which is the amount of credit you're using divided by your total credit limit. It's best to keep that number under 30%.

What can I do to keep a healthy credit score?

1. **Pay your bills on time:** A single late payment can lead to a negative impact.
2. **Watch your credit ratio:** The amount of debt you have vs. your limit is important. Lenders like to see a credit utilization — or usage — ratio of up to 30%.



If you are getting ready to apply for a mortgage or loan and want to get the best rate or just want to make sure you always get approved for the best rewards credit cards, you might want to start taking steps now to improve your credit score. Ideally, you want to pay your bills on time, stay out of credit card debt and only apply for credit sparingly.

Although it takes time to build an excellent credit score, things one does now will certainly increase their score in the coming months and years and set them on a path to financial health.

Additionally, it is very important to **make sure your credit report is accurate**. You will want to review your credit report on a periodic basis to ensure that all accounts and negative marks on your report are actually yours. The agencies are required by federal law to provide your credit report for free once every 12 months and do so through [AnnualCreditReport.com](https://www.annualcreditreport.com). From April 20, 2020 through April 2021, consumers can check their credit report for free every week. **If you would like assistance with this, contact the team at RFS and we would be happy to help you. ■**

Interested in a Credit Freeze?

A credit freeze keeps the sensitive data in your credit files from being accessed without your specific consent. That can protect you from fraudulent credit applications, even if a criminal has key information such as your birthdate and Social Security number.

Placing or lifting a credit freeze is free, and it does not affect your credit score. To place a credit freeze, you will need to contact credit bureaus individually. Once you do, you will have maximum protection for your credit files.

If you would like assistance with this, the team at RFS is also available to help with this process.

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THE CARES ACT and You

By Colleen M. Cleary, CPA/PFS, CFP®, Financial Advisor

The COVID-19 pandemic has had a profound impact on the lives of all of us. In response to the physical and economic hardships being endured by every American, the United States has taken an unprecedented number of steps to support individuals, businesses, and the economy in general at this most difficult time. Efforts in early March focused on monetary policy, taking steps to limit the spread of the pandemic and allocating funding to relief efforts in the United States and in other parts of the world. As schools and businesses were forced to close and the extent of the pandemic's impact became more acute, focus changed to finding ways to rapidly assist the large number of taxpayers whose lives were greatly impacted by the crisis. The CARES Act (Coronavirus Aid, Relief, and Economic Security Act), passed on March 27, 2020, contained numerous provisions to help the economy by providing liquidity to individuals and businesses.

The provisions of this piece of legislation are far-reaching. One of the most widely publicized provisions is the **Economic Impact Payment** which provides a 2020 advance stimulus rebate payment of up to \$1,200 to adult individuals, \$2,400 to married couples and \$500 to dependent children under the age of 17. Payouts started reaching taxpayers in late April and are based on information reported on an individual's 2019 income tax return or a 2018 return if the 2019 return is not yet filed. Income phase-out limitations apply, with the credit completely phasing out for single individuals reporting adjusted gross income (AGI) above \$100,000 on their 2019 income tax return and married couples with adjusted gross income over \$198,000. These stimulus payments are actually advance payments based on your 2020 income, so everyone will have the opportunity to true up their credit if their actual 2020 income situation makes them eligible for a higher stimulus rebate payment than what they received. The IRS will not require anyone to pay back any amounts received in excess of the calculated amounts based on the actual 2020 income. The payments are not taxable. **If you have not yet received your stimulus payment or if you would like more information, please visit <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments> for more details.**

Helping you, the employee:

- **Provides up to two weeks of emergency paid sick and childcare leave** for certain individuals (including self-employed individuals) directly impacted by the coronavirus. In addition, some individuals may be eligible for an additional 10 weeks at reduced pay for childcare leave. Certain limitations apply.

- **Expands unemployment coverage** to include part-time workers, self-employed individuals, independent contractors, and individuals with limited work history. Also waives the one week wait period for collecting benefits. Increases unemployment benefits by \$600 per week through July 31 and extends the benefit period to 39 weeks.

Helping you, the small business owner:

The Small Business Administration (SBA) is administering several programs funded by the CARES Act. These include:

- The Paycheck Protection Program (PPP) provides loans to cover eight weeks of payroll costs, mortgage interest, rent and utilities for small businesses including self-employed individuals. Loan forgiveness is available for companies meeting certain requirements.

- Economic Injury Disaster Loans (EIDL) provide up to \$10,000 of funding for small businesses and not-for-profits experiencing a temporary loss of revenue due to the COVID-19 crisis. The loan advance does not have to be repaid.

- Due to the high demand under each of these programs, additional funding was provided in late April. Applications are once again being accepted on a first come, first served basis.

Helping you, the retiree:

- Waiver of required minimum distributions (RMDs) for 2020. This provision may allow your retirement plan assets more time to recover from the recent downturn in the market. Our staff is in the process of contacting individuals impacted by this provision.

Helping you the taxpayer help yourself and others:

- Charitable contribution deductibility has been expanded for all filers to now allow up to \$300 for 2020 contributions to qualified organizations. There is no need to itemize deductions to claim this credit.

- Educational assistance and student loan payments by employers of up to \$5,250 a year through 1/1/2021 will be excluded from an employee's income.

- Waiver of student loan payments for a 6-month period ending September 30 for federally held student loans. Interest will not accrue during this period. This provision does not apply to private student loans.

- Makes retirement plan loans available to qualified individuals for emergency cash needs without incurring an early-distribution penalty.

Helping you in the future

Additional assistance measures are being considered as we start to reopen the country and continue to adjust to the life changes that the pandemic has brought to all of us. We will continue to keep you informed of new developments as they arise. In the meantime, please contact our office at (216) 464-2090 with any questions or concerns you may have. ■

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Working remotely means some additional co-workers!

Janet and Burnie!



Nikki's Bruno!



Cathleen and Sunshine!

Amanda and Winnie!



OLDER ADULTS - STAYING CONNECTED

In case any of our older clients may be interested, to help ensure that older Ohioans stay connected while staying at home, there is a new service today that will provide a daily check-in by phone for Ohioans age 60 or older.

The Staying Connected program will call older adults who sign up for the service during a predetermined window of time. When participants answer the phone, they will be asked to respond via touch-tone to confirm that they are OK or to access live support.

"The intent of the program is to help reduce isolation and support the health and well-being of older adults in our state," said Robert Cornwell, Executive Director, Buckeye State Sheriff's Association.

Eligible Ohioans can sign up at aging.ohio.gov or by calling 1-800-266-4346.

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