This Publication Brought To You Courtesy Of:

STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™ Practitioner

4225 Executive Square, Suite 1030
La Jolla, California 92037-1486
Phone: (858) 678-0579 • Fax (858) 546-0792
www.CarterFinancialLLC.com

CARTER FINANCIAL, LLC

# CLIENT BULLETIN

***July 2020***

- ***Return to Office***

The health of Carter Financial employees, clients and vendors is of primary importance. As such, the decision on when to return to operating out of our offices will be based on safety of all involved and government regulations. Please note that this is a decision about returning to operations in our office space, not a return to ***work***. Carter Financial has continued to operate efficiently and service client needs throughout the COVID-19 pandemic. We remain available at the same e-mail addresses and telephone number and our mail is checked regularly. Zoom and telephone calls are not quite as gratifying as in-person meetings, but they allow us to stay on top of clients' overall financial situations until we can return to our offices safely. Please contact us if we can be of assistance.

- ***Health Savings Account (HSA) Rules***

One of the many benefits of an HSA is that distributions used to pay for "qualified medical expenses" (QMEs) are tax-free. Back in 2010, the Patient Protection and Affordable Care Act removed over-the-counter (OTC) medicines as a qualified medical expense unless the medicine was prescribed by a physician. The CARES Act permanently eliminates this restriction. This means that you can take a tax-free distribution from your HSA for OTC medicines such as aspirin, allergy, and cough medicine, paid for after December 31, 2019. Additionally, the CARES Act expands the definition of QMEs to include amounts paid for items needed in quarantine and social distancing situations. The CARES Act also expanded the definition of QMEs for Flexible Spending Accounts (FSAs) to include over-the-counter medications. Finally, the IRS stated that HSA participants have until July 15, 2020 to make contributions to their HSAs for tax year 2019.

- ***The REIT Stuff***

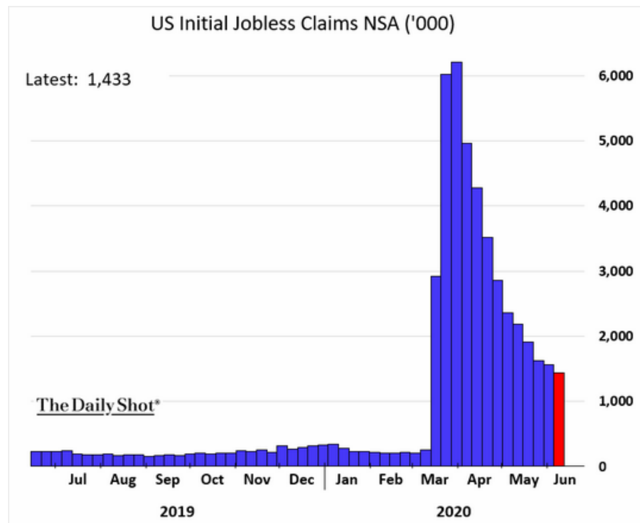
Publicly traded real estate in the form of Real Estate Investment Trusts (REITs) was hit especially hard during the downturn in investment markets earlier this year. This continues the trend of **publicly traded** real estate being more volatile than its **privately held** real estate brethren - after all, it's easy to sell REITs with the push of a button, while rushing to sell a rental property you own because the value is down temporarily is another proposition altogether. Over longer time periods, however, publicly traded real estate values have closely tracked the valuation of privately-held real estate.

## ➢ *Not Your Grandmother's Real Estate*

This selling has been exacerbated by an overly simplistic and media driven narrative that goes something like this: "once the country gets back to work following the COVID-19 episode, businesses will need less commercial real estate because they have learned how to operate more efficiently so it is a good idea to sell REITS." This trend of using office space more efficiently is of course valid to some extent, but deeper analysis is needed. The REIT universe is made up of diverse sectors which have changed significantly over the years. Back in the year 2000, the real estate market was dominated by the traditional sectors - office, retail, industrial, and apartments. Fast forward to 2020 and REIT holdings are dominated by non-traditional sectors such as digital infrastructure (cell towers and data centers), logistics (warehouses, distribution facilities and fulfillment centers) and healthcare facilities. Real estate will continue to play an important role in wealth accumulation and preservation, it will just look a whole lot different (source: NAREIT, FactSet).

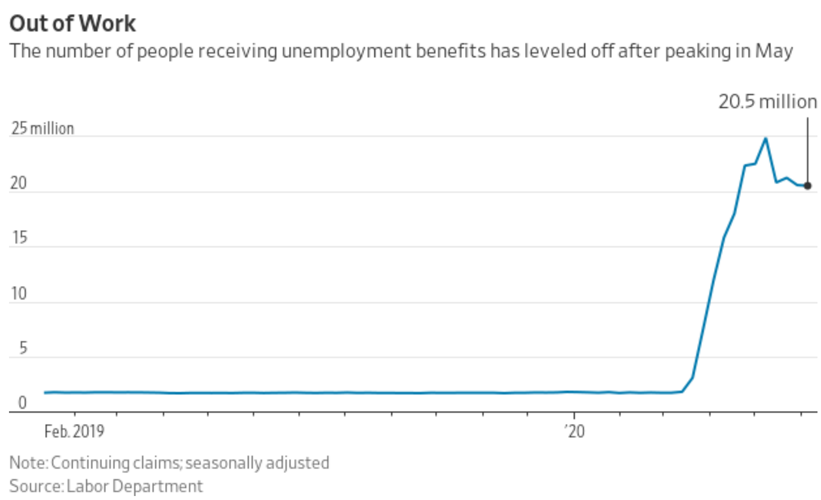
## ➢ *Healing*

As America returns to work in fits and starts, the economic pain and suffering caused by the coronavirus is slowly abating as shown by the **weekly filings** for jobless claims to the right.




## ➢ *But Still Hurting*

This recovery in employment will take a significant amount of time to heal the wounds caused by the virus as shown by the **total number** of people in the U.S. who are receiving unemployment benefits. This number should drop dramatically when the $600/week federal supplement to state unemployment benefits ends in late July.




## ➢ *Wrong Way*

Fidelity Investments reported that nearly a third of its customers age 65 and older sold **all** of their equity holdings between February 15 and May 20. Meanwhile, a $2 trillion tidal wave of cash hit the deposit accounts of U.S. banks, according to FDIC data. **In April alone**, deposits grew by $685 billion, more than the previous record for an entire **year**.