

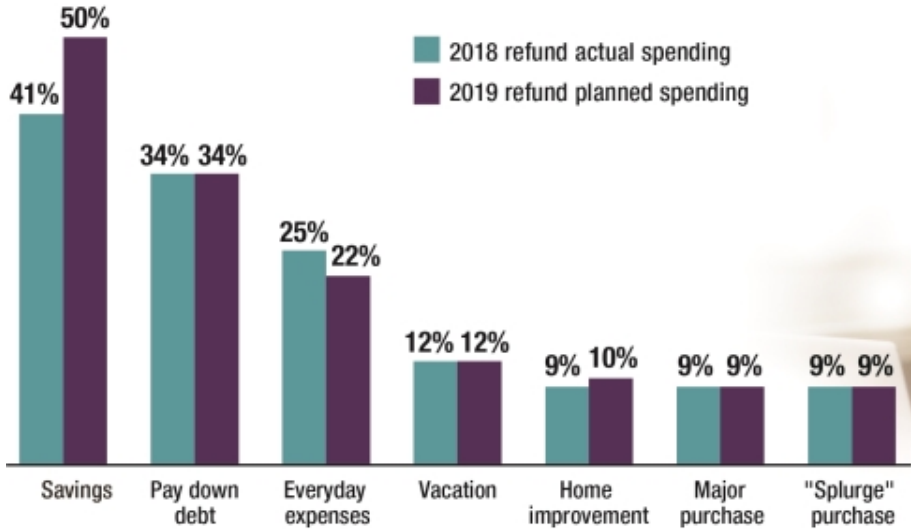
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We hope you are healthy and safe during these unprecedented times. As always, our team of advisors are here to help.

## Tax Refund: Spend or Save

About 72% of taxpayers received a refund in 2018 and 2019. Here's how consumers spent the tax refunds they received in 2018 and what they planned to do with their 2019 refunds.



Sources: Internal Revenue Service, 2019; National Retail Federation, 2019 (multiple responses allowed)

# Portfolio Performance: Choose Your Benchmarks Wisely

Dramatic market turbulence has been common in 2020, and you can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of these major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Both the Dow and the S&P 500 track the stocks of large domestic companies. But with about 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the market and is considered to be representative of U.S. stocks in general. These indexes are useful tools for tracking stock market trends; however, some investors mistakenly think of them as benchmarks for the performance of their own portfolios

It doesn't make sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" in good times is usually unrealistic, unless you are willing to expose 100% of your savings to the risk and volatility associated with stock investments. On the other hand, if you have a well-diversified portfolio, you might be happy to see that your portfolio doesn't lose as much as the market when stocks are falling.

## Asset Allocation: It's Personal

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

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*The desire to become a more disciplined investor is often tested by the arrival of your account statements.*

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## Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

*The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.*

# Mid-Year Is a Good Time to Fine-Tune Your Finances

The first part of 2020 was rocky, but there should be better days ahead. Taking a close look at your finances may give you the foundation you need to begin moving forward. Mid-year is an ideal time to do so, because the planning opportunities are potentially greater than if you waited until the end of the year.

## Renew Your Resolutions

At the beginning of the year, you may have vowed to change your financial situation, perhaps by saving more, spending less, or reducing your debt. Are these resolutions still important to you? If your income, expenses, and life circumstances have changed since then, you may need to rethink your priorities.

While it may be difficult to look at your finances during turbulent times, review financial statements and account balances to determine whether you need to make any changes to keep your financial plan on track.

## Take Another Look at Your Taxes

Completing a mid-year estimate of your tax liability may reveal planning opportunities. You can use last year's tax return as a basis, then factor in any anticipated adjustments to your income and deductions for this year.

Check your withholding, especially if you owed taxes or received a large refund. Doing that now, rather than waiting until the end of the year, may help you avoid a big tax bill or having too much of your money tied up with Uncle Sam.

You can check your withholding by using the IRS Tax Withholding Estimator at [irs.gov](https://www.irs.gov). If necessary, adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.

## Review Your Investments

Review your portfolio to make sure your asset allocation is still in line with your financial goals, time horizon, and tolerance for risk. Look at how your investments have performed against appropriate benchmarks, and in relationship to your expectations and needs. Changes may be warranted, but be careful about making them while the market is volatile.

*Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. All investing involves risk, including the possible loss of principal and there is no guarantee that any investment strategy will be successful.*

## Check Your Retirement Savings

If you're still saving for retirement, look for ways to increase retirement plan contributions. For example, if you receive a pay increase this year, you could contribute a higher percentage of your salary to your employer-sponsored retirement plan, such as a 401(k), 403(b), or 457(b) plan. If you're age 50 or older, consider making catch-up contributions to your employer plan. For 2020, the contribution limit is \$19,500, or \$26,000 if you're eligible to make catch-up contributions. If you are close to retirement or already retired, take another look at your retirement income needs and whether your current investment and distribution strategy will provide enough income.

## Read About Your Insurance Coverage

What are the terms of your homeowners, renters, and auto insurance policies? How much disability or life insurance coverage do you have? Your insurance needs can change; make sure your coverage has kept pace with your income or family circumstances.

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## More to Consider

Here are some other questions you may want to ask as part of your mid-year financial review.



Do you have an emergency fund?



Are your beneficiary designations up-to-date?



Have you checked your credit score recently?



Do you need to create or update your will?



How much is left in your flexible spending account?

# The ABCs of Finance: Teaching Kids About Money

It's never too soon to start teaching children about money. Whether they're tagging along with you to the grocery store or watching you make purchases online, children quickly realize that we use money to buy the things we want. You can teach some simple lessons today that will give them a solid foundation for making a lifetime of sound financial decisions.

**Start with an Allowance.** An allowance is often a child's first brush with financial independence and a good way to begin learning how to save money and budget for the things they want. How much you give your children will depend in part on what you expect them to buy and how much you want them to save. Make allowance day a routine, like payday, by giving them a set amount on the same day each week or month.

**Help Them Set Financial Goals.** Children might not always appreciate the value of putting money away for the future. Help them set age-appropriate short- and long-term financial goals that will serve as incentives for saving money. Write down each goal and the amount that must be saved each day, week, or month to reach it.

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*Teach younger children some simple lessons today that will give them a solid foundation for making a lifetime of sound financial decisions.*

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**Let Them Practice.** As children get older, they can become more responsible for paying other expenses (e.g., clothing, entertainment). The possibility of running out of money between allowance days might make them think more carefully about their spending habits and choices and encourage them to budget more effectively.

**Take It to the Bank.** Piggy banks are a great way to start teaching young children to save money, but opening a bank savings account will reinforce lessons on basic investing principles such as earning interest and the power of compounding. Encourage your children to deposit a portion of any money they receive from an allowance, gift, or job into their accounts.

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