



Ashwood Advisors, LLC®

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Truth, Knowledge, Experience

1st Quarter 2020



Hi Everyone,

2020 has not had the greatest start. From the Corona-virus pandemic putting a halt on daily life as we know it to Tom Brady playing in a different uniform, it has been a challenging couple of months.

As we look forward, I would like to send my best to everyone and their families. We will get through this and hopefully start to resume our normal lives sooner rather than later,

Stay Safe,

*Matthew
Geremia*

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The ESG Movement

Written by: *Matthew Geremia*

Investors in today's markets are looking more and more at sustainable investing. A term now more than ever in the forefront of investors' minds is the acronym ESG. The concept of Environmental, Social, Governance, commonly known as ESG, is an investment methodology aimed at investing in companies who have incorporated ESG into their business model. Now what does ESG mean? According to US SIF (The Forum for Sustainable and Responsible Investment) sustainable, responsible and impact investing (SRI) is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.⁽¹⁾

Investors today are more concerned with who their investment dollars are supporting. In society today we have the global warming debate that has drawn international headlines thanks to many global leaders and even 16-year-old Greta Thunberg who was just named *Times Person of the Year* for her thoughts on climate change. Other issues such as green energy, equality in the workplace, gun control, among others are becoming essential issues that public corporations need to be aware of and adapt to, to remain competitive in an ever-changing world. One major hurdle to ESG and ultimately what most investors are concerned with is portfolio performance. Returns are an important part of financial success. Without competitive returns how do skeptics of the ESG movement come to appreciate and accept ESG?

The fundamental view of ESG investing is to generate competitive financial returns by finding those industries and companies that are aligning their values with the values that define ESG. Now how do mutual fund portfolio managers and advisors find these companies? There are several websites and research software that help to identify quality ESG companies by grading them against their peers. PMs and advisors have also started to formulate their own score cards and metrics to identify ESG performance.

Some examples of screening processes that investors may use according to the US SFI are:

- **Negative/exclusionary screening:** The exclusion from a fund or plan of certain sectors or companies involved in activities deemed unacceptable or controversial.
- **ESG integration:** The systematic and explicit inclusion by investment managers of ESG factors into financial analysis.
- **Impact investing:** Targeted investments aimed at solving social or environmental problems.
- **Sustainability themed investing:** The selection of assets specifically related to sustainability in single- or multi-themed funds.

US SIF; <https://www.ussif.org/esg>

To follow up on the performance piece of the equation, Calvert recently put out an article on their blog in reference to the recent Barron's annual survey of mutual funds, that includes their financial and ESG mettle, which showed that investors who favored sustainable funds beat the broad markets in 2019 for the third year in a row.⁽²⁾ These findings show that investors looking to make a positive impact in their investment decisions do not need to sacrifice performance for social and environmental views. We are seeing more and more PMs looking to find ESG responsible firms because not only are they meeting ESG and socially responsible investing metrics they are also helping to produce competitive portfolios which keep investors engaged.

As investment teams implement ESG criterion into their research we are seeing companies either adapt or fall to the wayside. As I see it if you look at the most successful companies over the years that have maintained a high level of success you will find a common theme among all of them. That is their ability to adapt. As the years have gone by these companies have been able to see changes in the market, the consumer, the world view and taken steps to remain in front of these changes. These successful companies aren't necessarily changing their fundamentals because of investors desire for more ESG appropriate standards, they are adapting their fundamentals because they understand the need for a more sustainable product and a socially responsible management structure.

ESG investing is beginning to be known as just simply investing because of how many individuals are making ESG a priority. As investors begin to become more aware of what the companies they own are doing to implement ESG principles, public companies; are more inclined to value what consumers find important to them and how they as institutions, behave.

If you would like to learn more about ESG investing or how to score your current holdings please let us know by calling the office or emailing your questions,

Investing in the stock market involves gains and losses and may not be suitable for all investors. The investment's socially responsible focus may limit the investment options available to the investment and may result in returns lower than those from investments not subject to such investment considerations.

Matt

Sources:

(1) - US SIF; <https://www.ussif.org/sribasics>

(2) - Calvert, "Pulling Rank: Sustainable funds lead in Barron's mutual fund survey for fourth year" <https://www.calvert.com/impact.php?filter=performance&since=2019-11-24&until=2020-02-24>

-Barron's <https://www.barrons.com/articles/top-esg-funds-our-annual-ranking-finds-sustainable-funds-are-increasingly-beating-the-market-51579301101>

"The greatest weapon against stress is our ability to choose one thought over another." - William James

Scam Alert! Protecting Yourself and Your Finances

Presented by *Stephen Geremia*

The number of stories about fraudsters taking advantage of unsuspecting victims seems to grow by the day. Of course, it's easy to think, "This will never happen to me!" But to keep your money and personal information safe, it's vital to stay abreast of the latest scams.

Coronavirus Email Scams Spreading

We've all read the headlines about the coronavirus. Unfortunately, this serious health threat has presented an opportunity for those hoping to profit from the growing fears surrounding the virus.

Although there are a few coronavirus scams, one of the most insidious has been fake emails that look like they're from the World Health Organization (WHO) or Centers for Disease Control and Prevention (CDC). At first glance, these emails look legitimate. Some even include "safety measures" and feature the WHO or CDC logo. So, what gives them away as phishing attempts?

Contain spelling and/or grammatical errors

Request your email address and password

Ask for a donation (sometimes via bitcoin)

Include instructions to click on suspicious links or open attachments

How to protect yourself. It's important to know that the CDC and WHO would not ask for your login credentials. Further, best practice is to never click on a link from an unknown source, as scammers use these links to download viruses on to your computer. Finally, if you're looking for facts on the coronavirus, go directly to the [CDC](https://www.cdc.gov) or [WHO](https://www.who.int) website. That way, you won't put your personal information in the wrong hands.

Imagine answering the phone and the caller delivering the best news ever: you’ve won the lottery! It sounds too good to be true—and, sadly, it likely is. What’s the giveaway? To get the prize money, you must first send in a small amount of money, perhaps to pay lawyer’s fees or taxes. Over time, the requests for your money will continue, growing larger and larger. Another red flag is that the caller may ask to keep the conversation “confidential” until your winnings have been formally announced.

How to protect yourself. Many individuals (particularly seniors) have fallen for this scam. Before they realize their grand prize is never coming, they've lost thousands of dollars. Bottom line? If someone calls you claiming to be from the lottery *and* asks for money, hang up! If you suspect you're being scammed, you may also reach out to your local police department for help.

Here's a heartbreaking statistic for those looking for love online: Americans lost \$201 million in online romance scams in 2019. How did this happen?

Generally, fraudsters create fake profiles on popular dating apps or social media to connect with their victims. Many will claim to be working abroad, in the military, on an oil rig, or as a doctor embedded in an international group. Whatever their supposed situation, it eliminates the chance of face-to-face contact.

To establish trust with their victims, these scammers will communicate frequently. Once they feel the online relationship is secure, their true motive emerges: getting your money. Different reasons will be given for needing funds, including airfare, medical bills, or travel visas. Plus, they'll likely ask for this money in the form of gift cards. Why? Gift cards can easily be turned into cash, they allow the recipient to remain anonymous, and the transaction is difficult to reverse.

How to protect yourself. There are two rules of thumb to help steer clear of the romance scam: (1) do not send money to someone you haven't met in person, and (2) be wary of anyone who requests payment by gift card. If you do suspect you've become a victim of a romance scam, be sure to stop all contact immediately and report your suspicions to the [Federal Trade Commission](#).

Last, but certainly not least, we come to what the government refers to as the most reported scam in America: the social security scam. It has cost American seniors \$38 billion.

As with other scams, this one may begin with a phone call (either recorded or from someone claiming to be a government employee), indicating that your social security number has been compromised or has been used to commit fraudulent activities. That's scary to hear, but the bad news is often coupled with a threat of arrest or legal action unless you immediately pay a fine. To avoid this, the victims are asked to send money using methods that are difficult to trace, like wire transfer, gift card, or internet currency (e.g., bitcoin).

How to protect yourself. If you do get a call like the one described here, simply hang up and report it to the [Social Security Administration](#) (SSA). Also, keep in mind that the threat of arrest or legal action is a definite red flag, as the SSA would *never* threaten such an action. And if there's a real problem with your social security number or if you do need to submit legitimate payments? The SSA usually sends a letter in the mail (not an email, text, or phone call).

When it comes to the latest scams, being aware of the warning signs is half the battle. By knowing what to look for—and what to do if you suspect you've fallen victim—you will be well positioned to protect yourself and your finances.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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Q&A: Understanding the New CARES Act

Presented by *Stephen Geremia*

On March 27, 2020, President Trump signed the **Coronavirus Aid, Relief, and Economic Security Act (the CARES Act)** into law. The CARES Act has been enacted as a direct response to the COVID-19 pandemic and is intended to provide immediate and ongoing economic relief to individuals and businesses affected by the crisis.

Retirement Accounts

Q: Do I have to take my required minimum distribution (RMD) this year?

A: No. Under the CARES Act, all RMDs for 2020 are suspended. This includes individuals who turned age 70½ in 2019 and were waiting until 2020 to take their first RMD.

Q: What if I already took my RMD?

A: If you took an RMD within the last 60 days, you may be able to return it to your retirement account without penalty before the expiration of 60 days. If you took your RMD more than 60 days ago, then it is likely you will need to qualify for a COVID-19-related distribution (as discussed in the next Q&A) in order to be able to return the distribution to the account without penalty.

Q: I need to access funds from my retirement account because of the crisis. Will I be penalized?

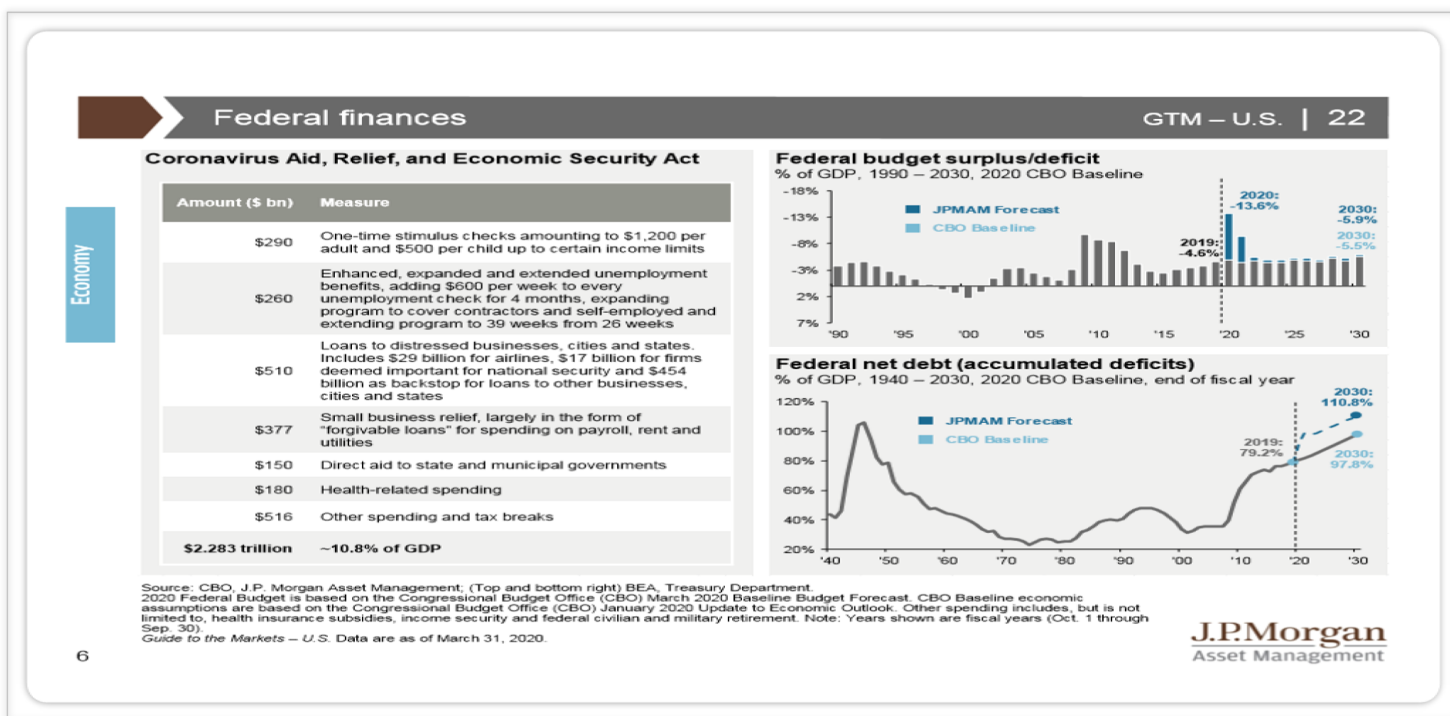
A: Individuals are permitted to take a penalty-free distribution of up to \$100,000 from their retirement account if they, or a spouse or dependent, are diagnosed with COVID-19 or if they experience negative financial consequences (e.g., job loss) as a result of the pandemic. In addition, individuals may elect to spread the taxation of the withdrawn amount over the next three tax years, rather than including the full amount as taxable income in 2020. Individuals may also recontribute any amounts withdrawn under this provision at any time over the three-year period, tax free, even if the amount being returned exceeds the annual plan contribution limit.

Q: What if my money is in an employer-sponsored plan (e.g., 401(k), 403(b)), and I'd prefer to take a loan?

A: The borrowing limit from an employer-sponsored retirement plan has been increased from \$50,000 to \$100,000 for the 180-day period following the bill's enactment.

Contact your employer's Human Resources department or the retirement plan administrator for more information on plan loans.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.



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