



O'KEEFE STEVENS
ADVISORY, INC.

Inside This Issue

- 1 Q2 Updates
Welcome Adam!
- Encl. Economic
Commentary
- 2/3 Maintaining Focus
- 4 IRA Distribution
Law Changes for
2020

The Value Connection

Our mission is to be responsible stewards of our clients' financial lives.

Q2 Updates

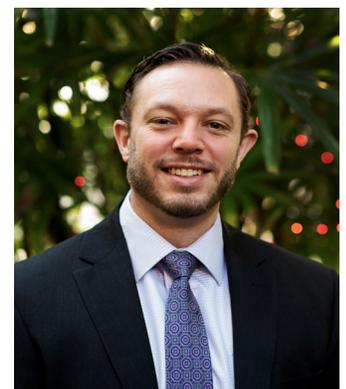
The world is an uncertain place today due to the ongoing effects of coronavirus. We know that everyone has lots of questions. This newsletter will answer some of the most common questions we've received. We encourage you to reach out to us with your specific concerns or questions. We intend to be accessible and resourceful to you through this period of uncertainty.

From a business perspective, we're here for you, like always. O'Keefe Stevens was set up to operate in a remote/virtual environment when we started the company. We can continue operations at home and keep our team safe through social distancing. All our systems, including phone and email, are set up so that you can reach us when you need to. We can also set up video calls, if for no other reason than to see another face during this time of social distancing.

This too will pass. The plans we developed always accounted for periods of disruption and uncertainty. While this time seems different for many reasons, humanity will prevail. Today's market will favor the patient, disciplined, and long-term investor. We thank you for your continued trust and confidence in our team. It is a gratifying experience to be in touch with so many of you recently. Please continue to reach out to us.

Welcome Adam!

Adam Deutsch joined our team on April 1st as an Associate Financial Advisor. Adam will soon join Justin and Peter in meetings to learn the O'Keefe Stevens way of doing things. We developed a curriculum for our client service, financial planning, and investing philosophies. Adam will spend time learning the OSA Way and also spend time studying for the CFP Exam. Our goal is to have Adam take on more client-facing responsibilities over time. We look forward to introducing you to Adam in the coming months.



Adam's experience includes time at American Portfolios, Mutual of America, and Morgan Stanley. These different experiences led him to O'Keefe Stevens Advisory. He likes our team culture and client service approach.

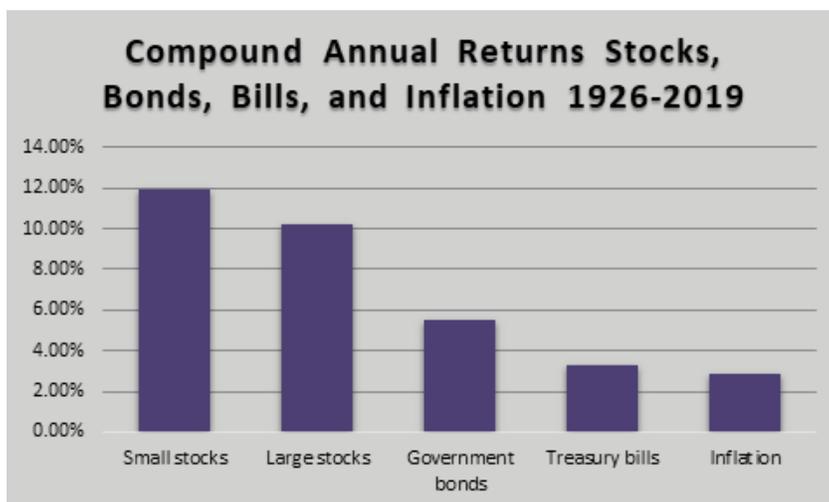
Outside of the office, Adam is an accomplished hiker. He has climbed all 46 Adirondack High Peaks and is working on the task again, only this time in the winter! He resides in Downtown Rochester with his girlfriend Whitney.

Maintaining Focus

It's at times like these where "the rubber meets the road" as a financial advisor. We're here for you as a resource and as a guide during challenging times. Those of you have gone through these cycles before might have a better grasp of what's going on. For our newer clients, there's no doubt this is a scary time. Please call us if you find yourself worrying about your investments. The emotional impact of a 40% drop in portfolio value warrants a conversation. We always knew this was coming. But we never know when or what the storyline will be. Your plan accommodates these episodes, and if you stick to the plan, you will get through this. Here are some tenants we live by, in developing those plans.

Volatility is the Price We Pay for Premium Returns

Without risk, there is no reward. Everything we do carries some degree of risk. Choosing which risks you take is an important decision. For retirement investors, the main risk is running out of money. And the real problem is we don't know how long we're planning for. We assume, if you're healthy, you're going to live a long life. Some of you will live another 20, 30, or even 40 years in retirement. So, the risk of money running out is even greater if your assets don't grow. Your plan needs to ensure your income and assets are still around decades from today.



This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly into an index. ©2020 O'Keefe Stevens Advisory. Source Ibbotson® S&P®

The best protection plan for longevity risk is owning either stocks or real estate. These investments provide the best protection (growth) over the long-term. The trade we make is the risk of fluctuations (sometimes significant) in the short-term. See the corresponding chart.

You can see how equities are superior to other forms of investment over many decades. These assets need to be a part of the plan if your plan is to be around for a long time.

Keep Cash on Hand

One problem stockholders run into is that their portfolio value can decline. If withdrawal needs are not accounted for, your income could also fluctuate. That doesn't work well for most people.

We recommend holding one to three years of non-fluctuating cash reserves in retirement. Your emergency reserve might be 6 months to a year if you're still employed. When we built your plan, we asked how much money you would need each year in retirement. We set aside enough of a reserve to protect you in times like these based on your projected need.

You might want to cut back on spending or delay distributions in favor of reinvesting now. That is a fine choice. But, this is not the time to deviate from your spending plan and to splurge or overspend. Let's put those extraordinary expenses off until a later date. Unless we've already allocated cash to fund them.

Continued on Page 3

Maintaining Focus Continued

Dividend Income Investing

Dividends tend to be more resilient than the price of the company stock. This means they won't fluctuate as much in a bear market. Most companies strive to keep their dividends funded through tough times. We screen for companies with a high likelihood of doing this. We are not right 100 percent of the time. Your total portfolio income should fluctuate far less than the bottom line though.

This also means your cash reserve will keep getting replenished. Many of you live on the dividend income or even less. That's a great situation. Your lifestyle needs will not force you to invade your principal today. Your one to two-year reserve might actually stretch to covering one and a half to three years of cash needs.

Live Within Your Means

Keep your expenses less than your income. Keep your assets greater than your debts. These are simple but powerful rules. We apply them to our selection process in picking companies. We also screen to make sure clients have these attributes.

People and Companies get into trouble when they become overextended. If you're spending up to (or over) your income and your income drops, you won't be able to meet your obligations. This is also where an emergency fund comes in handy. Most of the companies we own have access to cash reserves or lines of credit to get through tough times. Many also have the ability to "tighten their belts" and run a lean operation. Those that do, will make it through. Those that can't, get forced into making tough decisions at an inopportune time.

If you're still saving, now is a great time to apply excess reserves to long-term investments. If you're retired, now's a time to stick to the planned budget. If you have excess cash and can stomach the uncertainty, there is a great opportunity.

Stick to the Program

Financial Planning and investing are behavioral endeavors. The benefits of superior skills are far outweighed by their consistent application. It's hard to know if your process is the best one to follow until you've reached the finished line. In most cases, investors will look back and say, "I could've done better had I done...(insert something else)." But, following a process is what matters the most.

Each philosophy will have its own heyday. No one knows exactly when one strategy will outperform another. We do know that investors who jump from one thing to the next tend to suffer from poor decision timing. We follow a value investing philosophy. It's led to underperformance in recent years when compared to the broad market. But, our experience is that most of you are on track with your plans. That's what matters most.

IRA Distribution Law Changes for 2020

The CARES Act bill passed on March 27, 2020, made significant changes to retirement plan laws. We highlighted key items in this report. Please reach out to us if you have personal and specific questions after you read this. Our team will be proactive in recommending actions, should we recognize opportunities.

No Required Minimum Distributions (RMDs)

The Required Minimum Distribution is being waived for 2020. If you don't need the money, this is a big tax-saving opportunity. If you were 70 ½ in 2019 and didn't take your first-year RMD, you get a two-year tax holiday, in effect.

If you already received your RMD for 2020, you can reverse the distribution. Please note, you are not required to do this. This applies to those retirees who do not need the income from the RMD to cover lifestyle expenses. The timeline for "reversing the RMD" requires you to roll it back into your IRA within 60 days of receipt. Our team will be in touch if you should consider doing a reversal from your OSA managed IRA.

Pre-59 1/2 Penalty Waived

If you take money out of your retirement plan in 2020, there will be no penalty on the first \$100,000 of distributions. You also have three years to realize the income for tax purposes. This makes hardship withdrawals far less taxing and more accessible.

If you are in a situation where you will need to access your retirement money due to a loss of income, please call us. There are pros and cons to tapping retirement funds early. We can also provide counsel for accessing unemployment benefits.

Consider a Roth Conversion

Today, the opportunity to convert is at a lower tax rate may be available to you. This applies to your taxable IRA or 401k money. It also applies to any after-tax money in these plans. If you will earn less money in 2020, this might be a good strategy. It is also a good option to pursue if you missed the 60-day rollover on your RMD.

We can assess if this is appropriate for you by asking a few questions. If it does make sense, we can coordinate the necessary paperwork (or phone calls) to make it happen.



O'KEEFE STEVENS
ADVISORY, INC.

📞 585-340-6538

📍 One Bausch and Lomb Place, Suite 920, Rochester, NY 14604

✉️ info@okeefestevens.com

Please be advised that our disclosure document, Form ADV, is available upon request. As a reminder, always let us know if your investment objectives have changed.

Investment advisory services offered through O'Keefe Stevens Advisory, Inc., an SEC Registered Investment Advisor.

© 2020 O'Keefe Stevens Advisory, Inc. All rights reserved. This content cannot be copied without express written consent of O'Keefe Stevens Advisory, Inc.