Covid-19 and the impact on **your 401(k) account**

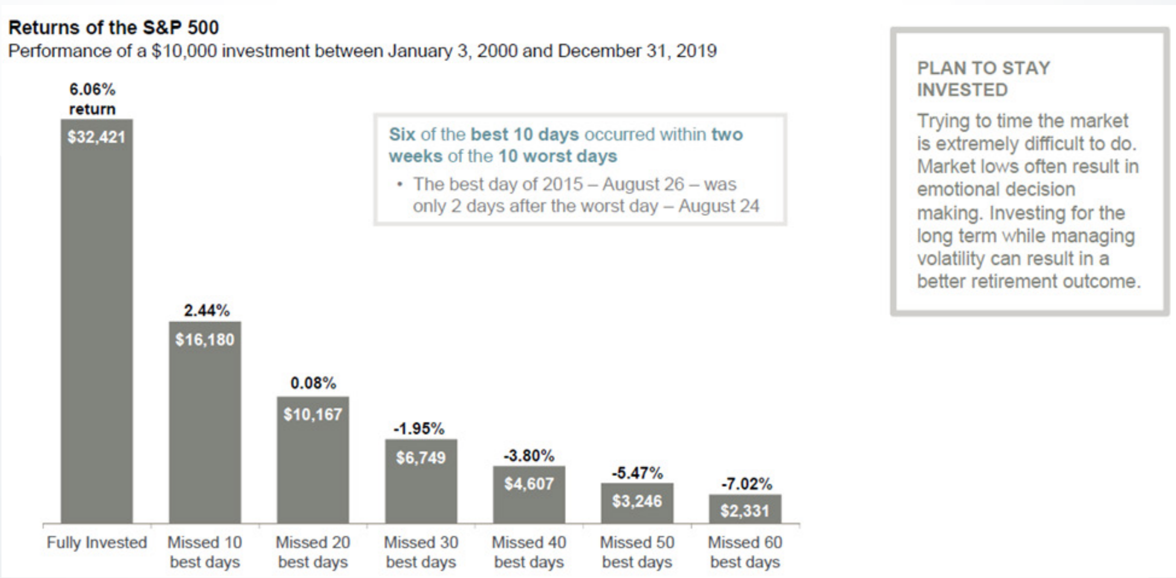
Rockland Trust's Retirement Plan Services team is responsible for assisting business owners and their employees with their retirement needs. The team also provides educational services to business owners and their employees. The following FAQ helps answer some of the questions the team has been receiving about the current situation and its impact to you. The Retirement Plan Services team is here to help you and your employees, contact us to learn more.

Let us examine some questions you may be asking yourself.

"Should I just sell my investments and wait this out?"

The recent volatility in the stock market caused by the Covid-19 pandemic has been historic and unprecedented. This has left many investors rattled as their accounts have dropped significantly in value. Here are a few thoughts from our Chief Investment Officer David Smith regarding handling our emotions during extreme volatility and why it's prudent to continue to stay invested in the markets to avoid the dangers of market timing.

Money and wealth is highly emotional and we see it with the markets trading on emotion creating extreme volatility. We don't minimize or dispute the pain that can be felt when one sees investments go down, but reacting based solely on emotion can cause negative repercussions. Some act on this emotion with the concept of "market timing", whereby one feels they can avoid the losses by somehow harvesting the gains. We caution you on this approach as it has proven over and over to be nearly impossible to execute successfully. The chart below is representative of this – historically, six of the best 10 days occurred within two weeks of the 10 worst days.



Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance o 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculation are show for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fess. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations, Unlike an actual performance record, they do no reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that hey are designed with the benefits of hindsight. Returns will fluctuate and an investment upon redemption may be worth more of less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data s of December 31, 2019.

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There are varying thoughts on the outcome the coronavirus will have on our markets short-term. Some would say it is reasonable to conclude the economic fallout from the virus could send the market lower – but it is also reasonable to say, once we feel a sense of comfort in our handling of the virus itself and can resume normal daily activity, the market may recover rapidly. There is no crystal ball, no way of knowing which way the current situation will take us. That is why it has paid not to try and anticipate this – invest with discipline, not with emotion and stay focused on the long-term.

"Should I stop contributing to my 401(k) plan and wait for things to get better?"

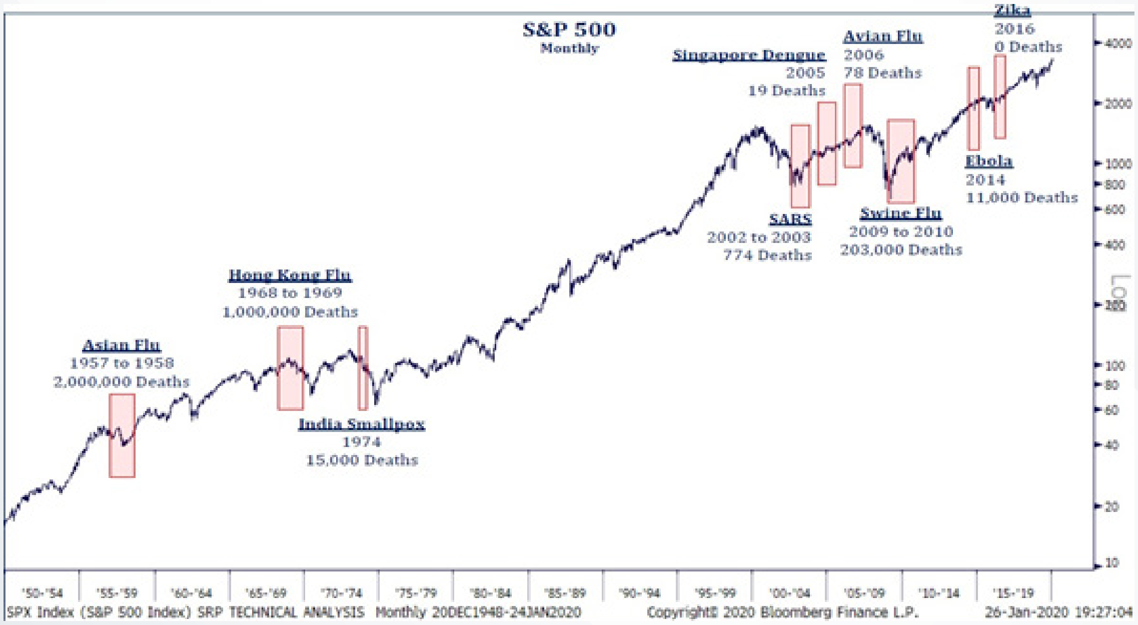
Many clients may be wondering if they should continue contributing to their 401(k) plan while stock prices continue to trend down. It is normal to feel that we should perhaps "let the dust settle" and do nothing. As humans we are conditioned to seek safety and shelter during turbulent times. This is normal behavior however when it comes to investing we should view this volatility as a great buying opportunity. We need to condition ourselves to buy low and seek out stocks when they are "on sale". How would you feel if your next big purchase was suddenly 25-35% off?

Ask yourself "why am I contributing to the 401(k) plan in the first place?" The most likely answer is that a 401(k) is the core of you future financial well- being in retirement. We believe the prudent thing to do is to continue to invest to help achieve your long term goals and maximize the benefits of dollar cost averaging (DCA). DCA is the practice of making regular ongoing contributions toward your 401(k) or any investment account regardless of how the market is performing. This helps you acquire more shares when prices are down and also buys less shares once prices go up helping an investor lower their cost basis in an investment over time.

"When will this end? Will the stock market ever bounce back?"

Although much is still unknown regarding COVID-19 the consensus around the investment community and with many of our partners is that things will get back to normal. The Federal government is in the process of launching a large coordinated effort to backstop the economy and give the economy all the tools available to recover as fast as possible. Some of these efforts include cutting interest rates, delaying tax payments, possible payroll tax relief and stimulus checks to most Americans.

Although things look bleak and uncertain we also felt this way in 08-09 regarding many industries such as housing, financials, and autos. The US is well positioned to rebound as the world leader in technology, innovation, labor and capital markets. Below is a chart provided by Fidelity Investments highlighting performance of the S&P 500 during historical pandemic events. As you can see the market had swift sell offs only to recover over time. It's important to remember the old saying "time in the market… not timing the market".



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What should I be doing now to better position myself for the future?

If you have been ignoring your retirement account take action now and evaluate whether your investments are still appropriate for achieving your long term goals. With equities down sharply now may be a great time to rebalance your portfolio or utilize the automatic rebalance feature. This will help bring your asset allocation back in line.

Many plans have great tools and calculators to make it easy to see if you are on track to achieve your goals. You may also consider increasing your contribution amount to increase the probability of reaching your goals.

Another consideration is to consider a Roth conversion. A Roth conversion may provide you with some excellent long term tax benefits. Consider this scenario: If your portfolio value has been reduced from \$100,000 to \$70,000, you could convert the \$70,000 into a Roth 401k which would be a taxable event in the year of the conversion. Taxes would be due on the \$70,000 (taxed as ordinary income). However if the markets rebound and \$70,000 increases overtime to \$200k (or more) no new taxes would be due on future distributions. This could provide you with large tax savings over time. Before taking any action, you may choose to speak with your tax professional to help you decide what's right for you.

If you have any questions or concerns the Rockland Trust team is here for you. We combine the extensive resources and expertise of a large institution with deeply personal service you expect from a community bank. Our team has \$4.5B assets under management, more than 80 professionals holding various industry designations such as 14 Certified Financial Planners and nine investment offices in New England.

Rockland Trust Retirement Plan Services

Sean McGarry, AIF®
Vice President and Retirement Plan Services Manager
Phone 781.982.6594
Sean.McGarry@RocklandTrust.com

Kevin Flaherty
Vice President and Retirement Plan Services Manager
Phone: 781.982.6783
Kevin.Flaherty@RocklandTrust.com

Brian Rocha, CFP®, CRPC®
Vice President and Retirement Plan Services Financial Consultant
Phone: 781-982-6178
Email: Brian.Rocha@RocklandTrust.com