

# MARCH 2021 NEWSLETTER

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**THE PRACTICAL STEPS TO PROTECT YOUR FAMILY,  
FINANCES, RETIREMENT AND ESTATE FROM  
THE NEXT DISASTER**

## FIRM ANNOUNCEMENTS

### 1. AWARDS:

Pozzuolo Rodden, PC is pleased to announce that Joseph R. Pozzuolo, Esquire was nominated by the American Registry for being in the top 1% or America's Most Honored Lawyers.

Pozzuolo Rodden, PC is also pleased to announce the Joseph R. Pozzuolo, Esquire received a Distinguished Very High 2021 Peer Review Rating from Martindale Hubbell in both Legal Ability and Ethical Standards.

### 2. PAST WEBINARS:

Jeffrey S. Pozzuolo, Esquire presented the following continuing legal and accounting education (CLE/CPE) webinar seminar for Clear Law Institute on Wednesday, December 23rd @ 1pm:

## The Filing Process For Forms 706 & 709

Jeffrey S. Pozzuolo, Esquire presented the following continuing legal and accounting education (CLE/CPE) webinar seminar for Clear Law Institute on November 2<sup>nd</sup> @ 1pm:

Creating/Updating Your Estate Plan After COVID; and On October 9<sup>th</sup> @ 1pm: Planning For Retirement (Post-COVID)

Please contact Christine Wainwright at [Chrissy@Pozzuolo.com](mailto:Chrissy@Pozzuolo.com) or Clear Law Institute at [gqueen@clearlawinstitute.com](mailto:gqueen@clearlawinstitute.com) if you would like the online details to attend upcoming or any other past online CLE/CPE seminars.

### 3. BLOGS:

1. The following are a few of the business, tax, employment, estate planning and business litigation blogs posted on our main website [www.pozzuolo.com](http://www.pozzuolo.com) during the past month:

- a. Employer Cannot Terminate An At Will Employee After Demanding She Perjure Herself At Deposition;
- b. Wife's Petition To Terminate Family Irrevocable Trust On Grounds Of Fraud Denied..., and,
- c. Child Born Out Of Wed-Lock Is An Intestate Heir Of Descendant's Estate.

**Please visit our website [www.pozzuolo.com](http://www.pozzuolo.com) for more information on these and other relevant business, tax, estate, business litigation and employment topics.**

2. The following are a few of the family law blogs posted on our family law website [www.pozzuolofamilylaw.com](http://www.pozzuolofamilylaw.com) during the past month:

- a. Grandparents Awarded Primary Custody of Grandchildren Over Father;
- b. Mother's Child Relocation Request Granted Based On Quality Of Life and Emotional Benefit; and,
- c. Father Granted Primary Physical Custody After Father Presented Evidence Of Text Messages And Other Electronic Communication Of Mother.

**Please visit our website [www.pozzuolofamilylaw.com](http://www.pozzuolofamilylaw.com) for more information on these and other relevant family law topics.**

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## THE PRACTICAL STEPS TO PROTECT YOUR FAMILY, FINANCES, RETIREMENT AND ESTATE FROM THE NEXT DISASTER

One year ago this month, we were in a different world. Bars and restaurants were open without restriction, we could attend sporting events, we could attend concerts and festivals, major cities were thriving where the majority of the work force commuted to the commercial and business center of the city, we could travel to Europe, and we were not afraid to spend quality time together. Then in mid-March 2020, our lives changed.

### **Effects of COVID:**

While COVID-19 is not the first pandemic ever in history, it is the first “plague” in modern times in the United States and first of this scale and magnitude given how interconnected the world is.

COVID has affected people in many ways. It made people face their own mortality realizing that retirement is contingent on making it to retirement, and this experience has changed people’s old routines, goals and values. Many people have moved away from cities and other moved from suburbs to rural, coastal or warm weather areas. It has had an economic effect of putting a major strain on everyone’s finances where incomes and asset valuations are lower, savings are drained, governments are projected to raise future taxes and/or cut benefits to make up for less tax revenues and deficits, and the stock market ride has been on a roller coaster ride where it was down 30% in March/April, 2020 but up 10% at calendar year end.

Additionally, there are long term trends which have been accelerated by COVID. We have become a more mobile society with a mass of the work force working from home. This has pluses of arguably spending more time at home, avoiding travel time, saving wardrobe expense, savings many professionals’ practices and businesses on rent, furniture, and office supplies while certain businesses have had an uptick in 2020.

On the other hand, it destroys the traditional central commercial business district model. Commercial real estate has and will continue to dwindle in the next couple of years as large businesses will only need two floors in a high rise center city office building instead of 5 to 10 floors. The sandwich/salad shops, lunch carts, stores, vendors, bars and restaurants that service these commuters now have a small fraction of their pre-COVID business and many have been forced to close their doors. In the alternative, many families now need larger homes for home offices and potentially home schooling. Some people and businesses were more affected than others and will continue to be more affected than others. Now that we are aware of this “new” risk, we must adapt and factor in such risks into our long term plans.

### **Steps to Adapt:**

There are three major steps to protect against COVID and future such disasters/pandemics:

- 1) Make sure to have the usual “basic” estate planning items in line and up to date;
- 2) Adapt an investment plan to be both flexible and diversified and to meet liquidity needs, and;
- 3) Learning to spot opportunities in any market to go on the offensive.

### **Basic Estate Planning Items:**

This is simple, but many people put this planning off because they do not want to think about their own death or would rather save the expense for a new TV, video games and personal pleasures. COVID highlighted the importance of these three basic documents as

many of the 500,000 people could have never conceived in March 2020, passing away due to an unknown virus, and did not have such plans. At a minimum, one should have a will, a healthcare surrogate designation and living will, and a power of attorney.

The will is not only for those who are wealthy but it helps determine who receives one assets including sentimental items, what happens with certain digital assets, whether someone will be buried or cremated and who will managed one's estate, the executor. A major overlooked area is who will care for pets after you are gone in both the short and the long term. There needs to be a plan of not only who will be the general caretaker, but who will feed and walk the dog during the day.

A healthcare surrogate designation and living will sets forth someone's medical preferences and designates someone to make medical decisions on someone's behalf. The living will is important to set forth express preferences and the healthcare surrogate is to designate the person to make those decisions that are not expressly set forth in the living will. For instance, many people that lacked this document and went on ventilators in a permanent coma arguably had no one to speak for them. Query, do you want to be placed on a ventilator for 3, 6 or 9 month while in a permanent coma? It is important to plan for this whether there is COVID, a car crash, or even a sudden onset of a medical condition.

A power of attorney is to ensure that person's affairs and the people he supports are taken care of when he/she is incapacitated. For instance, if a family relies on one incapacitated spouse's income, social security and/or retirement income that money will continue to be deposited into the incapacitated spouse's bank account and the other spouse will not be able to access the funds without court approval. The power of attorney would designate someone without court approval who could access those funds and ensure that person's spouse and children are taken care of during the disability.

Additionally, one should investigate medical insurance, disability insurance and life insurance, especially if he/she has dependents. Medical insurance covers your hospital bills. If medical insurance lapse and someone goes into an ICU for COVID, this could cost hundreds of thousands of dollars which would drain and destroy most savings and retirement and estate plans. If someone has dependent children, is the breadwinner, or two incomes are necessary for a dual income household, it is important to investigate and review disability and life insurance. This provides funds to possibly pay a mortgage and provide funds post-death to help with the transition. It would be a shame not only to lose a loved one, but to also be uprooted from a home and school. Term life insurance is a relatively cheap option to provide surviving family members with substitute funds during the transition.

Last, it is a good time to reevaluate an estate plan if there already is one. Possibly an executor or a beneficiary passed away or there is a change in asset distribution preferences. Either way, after major events like this, it is a good time to ensure there is a plan and/or that it is up to date.

### **Flexibility, Diversity, and Liquidity Needs:**

A large part of retirement and estate planning is investing. Post-COVID, everyone is

wondering where and how to invest especially with the market and real estate at all-time highs and the economy still reeling from COVID. People question whether they should liquidate their portfolio, keep it invested, or completely change the investment plan.

There is no one size fits all plan. The key is not to necessarily completely change the investment plan, but to reevaluate investments so there is flexibility, diversity, and can be adjusted correctly and timely to meet liquidity needs.

Flexibility is the ability to increase the number of potential uses of assets based on the circumstance to make the best out of situations. This is keeping options open, having contingency plans in advance, and recognizing opportunities with existing non-liquid assets.

In terms of liquidity, people with liquid assets were able to ride the stock market back up from the March 2020 lows and others are currently buying up battered businesses and assets on post-COVID fire sales prices. There are always opportunities out there after going through a financial disaster, thus, people must keep their flexibility, options and alternatives open to seek out these opportunities as many fortunes are made and lost in times like these.

Flexibility is also the ability to adapt to new circumstances. For instance, businesses that were already setup for remote work were already ahead of the curve last spring whereas those that were not took time, weeks/months, to get caught up. An example is Ford Motor Co. It started using its assembly line to make PPE and ventilators when Ford dealerships closed for months. Some restaurants turned into take out de-facto wine and cheese shops or started selling basic household goods. Other restaurants immediately expanded their delivery business and had a lot of success. Flexibility is about realizing in advance what could happen, planning for it, and adapting assets after an event happens.

Diversity is having investments in many different areas to minimize the specific risks of an individual investment and to take advantage of general market growth. Without diversity, investment starts to look more like the casino where one can hit it big or lose it big. It is generally better to diversify and have a steady investment growth with any substantial amount of money. If one wants to hit it big and bet on a couple of longshots, make sure it is a very small percentage of the entire portfolio as some people have lost their life savings taking risks on Game Stop and Bitcoin, and those that won on those will likely lose big on the next gimmick investment.

Diversity also applies more generally. If most of one's wealth is in one asset investment area or income is from one stream, it is wise to start diversifying. People heavily invested in the hospitality industry without any other investments had a tough time making ends meet during this Pandemic. Those that had other investments including real estate investments, while they did not have the best year, made ends meet. As a result, if one owns a closely held business it may be wise to start buying a mix of residential, commercial and industrial real estate or invest in REITS in case something happens to the business. It may be wise to invest more money into the public market whether through cash, stocks, bonds, real estate, mutual funds, ETFs including having the money professionally managed. This creates diversity with multiple streams of income and multiple allocations of assets so if one asset

investment is having trouble, the overall risk to your portfolio is lowered.

Last, it is important to adjust investments based on liquidity needs. Some major liquidity needs are retirement, paying for college, buying/renovating a home, investing in a business, paying for a wedding, paying for medical care, divorce, and death of a loved one. The key is to adjust down to lesser risk and more liquidity for money needed in a short time horizon so if there is a downturn the cash money is available.

For instance, if most of your portfolio is in tech stocks and tech stocks “take a dive”, this is not as big of an issue for someone in his/her 30s as he/she has 30 to 40 years to recoup his/her loss. For someone in his/her 70s, he/she does not have the luxury of waiting 30 to 40 years for the stocks to recover, but has needs for the money now. A sudden drop will greatly affect the retiree’s quality of life.

With relation to many closely held, private business clients, it is not as easy to simply re-allocate wealth when 90% of the client’s wealth is tied up in one business. Many owners combat this by purchasing other investments using their creditworthiness. Many buy various real estate assets which are usually relatively stable, some invest in the stock market, and some will have senior employees buy in the business to cash out a bit. This lowers the overall volatility of the asset mix compared to one’s entire wealth being only in one business. Also, with closely/privately held business owners, selling a business is not as easy as selling a publicly traded stock. One needs to start planning for the sale a few years before the planned retirement.

### **Seeking Out Opportunities:**

Finally, after going through one major disaster or downturn, people learn they can not only defend their assets, but can make money during these times. As stated, many fortunes are made and lost in these times. Many business people go on the offensive to seek out value. Each event has its own opportunities, and COVID has a few. While the next pandemic or disaster will not be the same, there are always opportunities if you keep your eyes, ears, and mind open.

First, with unemployment high, income down and offices vacant, business and commercial real estate valuations are down, especially in major cities. Some may be justifiably low if they are not expected to bounce back, but there are diamonds in the rough and profits to be made. Many people are waiting for old sky-high prices to finally settle down into the new reality and then buy them anticipating a recovery over five to ten years.

If not looking to buy a business or invest in real estate directly one can take advantage of mean reversion trading. Many bought publicly traded stock in March 2020 knowing it would revert at some point to its average mean level, whether it is two years, a year, or six months. While there are booms and busts, the markets generally go up in the long run. Also, with everyone at home, people invested in stocks that catered to the at-home economy.

Additionally, there are opportunities catering to disaster specific needs. Many people found opportunities in creating PPE, corona testing, plexiglass shields, ventilators, and home office equipment. When disaster strikes, take a step back and make an educated decision if your business can be retooled to meet these needs. For instance, alcohol distilleries started selling making and selling hand sanitizer.

Note general trends and environmental changes as a result of the disaster or an acceleration of prior trends. For instance, remote work and video calls have been increasing for years. While it may be too late to invest in Zoom, there are other opportunities realizing the remote work industry has skyrocketed. Another area, moves to hot weather climates such as Florida have skyrocketed as people have moved as a result of remote work. Commercial real estate has been hurt in the immediate future but decisions must be made whether eventually some companies will come back increasing its value or can be converted to residential apartments.

Last, look at general economic factors. For instance, interest rates are currently at all-time lows. While it has pushed home values up to counter this, now may be the time to refinance a home or purchase new machinery for a business to take advantage of the low rates. It will cost less to finance a machine now than when interest rates recover.

### **Conclusion:**

Ensuring estate documents are in order and there is a plan in the instance of a disaster or downturn, and reevaluating asset allocation is the first step to getting back on track and ensuring your retirement and your loved ones will be funded even in the wake of a pandemic. We suggest you reevaluate your estate plan, your business plan, your wealth asset allocation, and your investment plan to make sure everything is in the best placed to protect you from the next crisis. If anyone desires to discuss any of these areas, do not hesitate to contact either Joseph Pozzuolo or Jeffrey Pozzuolo.

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This newsletter is courtesy of Pozzuolo Rodden, P.C.

To subscribe, unsubscribe, or for any questions, please contact us at [INFO@POZZUOLO.COM](mailto:INFO@POZZUOLO.COM).