

KEEN ON RETIREMENT



Negative Oil Prices, Tax Day in July, and Getting Our “Acts” Together: More Listener Questions Surrounding the COVID-19 Pandemic

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hello, everybody, and welcome back to another episode of Keen On Retirement. I am your cohost Steve Sanduski and with me is Bill Keen and Matt Wilson. Hey, guys.

Bill Keen: Hey, Steve. How are you doing today, sir?

Steve Sanduski: I'm doing all right. Doing all right, we're getting the weather's turn in here. We just chitchatting here before we turn the record button on. We had a really nice weekend of weather up here in Northeast Wisconsin, and we're able to get outside to a park and social distancing and it was all good. So, it's nice to get some fresh air.

Bill Keen: Are you starting to feel like there's some light at the end of the tunnel? I think we said that two weeks ago on our podcast, but it seems like that there is to many extents here. Don't you think?

Steve Sanduski: I do, yeah. In fact, just looking at my neighborhood here, for some of the residents that live here, it's a seasonal thing. We've actually had some people coming back to town for the season. So, I noticed this morning when I took the garbage cans out that there were some more garbage cans out at the end of the driveway. So, we've definitely got people coming back here to town for the season. Yeah, I think with the weather turning and the birds are out. So yeah, it's getting better.

Bill Keen: For sure.

Steve Sanduski: Yeah. Well, hey, Bill, I know we've got some important things that we're going to be talking about here today, but the first thing I want to get to is you have a big important announcement.

Bill Keen: Well, I do, and I've kind of preempted the announcement today with a Facebook post. So, for those of you that are friends with me on Facebook and anyone can be, I'm out there as a Bill Keen, you would have seen this already. I'll have to say, well, through all the financial related posts that we do, this has been the most popular post I think I've done ever. Maybe not ever, but Steve, Carissa and I have added to our family.

Steve Sanduski: You have.

Bill Keen: Yes.

Steve Sanduski: Oh, do tell us more.

Bill Keen: Well, there are several options to when we add to families, and we chose this route during this time. We've got a new nine-week old Rhodesian Ridgeback puppy.

Steve Sanduski: Nice.

Bill Keen: Her name-

Steve Sanduski: Congratulations.

Bill Keen: Well, thank you. Thank you. We are falling in love with her. Well, we fell in love with her when we first saw her, but at some point you'll have to study the Rhodesian Ridgeback breed. They're from South Africa and they were bred to hunt large game, including lions. I told that to Matt. Matt's saying, "That sound like a great pet." I was like, "No, they're safe." Of course, there's a lot of training ahead of us, because they have a very strong will and they think for themselves. Just to be clear, they don't fight lions, but they typically in packs of about five or six would go out and corner lions in South Africa for the hunters to then come on scene.

Bill Keen: So, someone asked me, "Does your dog able to fight a lion?" No, that's definitely not the case. But they are smart enough to be able to navigate and they're independent thinkers and strong-willed. A bunch like my wife, I told her, and she was okay with that joke. So, perfect.

Steve Sanduski: It sounds like you got your work cut out for you.

Bill Keen: Oh, yeah. Well, there's lots of estrogen at my house, but we just added to it, I guess here, which I'm all good with. I'm good with it.

Steve Sanduski: So, how big will this dog get?

Bill Keen: So, we did get the female, which only will get up to about 75 pounds.

Matt Wilson: Oh my goodness. Wow. That's a big dog.

Bill Keen: We currently have a dog, Steve, I think you may have met pumpkin. She's a Schnoodle, a poodle schnauzer mix. She goes about 10 pounds. She's four years old. So, she's learning that she has a new housemate, a new sister, if you will.

Steve Sanduski: Yeah.

Bill Keen: Rosie is the dog's name. Rosie, the Rhodesian Ridgeback, took us nine days to decide on a name, but it's working out perfectly. Her and Rosie have a wonderful grand time together, but Rosie's already 15 pounds and going up quickly. So, we'll see how that all works out. But no, it's a joy. Seriously. It's a joy to have her, and all of the kids just love her too.

Steve Sanduski: So, how did you pick that particular breed?

Bill Keen: One of our neighbors has a big male Rhodesian Ridgeback. We saw it and we're just enamored by it, at some point Google, just Google it and looked at some of the pictures. Really fine coat, doesn't shed, just solid muscle. It's just a pretty looking dog. It's very stately. It's very got a presence about it. We loved the way that it behaved as well for its owner and they're in our neighborhood. We saw that and just started asking him questions and slowly over about a six-month period, Carissa convinced me that it was the right thing to do, and once again, she was right.

Steve Sanduski: She's always right, Bill. Remember that.

Bill Keen: Yes, that's right. That's right. I even put that in the Facebook posts, Steve. If you were on Facebook, you would see all this.

Steve Sanduski: Yep. Sounds good, and Matt, how are you doing?

Matt Wilson: Doing well, we are hanging in here. Getting used to homeschooling and everything else, and looking forward to the nicer weather that we haven't experienced here in KC. I think the worst is behind us, that's for sure.

Steve Sanduski: Yeah. Well, let's touch on that just a little bit. I know Kansas City started to open up there a little bit.

Bill Keen: We're watching it closely because we operate a business, we're considered an essential business. So, there's been a skeleton crew working from the office each day. Matt and I have been in that, of course, social distancing and very respectful of the safety issues around that. Most of our team has been working

remotely and it's been very seamless. It's been amazing, actually, the efficiencies and some of the rhythm that we've had communicating as a team, where everyone's on a Zoom call.

Bill Keen: It's funny, Zoom has now become like Xerox became for the copy machine, or Coca Cola has become for the soft drink. Zoom now, just people know what that means. Don't they?

Steve Sanduski: They do. It's become a verb, like, "Oh, just Google it."

Bill Keen: Yeah, exactly right. And so, we're on that every morning at an identified time, and then the whole firm then gets on. The planners meet first and then after that the whole firm gets on with operations and all the leadership, and very disciplined, and very timely, and very effective. But nonetheless, we're at that point now where we're watching and monitoring very closely how we're going to get back to some normalcy and reopen, if you will. We've never closed, of course, we operated seamlessly the entire time and very efficiently.

Bill Keen: But I think the issue we're seeing in our neck of the woods is certain counties and States are opening at different times, and so it's creating some confusion. We're in Johnson County, Kansas for our business here and I've got their recovery draft, recovery plan draft that was issued yesterday, April 27th now. I'm looking at what they're advising because Kansas is, I think they're saying what May 4th, Matt, is that right?

Matt Wilson: Mm-hmm (affirmative). May 4th yeah.

Bill Keen: Yup, May 4th, and then all of Missouri is also talking about May 4th. Although, Mayor Lucas here in Kansas City is still sticking with the May 15th order. Although, some outlying counties, I think Cass County's May 3rd, Kansas City's May 15th, Clay County is May 3rd. So, I think it's creating a little bit of confusion and frankly, as I drove in today, I could see the traffic flow was way greater than it had been in the last four or five weeks.

Matt Wilson: Mm-hmm (affirmative). Yeah, traffic's been picking up over the last several weeks.

Bill Keen: So, and I'm sure folks are abiding by social distancing and being with the common sense and the advice that we're getting. But I think folks are ready to get back, I really do. So, the indication here, from the material I'm reading, is that on May 4th restaurants will be open, Steve.

Steve Sanduski: Yeah.

Bill Keen: Restaurants can be open as long as they follow certain guidelines.

Steve Sanduski: Right, yeah. They're going to have tables that will be spread apart and limit the number of people that can be in at any one time. So, yeah, it'll be interesting to see how that works, how long that's going to happen, and what it will take before we can get back to, hopefully, get back to some point where we can go to a restaurant like we used to.

Bill Keen: Right, right. I'm seeing six feet between tables, no communal tables, and have tables of no more than 10 people, drive through delivery and pickup are "encouraged" throughout the duration of the order. But this was Governor Parson from the State of Missouri. So, of course, that contradicts though with the mayor of Kansas city. So, it'll just be interesting to see it, and I know we're going to get to look back six months or a year from now and really kind of document how we went through this. That's one thing I love about these podcasts. We are able to go back and, heck, we've been doing this for over four years now.

Bill Keen: So, there was some tremendous volatility we've been through back in 2016, and we had some at the end of '18. So, I would encourage you, listeners, sometimes looking back at history can bring some solace about whatever we're going through at a given time, and you can go back and listen to those episodes. We might even link to a couple of those ones we were going through, when we went through some pretty decent volatility in the markets and hear what we were saying back then. We don't change our podcast. What we record is what we leave out there. So, we're on the hook because there's a record of what we were saying.

Bill Keen: Folks can go back and look it, "What were they saying about that and how did it actually turn out?" Just like that, we'll look back in six months or a year from now and we will be able to say, "Well, what were we saying back then? What were we feeling?" What were we essentially documenting almost in a diary format in our podcasts here that will remain out there indefinitely for us to be able to go back and learn from and be reminded of some of the things we went through? Here, we're just six weeks or so into this.

Bill Keen: Do you remember some of the podcasts we've done just two, three, and four ago? When we were at maximum uncertainty in how this was going to play out. They're still uncertainty for sure, but again, I think it's a powerful thing that we're doing here, Steve.

Steve Sanduski: For sure, and one of the things that I think you guys have done a great job of is the way that you're communicating with everybody. So, we're doing these podcasts and we're turning these things around very quickly. So, we're having our conversation here today on a Tuesday, and this is going to go live here in just a day or two. So, these things are coming around quickly, but you've also been doing webinars and blog posts. So, you've really been communicating and you've been consistent in terms of how you're viewing the situation.

Steve Sanduski: The type of advice that you're giving, the indicators that you're watching that will help give you some sense on how this thing is turning around. So, I think you guys have just done a fantastic job of really getting the word out. So, let me just segue here, because you just said something here a minute ago that really segues nicely into one of the questions that we had come up. So, you mentioned that as you were driving in today, there were a lot more cars on the highway. So, one of the questions that we had come in was, how could oil sell for a negative price?

Steve Sanduski: We had a situation here a week or so ago where oil was selling for a negative \$37 a barrel. That partially ties into the fact that we had fewer people on the roads for a while. But what are your thoughts on that Bill and Matt?

Bill Keen: You just hit it on the head. Imagine a tug boat, and I heard this illustration from someone and it really made sense. So, imagine a tugboat and the tugboat represents refined oil, product demand, exactly what you just talked about, Steve. Imagine that tug boat pulling multiple barges and the barges represent refineries, and storage facilities, and oil producers, and they're all connected together by a rope.

Bill Keen: So, if the tug boat comes to an abrupt stop, the forward momentum of the barges would carry them one by one, crashing into one another. Now, in order for the line of vessels to then return to some normal order, the tugboat would need to start moving forward again. That would pull the first parts back in the lot, the ropes became tight, followed by each barge in line and everything would work out. Now, the point is consumer demand for refined products, whether it'd be fuel for our cars, or jet fuel, or other fuel, is the tugboat that pulls oil and refined products through that supply chain.

Bill Keen: In recent years there's been a strong demand with all of the economic growth that we've had around the world, increased exploration and new production. If we were going to a normal recession, demand declines slowly and in somewhat of a controlled manner with economic activity. So, you kind of think of that very tugboat I was mentioning starting to just slow down ever so slowly and keep things in line. That's something that the global energy markets can handle. But in Q1, energy demand was coming to a complete and sudden stop resulting in a major backup, that we're seeing what that's done to the supply chain.

Bill Keen: Again, the only thing in my opinion that can spur an energy market recovery would be that demand coming back online. I haven't even mentioned Putin, and I haven't mentioned the Saudis, and I haven't mentioned some of the things that caused it to go negative, which is scary to folks.

Matt Wilson: Yeah, we get a lot of questions on the negative price of oil. What kind of impact is that, what's causing it? So, as Bill mentioned, that analogy is very good in terms of the visual kind of representation of the energy market. But when it came to that specific made contract, at negative \$37, people probably don't

remember this, but it opened at \$20, positive, and it closed at negative \$37. So, it declined 289%, and I think what's confusing to people too is, one, how do you lose more than a hundred percent of your money?

Bill Keen: Right.

Matt Wilson: We lost 289%, if you were along at the beginning of that day.

Bill Keen: Well, that's why we don't operate on leverage around our clients.

Matt Wilson: That's right. So, essentially, what was happening was in the oil market, they trade these futures contracts. If you, on that day, if you were along the contract, you had to take delivery of a thousand barrels of oil. Because the demand, not only here in the US but worldwide has dropped so significantly, there's nowhere to store it. All the storage facilities are full. So, the price of that contract just kept dropping because anyone who was invested in it, whether they were a speculator or they were just someone who is an oil producer in long oil, they said, "I don't want to even have to deal with receiving this oil, because I don't have nowhere to put it.

Matt Wilson: So, I'm just going to keep dropping the price. I'll pay someone to take this contract off my hands." The reality is oil is at negative \$38 a barrel? It was just that nuance with it. So, as demand picks back up the supply, all the extra storage will get eaten up a little bit, which would increase the price of oil somewhat, but at least this negative price, I think, will continue to happen. I think that was kind of a one-off thing. Maybe it will happen again in June, especially if there's still no storage available.

Bill Keen: Do you have anywhere to store oil, Steve? Would you like to purchase one of these contracts, actually get paid to take it?

Steve Sanduski: Yeah, it'd be nice, wouldn't it? One of the positive benefits though of the low oil prices is it's translating into lower gas prices. So, when we go to the pump, you all listening to this, when you fill up your car, you can see that gas prices are traumatically lower as a result of this, and so that's one by-product. That's almost like a tax cut because we're paying less to fill up our gas.

Steve Sanduski: So, once we do get back on the roads and get back to somewhat of a normal schedule, coming out of the pandemic here, we'll see that the price to fill up our gas tank is a lot less, which is nice.

Bill Keen: Unless we have somewhere to go.

Steve Sanduski: Right, yup.

Bill Keen: That'll be nice.

Steve Sanduski: Yeah.

Bill Keen: You didn't mention, Matt, Russia and Saudi Arabia, it just kind of throws in another wrench to this at this time, doesn't it? But both of those parties are probably not feeling the greatest about this time, would you say?

Matt Wilson: I would agree, yeah. They're probably not too happy about the price being this low but, of course, either the OPEC kind of said they're going to flood the market. So, I guess they shouldn't be surprised that this happens when everyone just keeps producing and the demand is not there. It generally reduces the price of the product or the commodity.

Bill Keen: Now, Steve, do you remember back? Would you have ever thought, and you might be young enough, young enough, do you like to hear my say that?

Steve Sanduski: Young enough.

Bill Keen: Yes. Do you remember the oil shortage in the 70s where there were lines at the pumps and it was odd even?

Steve Sanduski: Oh, I do, I do. Yep. Yeah.

Bill Keen: Do you remember that?

Steve Sanduski: I absolutely do. Yeah.

Bill Keen: Yeah.

Steve Sanduski: I'm old enough, Bill, to remember.

Bill Keen: Yes.

Steve Sanduski: In fact, when I was at the grocery store the other day, I was wearing a mask and the person checking me out said, "Do you want to get the senior discount?" I said, "Do I look that old?" He says, "Well, I can't really tell." Of course, I got gray hair, but I got a mask on.

Bill Keen: So, well that was what it was, Steve, it was the mask.

Steve Sanduski: Yeah, it's right, it's right.

Bill Keen: It was definitely the mask.

Steve Sanduski: She said, "Well, I get some people who really get upset when I don't ask them if they want the senior discount and they actually do want it. So, I just basically have to ask everybody."

Matt Wilson: Did you get it? Did you get the senior discount?

Steve Sanduski: I did not, because I was not old enough, and proud-

Matt Wilson: Oh, that stinks.

Steve Sanduski: Yup. I was not old enough. So, but yeah, so this oil thing is probably going to be with us for a little while as demand starts ramping up here over time. But again, benefit, we have lower gas prices. All right. Hey, we got a few other questions here that I want to make sure that we get to as well. Some of these revolve around the extended tax season. So, I know one of the questions you've been hearing a lot is, with the COVID-19 changes to extend the tax filing deadline to sometime in July, can someone still make a 2019 IRA contribution until that date, or would all of those contributions need to have been made back on April 15th which is our normal deadline? So, what's the deal with the deadlines for tax stuff?

Matt Wilson: Yeah, good news. July 15th is the new deadline, because if you're past at April 15th at this point thinking that you can't go back, but you can July 15th. Now, you probably would have filed your taxes already if you thought April 15th was the deadline. But if you haven't yet, July 15th is still the proper deadline for IRA contributions, Roth IRA set by IRA, all those types of contributions that you might make.

Bill Keen: Okay, and if you file, then you could always amend, if you wanted to go back you can amend your return.

Steve Sanduski: One thing I noticed, and this is something that you guys obviously will take care of, but as I was making a retirement plan distribution for me personally, I went online and this was after April 15th. I know that July 15th I can make it for my 2019, so I went online to try and make a 2019 contribution to my retirement plan. When I went to the dropdown box where it asked what year is this contribution, for 2019 was not an option. Yeah, it just said 2020 because they didn't change their system to say, "Oh, the rules got changed. It's now July 15th."

Steve Sanduski: So, I got a little frustrated, I'm like, "Oh my gosh, I got to write him a check, and this, that, and the other thing." So, it was a little extra work that I had to manually send them a check and specifically say, "This is for a 2019 contribution." I know little thing, but you guys obviously take care of that stuff on behalf of your clients.

Bill Keen: That's right. But it's important, that's really important to get that coded correctly there. I'm glad that we're going into some of these listener questions on things that are still needed to be tended to. We're in the midst of a crisis, I would call it a crisis, a pandemic would be called a crisis, I think. To what extent folks feel that they're in crisis at this point might not be quite as bad as it was a

few weeks ago or a month, a couple of months ago. But there's still business to be conducted.

Bill Keen: We still have to handle our affairs and be good stewards of the resources that we have. So, I'm glad, again, I'm glad that we're answering some of these questions on things that still need to be handled and looked at here.

Steve Sanduski: Yup. So, another one here, we've got this SECURE Act and we've got the CARES Act. So, a question is, what are the rules for the non-spouse beneficiaries of a Roth IRA? Are you still able to take that money out over your life expectancy for an inherited Roth IRA?

Matt Wilson: Yeah, that's a good question, because the SECURE Act, which was passed at the end of 2019 changed some of the rules for non-spouse beneficiary. Non-spouse beneficiaries have to withdraw all of the money out of either a Roth IRA or a traditional IRA by December 31st of the 10th year following the year of the IRA owner's death. So, that's kind of a handful. So, the way to think about that is, okay, if you had a, let's say it was a parent passed away in 2020. Well, your first distribution isn't required until 2021, and then you have 2021, then you have 10 years from 2021 to take out all the money out of that IRA.

Matt Wilson: Now, the CARES act basically said, well, if you already had an inherited IRA, so if you had a parent passed away in 2019 you're under the old rules, which says you can stretch that IRA out over your lifetime. So, there's a table the IRS provide. You take out a small percentage of the total every single year. Well, in 2020 they suspended traditional RMDs and also RMDs from inherited IRAs. So, if you haven't taken that yet, you don't have to for the remainder of 2020.

Bill Keen: So, remember, Steve, this was confusing to folks that were just trying to follow the SECURE Act back at the end of last year and they changed the required minimum distribution rate out of these IRAs from 70 and a half years old, out to 72 years old. That was a big news in the retirement planning world. Then, shortly thereafter comes the CARES Act, which now eliminates the RMD for 2020 like Matt said. So, a lot of moving parts, a lot of things to think about, some confusion. The person that asked the question's getting confused over the CARES Act or the SECURE Act, or is there an overlap?

Bill Keen: We won't even get into the next act that we're hearing about coming down the line, the SAVERS Act, but maybe we'll wait. We like to wait till things are actually like looking closer to getting put into action before we talk about them. But there's lots of acts to keep your acts together.

Steve Sanduski: There you go. Nice play on words there, Bill.

Bill Keen: Thank you.

Steve Sanduski: All right, a couple more questions here. So, next one is, now that required minimum distributions, otherwise known as RMDs, have been canceled for 2020, what are the rules for QCDs? QCD stands for qualified charitable distribution. So, what's the deal there?

Matt Wilson: Great news is that the QCD is still in existence. So, essentially, what that is when you can distribute funds directly from your IRA to a qualified charity if you're over the age of 70 and a half. So, that was not changed under the SECURE Act. As Bill mentioned, the SECURE Act pushed RMDs out from 70 and a half to 72. Well, the QCD never changed. It stayed at 70 and a half. So, you can write checks out of your IRA or distribute funds directly out of your IRA to a charity. It reduces your IRA balance counts towards your RMD, except for 2020, but it's also a non-taxable distribution. So, those are still allowed in 2020.

Steve Sanduski: Excellent. All right. Then, the final question here is, someone said, in mid February I took my RMD, my required minimum distribution for 2020 for my regular IRA. We've got all these acronyms.

Bill Keen: Oh gosh, it's something else.

Steve Sanduski: We've got to try and keep them straight here. So, now under the CARES Act, since we're operating under the CARES Act, can you put that RMD into a Roth IRA?

Matt Wilson: Another great news here. Yes, you can. The rule normally is that RMDs can not be rolled over or converted to a Roth IRA. But because 2020 RMDs have been eliminated, then whatever you took out of your IRA is not considered an RMD. So, then you could just take it out and roll it over into a Roth IRA. Now, it's still taxable event. You still have to pay income tax on it, but that is now allowed. Now, if you took a distribution, there's this thing called the 60-day rule. So, this is a little kind of nuance with this as well, because you may not want to put it into a Roth IRA, you might want to just put it back.

Matt Wilson: So, the IRS basically says it has to be put back within 60 days of receipt of the distribution. But they did expand on this for 2020, so the IRS recently said that if you received a distribution between February 1st, 2020 and May 15th, 2020, you have up until July 15th to roll it back into your IRA. So, they lengthened that 60-day rollover rule.

Bill Keen: The CARES Act, it's pretty broad. It also, the CARES Act, also allowed people to tap their IRAs up to I believe a hundred thousand, and you had three years to put that money back or you could pay tax on the amount up to a hundred thousand over the course of the three years. They've given folks the ability to access capital if they're in need, in a difficult time. But then here we're talking about, which is good, but here we're talking about where folks are wanting to put money back into accounts that they took out, that they now didn't need to or wanted to re-characterize in some form or fashion.

Bill Keen: So, this all speaks to each person is dealing with, well, always is dealing with life and their financial situation in their own individual way. But especially now, as we're going through this COVID-19 scenario, and the market adjustments that we've been seeing, and not to mention some of the loss of employment, and all those things. So, we're very respectful of everyone's journey on how these things are playing out. I think it's good to just ... We're kind of picking it up and looking at it from all angles here today in the short time that we've had.

Steve Sanduski: Yeah. Well, great guys, so appreciate it. So, I think we'll probably wrap here and give you an opportunity for a final word, but I appreciate you guys pulling these things together here so quickly and sharing this important information, and we'll take it from there. So, Bill, any final thoughts here?

Bill Keen: Yeah, I just wanted to thank our listeners once again for tuning in to our programs. It gives us a real nice way to communicate what we're seeing kind of behind the curtain on operations. We're going to be back to some normalcy sooner than later. I know it might take time depending on your situation, exactly how that looks, but I've appreciated being able to be in communication with many of you who respond to our show here. I have a deep appreciation for all the clients of Keen Wealth that we serve and continue to get to walk alongside all the time, but especially during times like this.

Bill Keen: So, as we start to open our communities and open our country, continue to stay safe, and healthy, and we'll look toward the future. We'll keep our episodes coming and we'll be sharing with folks all the pertinent issues that we see as they play out, and we'll be back again here in a couple of weeks

Steve Sanduski: All right. Well, thanks, Bill. Thanks, Matt. For more information, for all the details, for the show notes, you can go to keenonretirement.com, that's K-E-E-N on retirement.com. Thank you guys, and we'll look forward to the next episode of Keen On Retirement.

Bill Keen: Thank you, Steve.

Matt Wilson: Thank you.

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