

# AHWATUKEE FOOTHILLS NEWS

## Financial Lessons Learned from 2020 and the Pandemic



*January 6, 2021 by Dr. Harold Wong*

We've just lived through an amazingly turbulent 2020, where the coronavirus pandemic has upended the lives of tens of millions of Americans. There have been mass layoffs and huge government shutdowns of the economy in various states; Most of us are hopeful that the recent approval of coronavirus vaccines will allow us to get back to normal by the end of 2021. What are the lessons we can learn from what happened in 2020?

1. Almost no traditional Wall Street investment is safe!

Earlier in 2020, it took only 5 weeks for a major stock market index to drop by 35%. The stock market has since not only rebounded, but reached record levels. However, these elevated stock market levels do not match the real economy, where millions are unemployed and major industries are on life support. Many companies are losing money and won't be able to pay bond interest or stock dividends.

2. Real estate investments are much more unstable than normal!

The Cheesecake Factory was the first national restaurant chain to declare "We just won't pay our rent!" Hotel occupancy declined to 20-30% during the pandemic and it takes at least 60% occupancy for most hotels to break even. If you own an apartment building catering to the working class, you are getting much less rent and many states have passed moratoriums where you are not allowed to evict the tenants. Yet, your mortgage lender and the utility companies (gas, electric, water, garbage ...) expect you to pay.

3. We can't rely on government to

solve our personal financial problems! Earlier in the year, the massive CARES Act was passed. However, if your income reported on previous tax returns was too high, you did not receive the \$1,200 per adult one-time stimulus check. For months, unemployed individuals have received \$600 per week extra unemployment benefits, on top of what the state normally pays, but that expires after December 26, 2020.

So, what are the crucial financial resolutions and lessons for 2021?

1. Do everything you can to protect your current job!

This may mean doing things that most of your fellow workers don't want to do, such as: working the weekend or evening shift; OR taking on projects that most won't do.

2. Develop new skills so that you become invaluable!

Virtually every business needs a website and social media marketing. If you are the one who handles this area, you have job security.

3. Start a side business in addition to your full-time job!

Every household in your neighborhood needs a mobile car mechanic or handy man for simple jobs. Every business needs a website and social media marketing. Delivering the morning newspaper can create an extra \$1,200 per month.

4. Save 30% of your gross income, at least for the next 2 years!

The typical savings rate is normally 7-8% of after-tax income. You need to

save 30% of gross income to create an emergency cash reserve that can cover 1-2 years living expenses. The pandemic and government shut-downs have shown many Americans that there's a big difference between what's essential vs. optional in our lives. Savings rates will increase substantially when one doesn't go to malls, restaurants, bars, sports and entertainment events, or travel for vacations.

5. Save Income Tax!

By having side business deductions, many can save at least \$5-8,000 of income taxes each year. If you have high income, powerful tax planning can save \$10,000 to \$30,000 of annual income taxes. If you annually save \$20,000 taxes and average an 8% return, in 20 years you'll have an extra \$988,458 in your retirement fund.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at [www.drharoldwong.com](http://www.drharoldwong.com) or [www.solarbusinessinvestments.com](http://www.solarbusinessinvestments.com).

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Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.