

## Essential CoVID-19 Information and Perspective for you

This is an important update for all Family Wealth and Legacy clients to provide you our perspective on the Coronavirus as of today, March 18th, 2020, with objective facts, data and suggestions. As we now know in this rapidly changing landscape of developments, every day that passes demonstrates that the goal posts are changing rapidly.

The sole reason we provide this update is to provide some numbers, rather than you only having black clouds of uncertainty forming in you , as each new day progresses at accelerating speed and intensity.

It is our hope and expectation that the numbers, most current data and ideas provided in this message give you something more objective to understand and plan around. We don't trust these numbers to cover every facet or aspect of what is happening around our planet, but we trust them more than nothing - or any level of inaction.

### We want to begin with the Stockdale paradox.

*Jim Stockdale was an American pilot in the Vietnam war. He was captured and made into a POW. He spent 8 gruesome years in a war camp in Vietnam while being tortured almost daily. After he was able to escape, he explained how he survived and why both optimists and pessimists were the first ones to die in the camp. The paradox goes like this: You must retain faith that you will prevail in the end, regardless of the difficulties. AND at the same time... You must confront the brutal facts of your current reality, whatever they might be.*

#### **In this situation we must not be optimistic or pessimistic.**

Today there are 2 major issues playing out:

- Hospitals are being overwhelmed around the world; and
- Small to medium business revenue is dropping and cash is disappearing.

This will lead to:

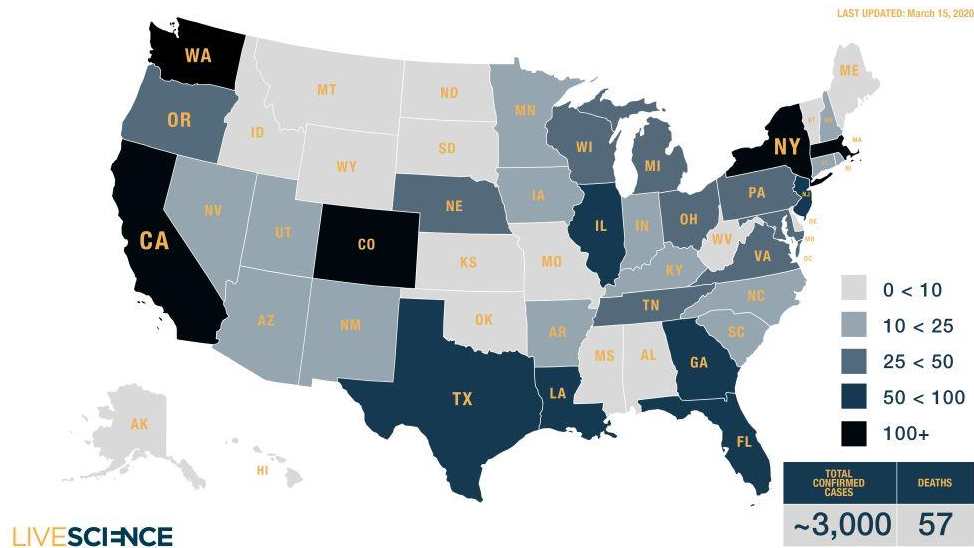
- People may not be able to get care, as the virus spreads with potentially exponential speed within our respective communities; and
- Revenue declines, cash drying up and debt not able to be serviced.

Our concern is whether the Government will act in our collective best interest as citizens and business owners. Therefore, we need to objectively understand the science and use it to both protect ourselves and create objective Plans for our ourselves, Families, our Businesses, our employees, our Clients and Customers, and our Communities.

### **Virus spread and hospitals data**

# Coronavirus in the US: Map, case counts and news:

By [Live Science Staff](#) – March 15th, 2020

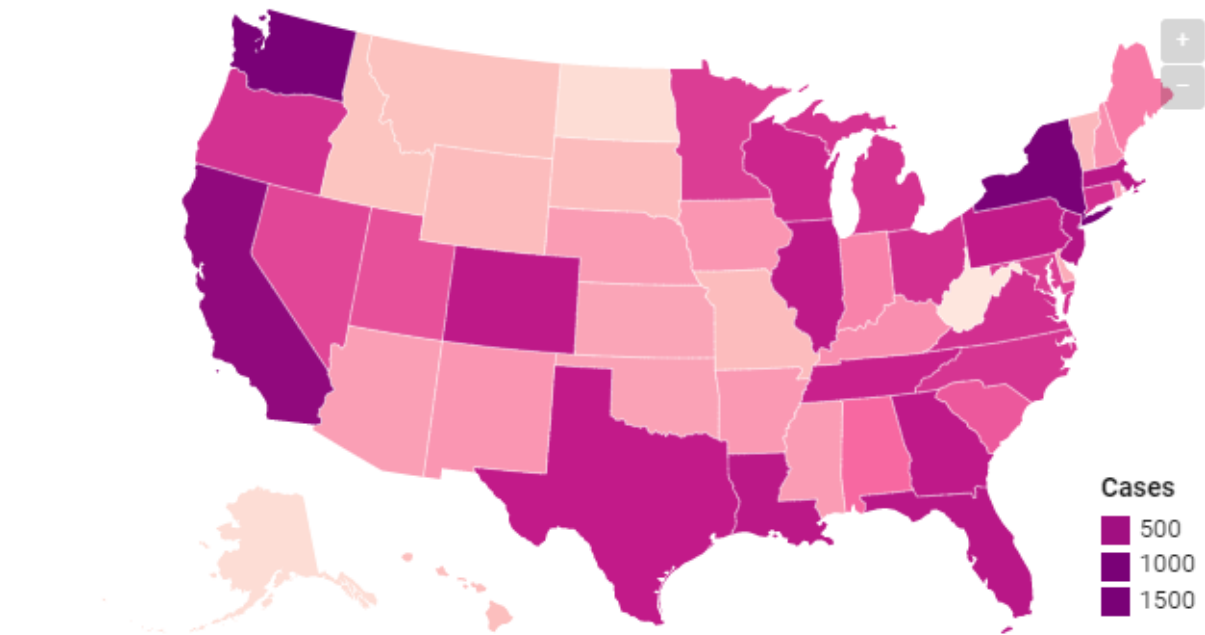


A novel coronavirus called SARS-CoV-2 has spread to all continents except Antarctica, with the first U.S. case involving a 35-year-old man who had traveled to Wuhan, China, before returning to Washington State. He was confirmed to have the virus on Jan. 20, 2020, and has since recovered substantially. Since then, the virus (which causes the disease COVID-19) has spread to most states, with new and escalating cases emerging every day. It is important to note that these Reported Cases may be substantially under-reported, due to the delay in the administration of full-scale testing in affected States.

So far, about 2,952 people in the U.S. have been confirmed through March 15, 2020, to have the virus, though many others cases may still be undetected, due to Testing shortfalls. Of those reported cases, 57 people have died, with deaths in Washington (40), California (5), Florida (3), New York (2), Georgia (1), Kansas (1), New Jersey (1), Colorado (1), Louisiana (1), South Dakota (1) and Virginia (1). (Globally, about 156,400 cases have been confirmed, with 5,833 deaths.)

Let's now look at Today, March 18, 2020 – 3 Days later

## Covid-19 Map USA



Map: LiveScience • Source: JHU • Embed • Created with Datawrapper

About 9,415 people in the U.S. have been confirmed to have the virus, though many other cases may be undetected. Of those reported cases, 140 people have died.

If we are isolating everyone who has travelled, and everyone who has it locally, are we ok?

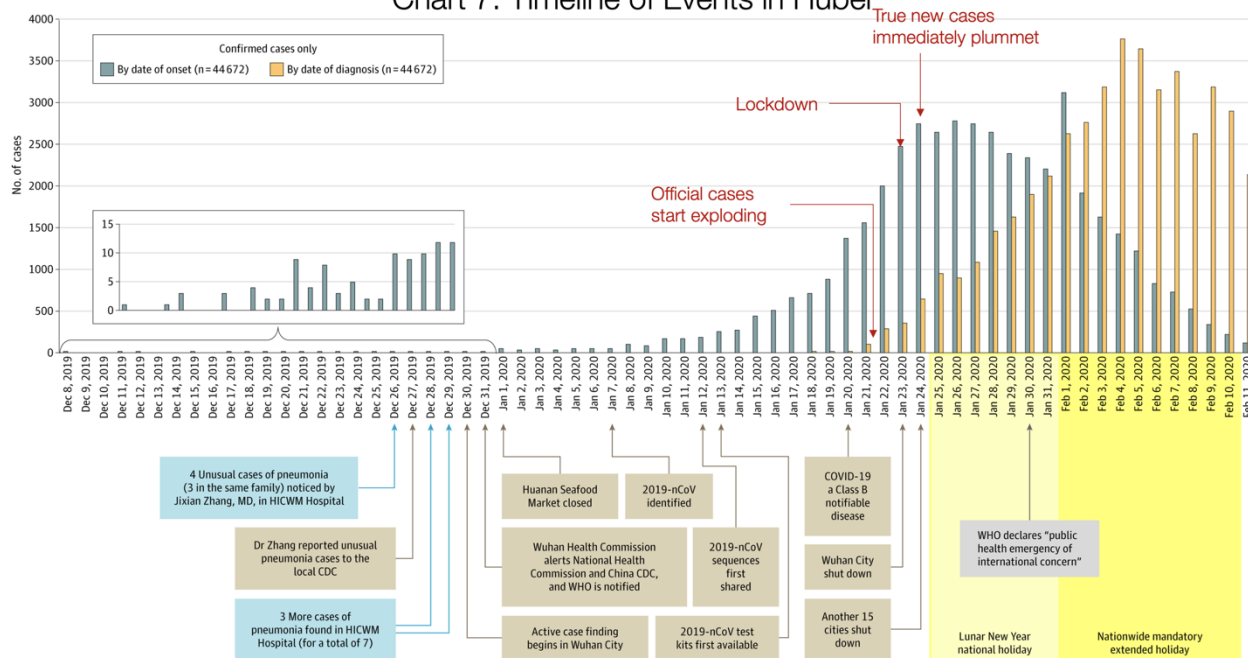
Let's look at the timeline of events in Hubei in the chart below, where the outbreak started from [this](#) excellent analysis.

It's important to look at the date on onset (Grey) bars vs the date of diagnosis (Orange) bars. 12 days after the lockdown the diagnosis peaks, it then begins to drop because of social distancing.

This means that in a controlled environment the time of onset to diagnosis averages 12 days. On 22 Jan Wuhan thought they had 444 cases (cumulative confirmed), but in actual fact they had around 12,000 cases

This forms an important part of the model moving forward.

Chart 7: Timeline of Events in Hubei



The United States is presently more in line with Italy and Iran than Singapore and Hong Kong.

America is testing people for coronavirus at a lower rate than other developed countries, and yet the data also shows the rate of people diagnosed with Covid-19 in the US is steadily rising, as quickly or more quickly than our peers abroad.

We don't know the full extent of the outbreak, and America appears to have been less prepared for a pandemic than other countries in the first place.

"Everyone working in this space would agree that no matter how you measure it, the US is far behind on this," Jen Kates, director of global health and HIV policy at the Kaiser Family Foundation, told Vox of the coronavirus response.

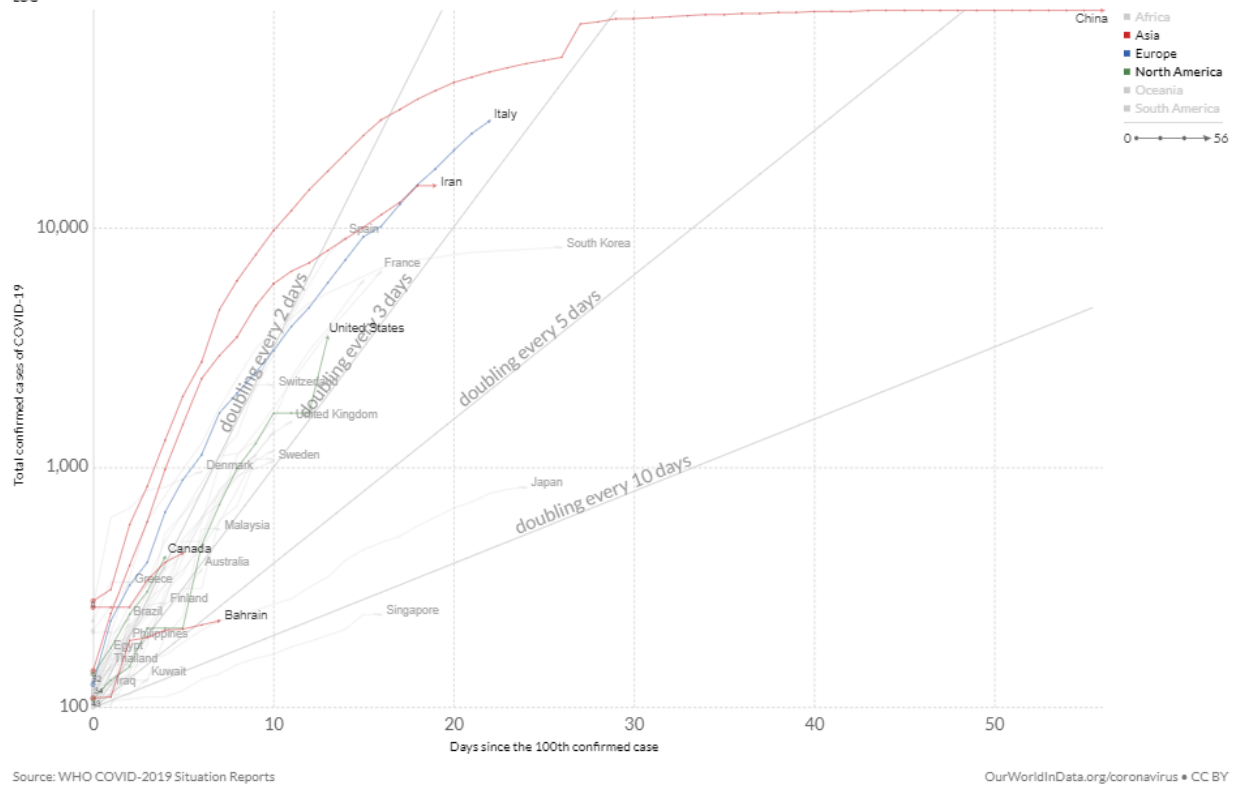
**Here's how the number of confirmed cases in the US compare to select other countries, based on days since each country reached 100 confirmed cases, according to data from the WHO COVID-19 situation reports.**

(This is an adaptation of a widely shared chart from [Our World in Data](https://ourworldindata.org/covid-cases).)

## Total confirmed cases of COVID-19

The starting point for each country is the day that country had reached 100 confirmed cases. This allows us to compare the trajectory of confirmed cases between countries. Because of limited testing the number of confirmed cases is lower than the number of total cases. LOG

Our World  
in Data



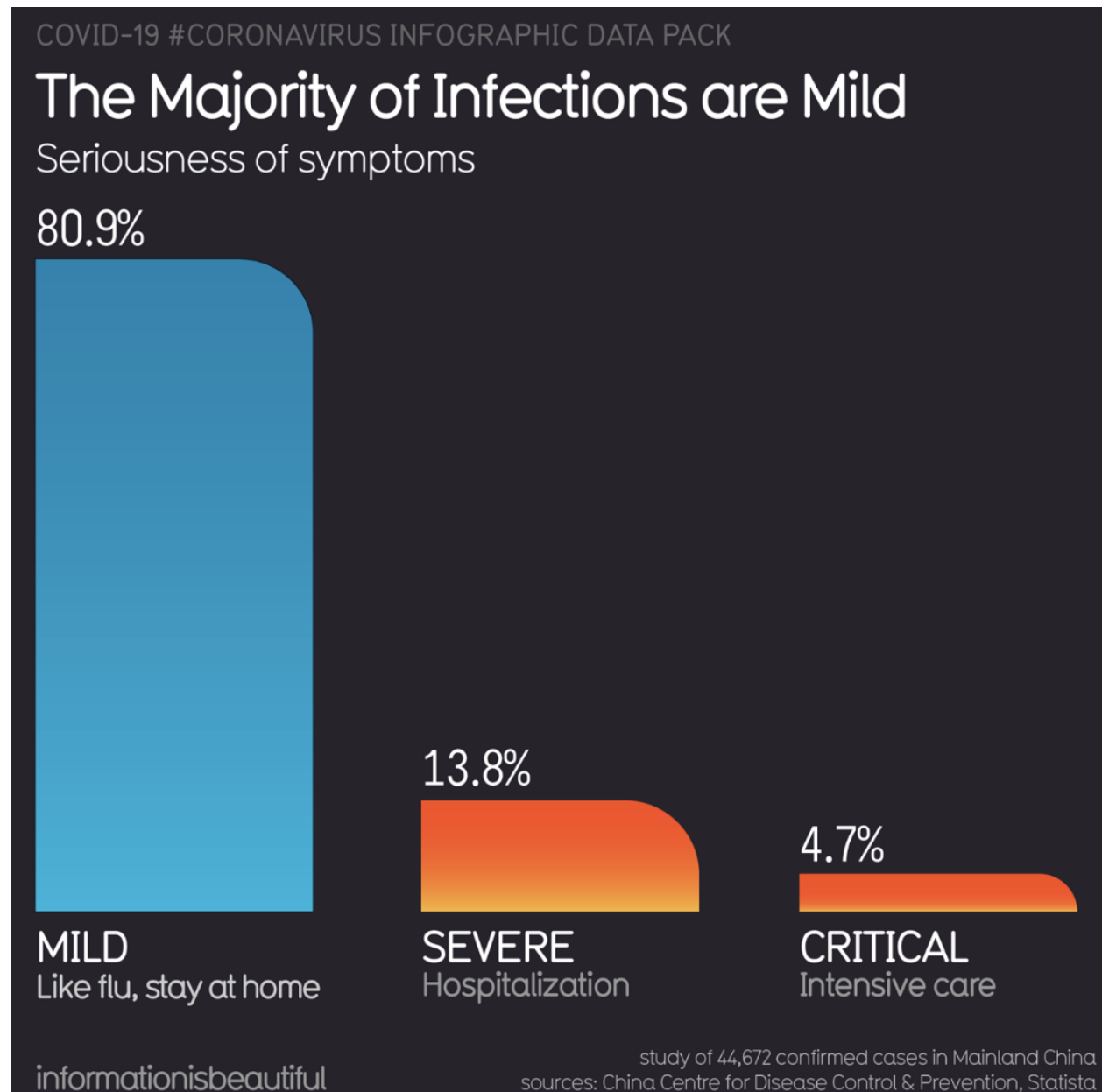
As of March 12, the Johns Hopkins researchers counted about 1,600 confirmed cases in the US. The actual number of cases was likely much higher. As you can see, the confirmed cases in the US are already more in line with [Iran](#) and [Italy](#) than with places like [Hong Kong](#) and [Singapore](#), where the governments were able to mobilize more quickly. Japan, like the US, has been [criticized](#) over not having enough tests to properly judge the true number of cases.

China locked down Hubei on 23 January when they had 571 confirmed cases.

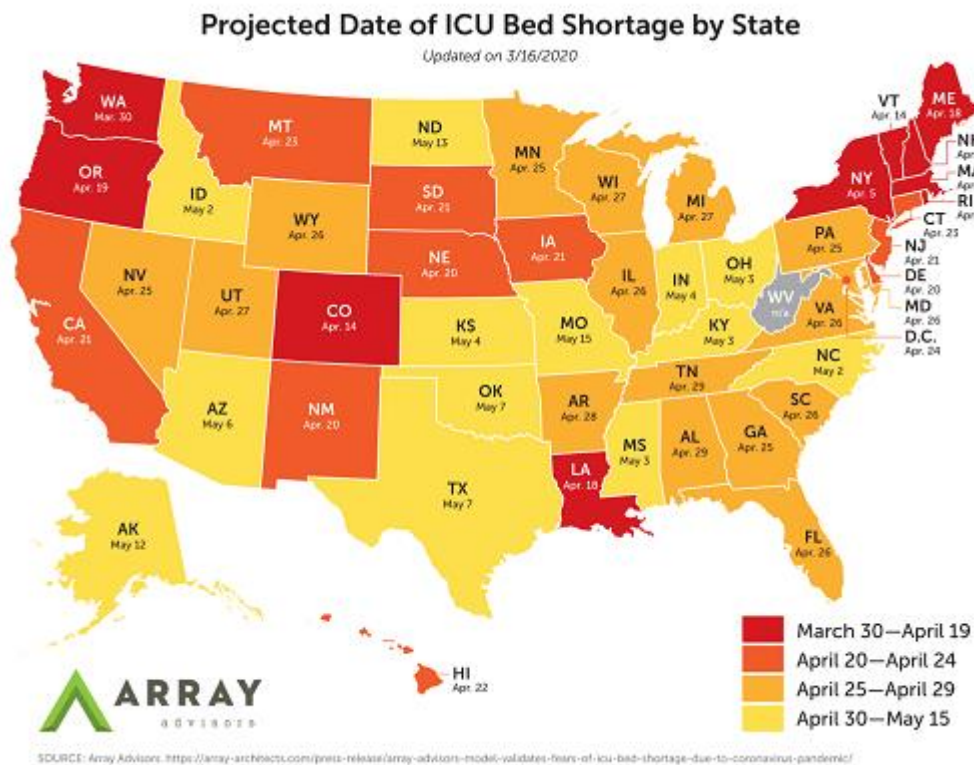
The confirmed cases in the United States has grown on average 25% per day since 20<sup>th</sup> of February. I've used this as an assumption looking forward and the difference is China were able to stop the virus because they locked down the state of 11m people when they reached 571 confirmed cases. The United States has reached >6362 confirmed cases on the 18<sup>th</sup> of March. With human to human spread, there is nothing that suggests 25% is not a realistic number to work with looking forward. Even if we consider today's self-isolation for travelers and the closing of gyms, restaurants and bars, we have 51 cases of human to human transmission, so it only puts us a few days behind. But, this may also be conservative because for [most other countries](#) the rate is 33% daily growth, but let's stick with 25%.

Let's now look at the breakdown of infections.

81% of infections are mild, ranging from little symptoms to stay at home pneumonia, 14% are severe requiring hospitalization and 5% require Intensive Care Unit

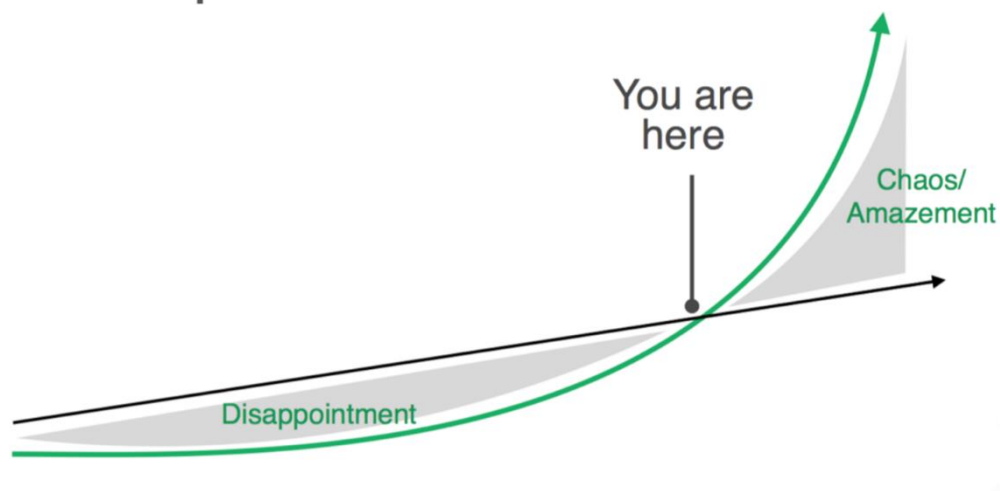


The 12-day lagging model predicts the United States will reach 100,000 likely confirmed cases on March 30th. So, if you suddenly have 100,000 people infected, many of them will want to go get tested. Around 20,000 will require hospitalization, 5,000 will need the ICU, and 1,000 will need machines that we don't have enough of today. And that's just with 100,000 cases. At this stage with 25% growth per day. Take a look at the projected date of ICU Bed Shortage by State:



It reminds us of this image [from Salim Ismail](#).

## Deception of linear vs exponential



# The question is, when does the hospital system get overwhelmed?

## Hospital Beds in the USA.

There are 955,768 hospital beds which includes overnight and psychiatric beds in the USA. It is forecast that most of these beds, nationwide, may be occupied on or before May 8th, with hardest hit areas filling those beds well before May 8th.

There are estimated to be 77,809 ICU beds in the USA. It can be assumed that most of these beds may fill long before May 8th, as the virus grows exponentially in States hit early in this pandemic.

## Summary – Virus & Hospital Impacts

In the next 3-6 weeks the hospital system is likely to be overwhelmed and our country is likely to go into some level of lockdown. 25% growth with human to human transmission means the only question is when.

This will cause significant social disruption as people worry about loved ones and watch sick people they know on social media.

Also, this will have a significant productivity impact on your business, especially if a large percentage of your workforce are sick or caring for someone.

If you are fortunate and haven't become infected by the 24th March, remain vigilant to avoid getting infected until as long as late May, regardless of your age.

And remember this, when Isaac Newton had to leave university because of the bubonic plague, he invented calculus and defined the theory of gravity.

## What does this mean for your business?

The overriding objective should be business continuity and safety for you, staff and the business as a whole.

Not all of you have achieved [Core Capital targets](#), if cash was king, right now it's God.

## **Now that we have established the hospital system and health risk above, let's look at the business and what you must do now.**

We have met or spoken with some of you in the past week, and others not. Below is an outline of our current approach, input, ideas and advice:

From today, we all have one objective for the business. To maintain business momentum till June 30.



**This is broken down into 3 areas (or KR's – Key Results)**

- **Protect cashflow.**
- **Protect people's jobs.**
- **Protect people's health.**
- **Identify opportunities for margin and customer growth, both during and after the crisis.**

## **Protect Cashflow**

Some of you have already seen revenues drop by >50% and by all accounts it is only getting worse. Others have stayed the same or even seen an improvement.

### **Recommendation 1**

**Have your accountant draw up 3 budgets:**

- A 15% reduction in sales.
- A 30% reduction in sales.
- A 45% reduction in sales.

Then the job of the accountant is to get each one to break even.

They may get to break even by payroll reduction, new income stream, rent reduction, or any other way, but the purpose is to have a plan. Without a plan you don't have any preparedness on what to do when bad things happen.

If they say that we can only get to break even after cuts by finding another \$35,000, at least it gives the team something to work toward – that should be a team focus.

Perhaps you can negotiate with your largest supplier a discount or slower payment terms. Even if you don't need it now.

No one ever regrets cutting early, and everyone wishes they had cut earlier.

You should be aiming to make decisions this week, and having the first round completed – if cuts are required by March 25, 2020.

### **Recommendation 2**

**Know your cashflow.**

This is more relevant for some than others. Every day know the actual date you expect to run out of cash based on the best budget estimate. In this climate there will be a cash crunch really quickly as customers stop coming in the door. At a minimum determine your estimated cash balance at June 30 based on the

15%, 30% and 45% budgets above. This will likely go past 30 June. Check cashflow against budget weekly.

Once you have determined your budget and cashflow projection, if appropriate, communicate your plans to your lender, they are very concerned about the risk in the small and medium space right now and the aim should be no surprises for them. They should see competent management and planning.

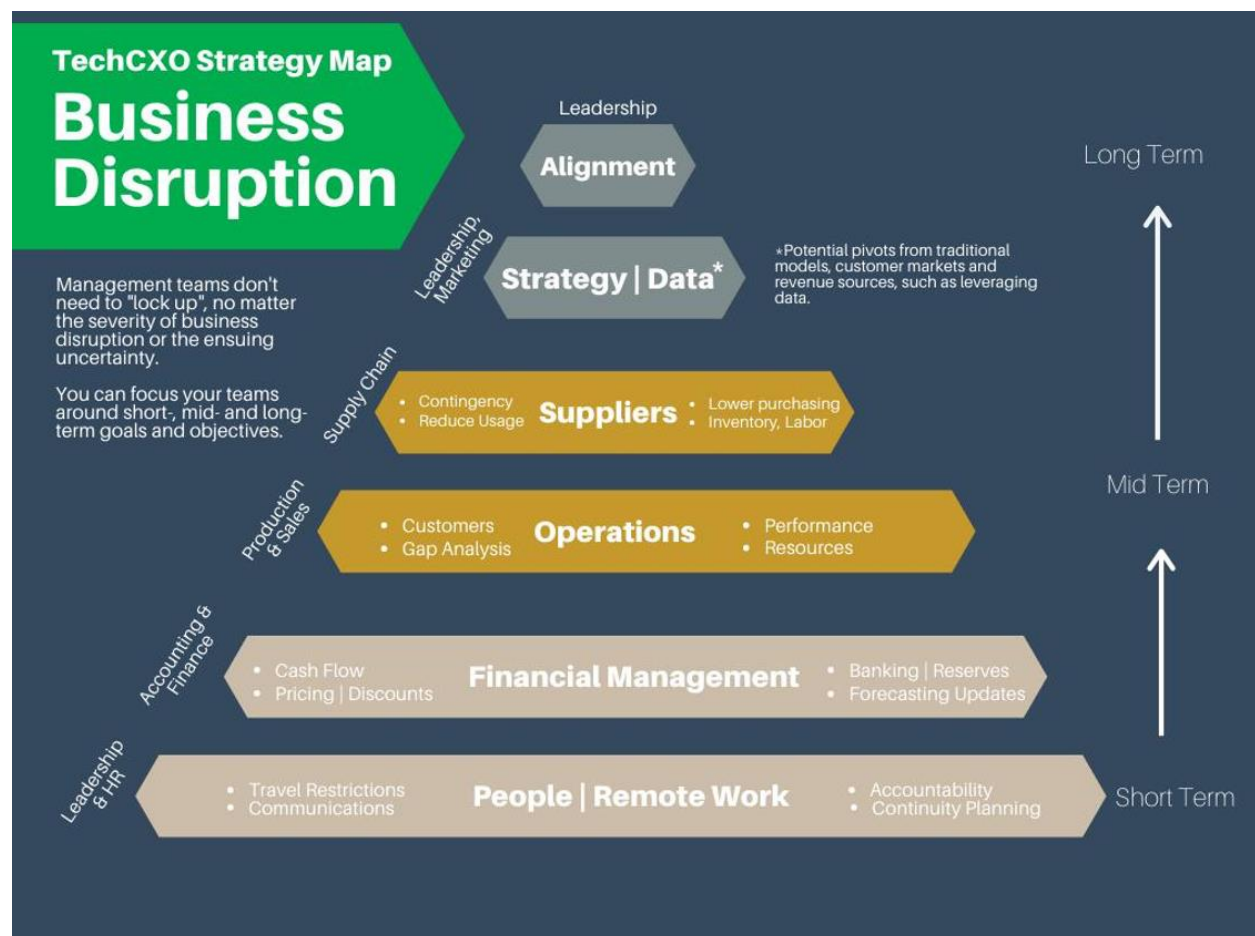
### **Recommendation 3**

#### **Investigate your supply chain.**

If you don't have the parts or services you buy to sell, you won't be able to sell them.

Remember if you are a service business, don't ignore this. Perhaps you're a mortgage broker and the bank or settlement agent will shut their office. Think outside the box!

Below is an interesting tool we've found:



### **Protect People's Jobs**

Many people live from paycheck to paycheck.

They are worried like we are, but also, they are worried about how they will pay the rent and eat in a total lockdown situation.

**Right now, they need leadership and the things you do now will be remembered for years to come.**  
Now is the time to live by your Core Values.

**You need to communicate 3 things:**

- What we are doing to protect the company?
- What we are doing to protect your job?
- What we are doing to ensure your health and safety?

We recommend that this communication goes out at least weekly, preferably every 2 days in the current environment with so much changing.

**What we are doing to protect the company:**

Outline your plan as above. For example, we know sales are going down and we have analyzed 3 bad scenarios and have a clear plan in place.

Be very clear that the main objective is to maintain business momentum till June 30. List any other things you are doing to protect the company such as meeting customers or winning new sales. If you need to communicate layoffs, ensure you outline that it is your responsibility to staff that the company is financially sound.

Finally, be clear that the objective is to get the business to the other side of this pandemic in a strong position (life will go on) and we need good people for when you start growing again.

**What we are doing to protect your job:**

Drawing from the last part, explain that we need good staff. List what you are doing to protect their job such as extending credit to customers, accepting losses to keep jobs, building plans etc.

**What we are doing to ensure your safety:**

Outline the actions you are taking to ensure people's safety. See below for details.

---

## **Protect People's Health**

The default used to be come to work, make a request if you want to work from home. As soon as possible we're recommending that is flipped, and instead you say working from home is NOW the default, and you should make a request to come to the office or meet clients. Not that managers will say no, but that the default is now working from home. That anyone who possibly can, should work from home as soon as possible. This week [Telstra put 20,000 workers](#) onto work from home.

The primary reason we're recommending this is to avoid the risk that your office has multiple expanding infections within your workforce, because if 50% of your office is infected, you have another real problem on your hands to deal with.

The secondary reason we're suggesting this is **what you do now matters and people will remember for a long time how you acted.** You are acting in both their best interests AND the interests of the main objective - which is healthy and prudent business continuity. If you're worried about productivity, we bet no one is actually working, they are all talking about the virus. **This is the time the daily huddle and weekly meeting can really make a difference – either LIVE and/or Virtual.**

We think also that you should make a decision about sick leave provisions. We don't make judgement on what your decision is, but clarity about what happens now, before anything does happen, is vitally important. The decision is what happens if someone gets the virus and runs out of leave. They have used their sick leave, their annual leave and now what? That is the main thing on their mind.

*Seek professional advice as soon as you are able to do so.*

**Here are three simple and expeditious ideas for you to consider now:**

- Sick leave in lieu, go into negative leave and work it off.
- Calculate the risk and chance, and just pay them until they are better. Understand the average time till a person is better.
- Maybe there are insurance ideas here also

Whatever the case I recommend you decide, build a one off COVID-19 sick leave policy and communicate it under the heading what we are doing to protect your safety.

On top of these should be the standard fare, extra cleaning, wash your hands, don't come in sick etc.

Here are a couple of more resources:

[Coronavirus policy boilerplate](#) - it's for a US tech company, but it's a simple template covering most issues

[Chamber of Commerce CoVID-19 resources](#) - this includes business continuity assessment and disaster recovery as well as a bathroom poster, just in case you really wanted one.

---

## **Identify opportunities for margin and customer growth**

A recession is a transfer of wealth. Every downturn creates opportunities and we must prudently spend time focusing on only identifying opportunities for margin growth and customer growth.

### **Margin growth**

Ideas could include:

- Focus on in demand products
- Increase Labor Efficiency Ratio, productivity
- Negotiate better supplier prices
- Drop unprofitable products and focus on higher returns
- Bundle products

### **Customer growth:**

Ideas could include:

- Acquire a competitor who is collapsing.
- Solve new customer problems in this virus environment.
- Spend time on what your Core Customer is feeling right now and what do they need.
- Buy customer contracts from competitors.
- Online, online, online. The internet is possibly the biggest opportunity right now for you.

## **Summary – For your business:**

The primary risks to the business are staff, cashflow and suppliers  
The main objective should be to maintain business momentum till June 30.

### **This is broken down into 3 areas (or KR's – Key Results areas):**

- **Protect cashflow.**
- **Protect people's jobs.**
- **Protect people's health.**
- **Identify opportunities for margin and customer growth.**

**Focus all your efforts around budgets to achieve break even till June 30. It's likely the virus may be well in decline by then, at least at its first bidding.**

### **Last, but not least: You.**

1. Look after your health. Sleep, exercise and eat well.
2. Look after your mental health. You are going into some very tough months, and your own stress levels may move to exponential as well.

**When dealing with staff we've found it good to ask them to list a best-case scenario by June 30 and a worst-case scenario by June 30. Then, like the Stockdale paradox, find the middle – not optimistic or pessimistic -- and confront the brutal facts.**

There's a lot here and we hope it has helped. As you know we are financial planners, and without a plan we struggle. Before the events of this past few weeks, many only had black clouds of uncertainty about what might happen. The numbers and outlook we've provided may still be wrong, but at least it gives something for all of us to plan around.

With Best Regards – and here for you IF you need us,

### **Michael Palumbos**

Owner & Family Wealth Advisor | Family Wealth and Legacy

Rochester, New York USA

Phone | 585.317.2187 – Mobile Direct

[www.FamilyWealthandLegacy.com](http://www.FamilyWealthandLegacy.com)

Michael Palumbos is a registered representative of Lincoln Financial Advisors Corp. Securities and investment advisory services offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC) and registered investment advisor. Insurance offered through Lincoln affiliates and other fine companies. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances. Family Wealth & Legacy, LLC. Is not an affiliate of Lincoln Financial Advisors Corp.  
CRN-3001372-031820

