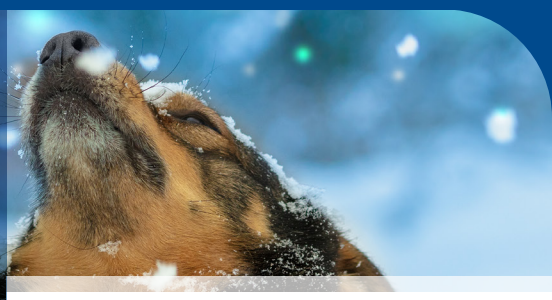
IN YOUR BEST INTEREST

WINTER 2020



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IN THIS ISSUE

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PRESIDENT'S MESSAGE

Wow. A new year and a new decade begin. We have experienced a bull market for the entire last decade with no -20% bear market and only a few -10% corrections. As I write this, there is good news and disturbing news. The good news is a stimulus move by China's central bank. The scary news is the potential Iranian response to the assassination of their top commander. And that's just Friday's news.

For long-term investors like you, what are the implications of the recent market highs, the risks of global disruption, and the eventual recession? Let me acknowledge your fear, vertigo, and exuberance. And let me congratulate you for not reacting to your emotions. To celebrate a breakthrough year like 2019, you had to experience 2018. In his book Atomic Habits, James Clear notes that to achieve goals, you need to get a system to improve every day, and staying invested is your system. Staying invested despite the noise and emotion is the driver of compound returns—on money and on life. To imagine and manifest your future self, ask yourself: how do I want to live the rest of my life? What do I want to accomplish with my wealth? How can I increase my financial confidence? And then develop those small, "atomic" habits to get you there, including staying invested through all markets. Solid financial habits will help you create and maintain a path toward financial success—however, you define it.

My mission is to continue to offer financial guidance and personal support to help you continue to grow the resources you need to live your ideal life. Whatever lies ahead, I'm glad we're heading into the future together!

Lauren Klein

MARKET HIGHLIGHTS: Q4 2019

2019 was a solid year for investors with stocks ultimately closing the year with several record highs. But getting there wasn't a particularly smooth ride. The first yield curve inversion since 2007, a slowing economy, and the ongoing trade war with China each caused its own bit

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MARKET HIGHLIGHTS: Q4 2019

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Market/Index	2018 Close	As of 9/30	2019 Close	Month Change	Q4 Change	2019 Change
DJIA	23327.46	26916.83	28538.44	1.74%	6.02%	22.34%
NASDAQ	6635.28	7999.34	8972.60	3.54%	12.17%	35.23%
S&P 500	2506.85	2976.74	3230.78	2.86%	8.53%	28.88%
RUSSELL 2000	1348.56	1523.37	1668.47	2.71%	9.52%	23.72%
Global Dow	2736.74	3021.34	3251.24	3.18%	7.61%	18.80%
Fed. Funds	2.25%–2.50%	1.75%–2.00%	1.50%–1.75%	0 bps	-25 bps	-75 bps
10-year Treasuries	2.68%	1.67%	1.91%	14 bps	24 bps	-77 bps

Performance data based on data reported in the WSJ Market Data Center as reported by Forefield, Inc.

of angst. Still, investors found a way to stay on course, ultimately pushing stocks to their best year since 2013.

Tech stocks of the NASDAQ led the way, gaining more than 35.0%. The large caps of the Dow (23.34%) and the S&P 500 (28.88%) also fared well. The small caps of the Russell 2000 began the year on a tear, ending February up almost 17.0%. And though the small-cap benchmark index pulled back in March, it gained steadily throughout the year, closing 2019 about 24.0% ahead of where it started, while the Global Dow gained about 19.0% on the year.

A strong stock market and solid economic growth have already buoyed the start of 2020, but there are a few storm clouds on the horizon. The SECURE Act went into effect on January 1, bringing some of the biggest changes to retirement planning and saving in decades. (Read more about the SECURE Act and its impact on your retirement portfolio on page 3). The Treasury budget deficit is precariously high; it topped $98 billion for fiscal 2019 (October 2018-September 2019), up 26% compared to 2018.

While China's just-announced stimulus has clearly eased investor fears for the moment, even if the US "wins" the trade war, the economic impact will continue for some time. 2020 will also bring us the Senate impeachment trial and November's presidential election. And as I write this, I am reading the news of the escalation of tensions with the US and Iran. Yes, 2020 promises to be an interesting year!

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SPOTLIGHT

THE SECURE ACT AND YOUR RETIREMENT

You may have seen the headlines in late December that the SECURE Act was signed into law as part of the negotiations to avoid another government shutdown (despite the concerns of many Certified Financial Planners (CFPs)—myself included). The Act delivers the largest overhaul to retirement plans in more than a decade and, from my perspective, not all of the changes are good ones. Regardless, the SECURE Act became law on January 1, which means that people of every age need to rethink their strategy to create a truly secure retirement.

Like most things in life and politics, the SECURE Act is a mix of the good and the not so good. Here are the highlights:

THE GOOD:

The age limit on IRA contributions has been eliminated.
If you're among the many people who are choosing to work past age 70, you'll be happy to hear that you can now continue to contribute to an IRA at any age. Though it is a welcome change that can help you save longer for retirement, if you are working into your late 60s, 70s, or 80s, the change does require a change in strategy for your retirement plan. Let's talk!

All RMDs now begin at age 72.
If you're already older than 70½, you already know what a nightmare it has been to calculate RMDs in the first two years following your half-year birthday. (It was a rule that seemed to add complexity for complexity's sake!) The SECURE Act makes the whole process simpler by moving the starting age for RMDs to 72, while also allowing older workers to save longer for retirement.

Funds from 529 Plans can be used to pay student loans.
In an age when student loan debt is the nemesis of financial health for a generation of college graduates (and even many who never earned a degree), allowing tax-free withdrawals to repay student loans is a welcome change in the law. Borrowers are now allowed to withdraw up to $10,000 from a 529 Plan without taxes or penalties.

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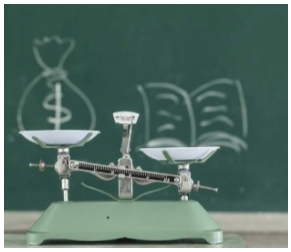
FROM THE BLOG

Don't miss **Lauren's Blog** on our website to stay informed on topics that impact your finances, your family, and your future.

Impeachment and your portfolio: where we go from here

The grass may be greener with a Roth IRA conversion



Offering advice to your adult kids? Weigh your knowledge first!

Is there a topic you'd like Lauren to tackle? Send us an email with your thoughts. We'd love your suggestions and feedback.

Q1 DATES TO REMEMBER

JANUARY 15	**January 15** Q4 estimated taxes due
JANUARY 15	**January 20** Martin Luther King Day (markets closed)
FEBRUARY 14	**February 14** Valentine's Day
FEBRUARY 17	**February 17** Presidents' Day (markets closed)
MARCH 8	**March 8** Daylight Savings Time begins
MARCH 16	**March 16** 2019 tax returns due for S Corporations and Partnerships

SPOTLIGHT

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It is easier for small businesses to create and manage retirement plans.

Access to a retirement plan is a vital step in tackling the retirement preparedness crisis in the US, and the old rules made it difficult and financially risky for smaller businesses to offer 401(k) plans to their employees. The SECURE Act enables small businesses to come together to create Multiple Employer Plans—or MEPs—while also reducing the risk of managing these plans.

THE NOT-SO-GOOD:

The 'stretch' provision for IRA distributions has been eliminated for non-spousal heirs.

In the past, heirs were permitted to stretch distributions from inherited accounts over many decades to alleviate the tax burden. The SECURE Act requires most non-spousal beneficiaries to deplete inherited accounts within 10 years. Because there are no Required Minimum Distributions (RMDs) prior to the 10-year deadline, careful tax planning that includes strategic distributions is vital.

It is easier for employers to convert retirement plans into lifetime annuities.

This is the whole reason the insurance industry lobbied long and hard to get the SECURE Act passed in the first place. While the move may help employers more easily fund their retirement plans, the Act does nothing to control the type of annuities used—which has the potential to put workers' retirement savings at risk. At the same time, the Act creates a safe harbor for companies when they select an annuity provider, which keeps them off the hook if the provider goes bankrupt down the road.

There is lots more to the SECURE Act, but these are the items that will impact most of us. Our team is monitoring how each change affects your personal planning, but please be aware of the changes so we can work together to use the SECURE Act to your advantage and to carefully navigate the aspects of the law that introduce planning challenges. As always, if you have any questions at all, please ask!

TIPS & TOOLS FOR A FINANCIALLY SOUND 2020 (AND BEYOND)

With 2019 (and another decade!) in the rear-view mirror, it's time to take a close look at your finances to be sure you're on track toward your short- and long-term goals. Make it your mission to tackle just one or two items off this list each week in January and February. It's a sure-fire approach to getting your financial life in order for the year ahead.

- Organize 2019 year-end reports
- Set a budget to erase any lingering holiday debt
- Prepare records for tax filing & complete your preparer's tax organizer
- Set up new 2020 files for bills, insurance records, tax returns, etc.
- Shred old tax and financial records from 2015 and prior (not sure what to keep? Request a copy of our handy "keep or toss" list)
- Maximize your retirement plan contributions
- Review and rethink your monthly budget (and start using a budgeting app to help stay on track!)
- Schedule a financial fitness checkup with our team

Not sure what to tackle first? Give us a call. As always, we're here to help!

"I realize how helpless and needy they are, but I'm afraid you still can't claim a human as a dependent."

Cartoon credit: Elisabeth McNair/The New Yorker Collection/The Cartoon Bank