BOND&DEVICK wealth partners

News & Notes from B&D

Special Edition—Welcome 2020!

Avoiding Portfolio FOMO

The great investor, Peter Lynch, is credited with saying, "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." Since 1982 our firm's philosophy has been to not try and time the market, as we know it is a loser's game. What is important to become a successful long-term investor is *time* in the market, not *timing* the market. We believe a diversified, well-balanced portfolio created to match each client's risk and investment return objectives is the best way to help investors reach their long-term goals. A dear colleague of ours once said our job is to help clients avoid the trap of buying high, selling low and repeating until broke. Unfortunately, many investors seem to be doing that right now. *(continued on page 2)*

The SECURE Act

On December 20th, President Trump signed the SECURE Act. A significant piece of legislation that will impact retirees and workers preparing for retirement.

Here are a some of the major changes:

Required Minimum Distributions

The mandatory age to begin taking distributions was changed from age 70 ½ to age 72. This creates a planning opportunity for those of you who will be 70 ½ -71 years old in 2020 and who do not need distributions from your IRAs for income. For those of you who turned 70 ½ in 2019 or before, you will still be required to take your required distribution in 2020 and beyond. *(continued on page 2)*

Certified B Corporation

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SECURE Act (con't from page 1)

Qualified Charitable Distributions

The age to gift from an IRA directly to a charity, a strategy called Qualified Charitable Distribution (QCD) remains the same at age 70 ½. This also provides a planning opportunity for those who are between 70 ½ and 72 and who would like to make tax-free distributions to charity.

529 College Savings Plans

Distributions from 529 College Plans can now be used for apprenticeships and up to $10,000 may be distributed tax-free to pay down student debt.

Kiddie-Tax Changes

Unearned income (for example investment income) for minor children are now subject to the parent's marginal tax rates instead of trust and estate tax rates. Consult your tax preparer, because you may be able to use the parent's marginal tax rates for minor unearned income for tax year 2019.

Retirement-related Disaster Relief

Individuals may distribute money from retirement accounts in a federally declared natural disaster area, with favorable allowances (waived early withdrawal penalty, the ability to spread the distribution over three years for tax filing, and a three-year period to pay the distribution back).

Medical Deductions

The AGI threshold for medical deductions has been lowered to 7.5% for 2019 and 2020.

IRA Contributions Age Limit

There is no longer an age limit for making IRA contributions as long as you have earned income.

Early withdrawal for Childbirth and Adoption

You are now allowed to distribute up to $5,000 from a pre-tax retirement plan (per spouse) without being subject to early withdrawal penalties for childbirth and adoption (per child born/adopted).

Non-spouse Beneficiaries

For any inherited pre-tax accounts, starting in 2020 for most non-spouse beneficiaries, you must fully distribute the pre-tax account within 10 years of inheritance. This is a major change from the previous rules, which allowed heirs to distribute the account over their lifetime.

Trusts listed as Beneficiaries

In the past, if you have a trust listed as a beneficiary on a retirement account, the required distributions would "look through" the trust and use individual's ages to determine required distributions for the beneficiaries. Under the SECURE Act, the trust and retirement accounts may both be forced to liquidate after 10 years. If you have listed a trust as a beneficiary, you should contact your estate attorney to see if any changes need to be made to the trust as a result of the SECURE Act.

This law is very new, we are working hard on understanding its implications for our clients. Over the next several weeks, we will reach out to those we believe are most impacted by the changes. Please feel welcome to call us with any questions about how the new law could impact your specific situation.

The Bond&Devick Team

FOMO (con't from page 1)

Why is it so easy for investors to buy high and then sell low? We believe it comes down to psychology. Many people scour stores and the internet for sales and won't buy new clothes or a car until they get an amazing deal. These same people like to buy stocks after they have had a good run. Part of this, we suspect, is FOMO or Fear of Missing Out. Once investors hear how much their neighbors, in-law's and friends are making in the market they want in!

There are many investors who have been on the sidelines for the past few years and we believe the higher the market goes the better the odds this money will be invested into stocks, which could continue to drive prices higher over the short-term. According to a September 24, 2019 article on businessinsider.com, a record $1.1 trillion dollars had shifted out of stocks over the previous year. Earlier this year, Axios reported that the top 1% wealthiest US households held a record $303 billion in cash, which is up from $15 billion before the financial crisis!

Creating and maintaining balanced and diversified portfolios may not be "exciting", however, over the long run, we are more comfortable in this method of investing than constantly moving money in and out of the markets.

Wishing everyone a safe, happy and healthy 2020.

The Bond&Devick Team