Insights: Volume 4, Issue 1

The SECURE Act for Individuals: An Executive Summary

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 was signed into law on December 20, 2019 and while the effective date of the Act is January 1, 2020 not all the provisions will become effective as of that date. The Act will be subject to significant interpretation and guidance from regulatory agencies and, as such, it is important to work closely with our team and your tax and legal professionals. In this update, we will provide some of the headline changes that comes with the SECURE Act and how it may impact you as an individual.

Individual Retirement Accounts (IRAs)

Individuals with earned income are now able to make Traditional IRA contributions regardless of age. This move repeals the age limit which was 70 ½. This repeal keeps in place the rules for Roth IRAs, which have never been subject to an age limitation. For Traditional and Roth IRA owners that die after December 31, 2019, the RMD rules are modified for designated beneficiaries inheriting these IRAs. A designated beneficiary is generally a non-spouse individual, as well as a qualified "look-through" trust and are required to fully distribute the Inherited IRA by the end of the 10th calendar year following the year of the IRA holder's death. Eligible designated beneficiaries can continue to take RMDs based on the their single-life expectancy. Eligible designated beneficiaries are: the surviving spouse of the IRA owner, disabled or chronically ill individuals, individuals not more than ten years younger than the IRA owner, or a child of the account owner who has not reached the age of majority.

Qualified Retirement Plans (QRPs) and IRAs

The SECURE Act raised the Required Minimum Distribution age from 70 ½ to 72 for those individuals not already 70 ½ by the end of 2019. However, SECURE Act did not change the age at which an individual can make Qualified Charitable Distributions (QCDs), which remains at 70 ½ and adds a new penalty exception to the 10% additional tax for distribution pre-59 ½. Parent can withdraw up to $5,000 from their retirement account to pay for birth or adoption expenses during the one-year period that begins on either the date of birth or the date on which the adoption is finalized. Also, you have the opportunity to recontribute the amount distributed taken out with this exception.

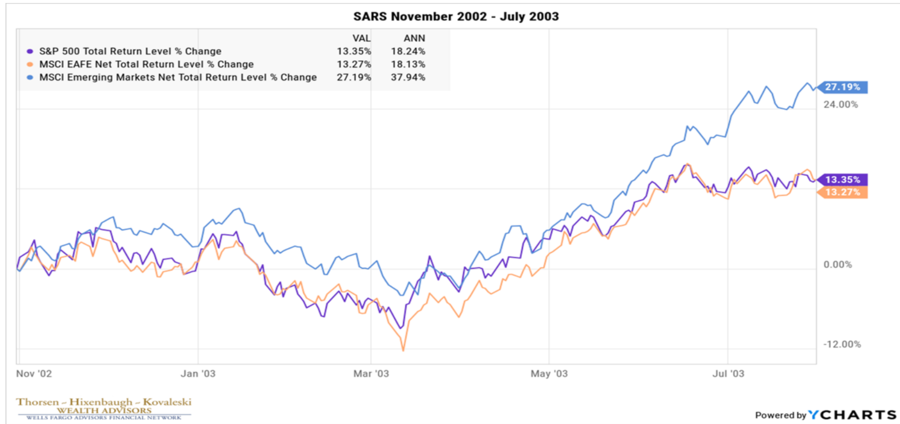
Saving for Education Expenses - 529 Plans

In addition to the existing qualified distributions from 529 plans, the SECURE Act expands the use of plan assets to cover the cost of qualified student loan repayments (up to $10,000 lifetime, not annual), including those for siblings and registered apprenticeships.

In addition to the changes that impact individuals there were many changes made that incentives businesses to start a retirement plan, increase tax savings, provide greater access to plans, and promote lifetime income. If you are responsible for your business's retirement plan, please give us a call for more information. We will continue to provide more information and detail as it becomes available to our team. *(See page 4 for Disclosures)*

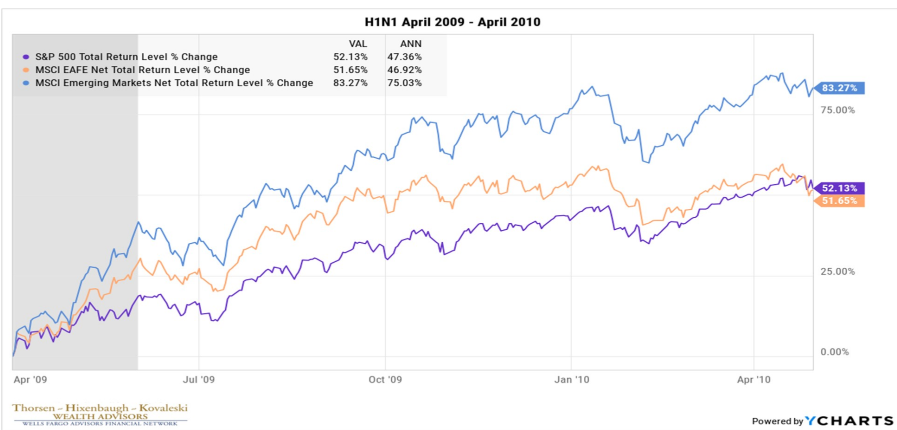
Global Health Market Scares and Equity Market Returns

In recent months we have seen the reemergence of one of our core themes: volatility compressed in time. Multiple daily four percent swings, both up and down, in the S&P 500 have underscored how headlines, driven by fear and uncertainty, can create a rollercoaster like feeling in the stock market. While each market period is unique and past performance does not guarantee future results, we do research previous similar market conditions as we believe that while history does not repeat itself, it often rhymes. To that end, here are some previous global health scares.

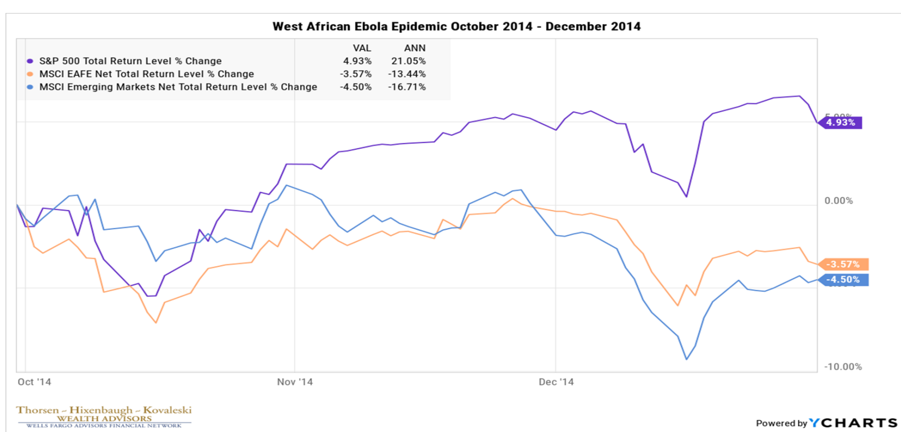


SARS-CoV: According to the CDC, the coronavirus commonly known as SARS had a case-fatality rate of 9.6%. The United States was fortunately contained with only twenty-nine cases in the United States and no fatalities. Against the backdrop of the dot-com bubble bursting, the U.S. and global markets did experience volatility, however, no recession occurred as a result of this health scare.

H1N1: According to the CDC, the influenza virus commonly known as Swine Flue was declared a global pandemic in June 11, 2009. The final estimation of its impacted was published in Clinical Infectious Disease, an official publication of the Infectious Diseases Society of America as an estimated range of cases from 43.3 to 89.3 million and deaths between 8,868 and 18,306. Here again, we see that the impact of a widely infectious disease did not derail markets coming out of the Great Recession, despite multiple market pullbacks.



Ebolavirus: Inspiring market and media panic Ebola arrived in the United States in late 2014. While there were only eleven people treated for Ebola in the U.S., however of the eleven treated two passed away, presenting the highest mortality rate of the three discussed here. Again, while the virus presented market volatility, overall equity markets held up. While we will continue monitor the markets and economy, we do expect continued volatility, but absence a significant change in economic conditions, we remain optimistic for our long-term investors.



(See page 4 for Disclosures and Sources)

Team Updates

We appreciate all that you share with us about your family, goals, and life changes. We would like to take this opportunity to give you a little update about our lives outside the office.

"We wrapped up the holiday season and kicked off the New Year with a fun-filled day at Animal Kingdom." ~Mike

"During the Christmas Season we took a break from the office to celebrate with a little 'Holiday Magic' by seeing one of our favorite magicians. It was a night of good food and up close slight of hand that even had some of us participating in the show." ~Karen and John

"Jessie and I spent a week in Park City, Utah just after the New Year. Our highlights were Jessie learning to Ski, the Ocean Trout at the Deer Valley Seafood Buffet, and witnessing 17 inches of snow fall in 24 hours! We enjoyed our time, but were happy to get back to sunny Florida weather." ~Kent

"One of my favorite shows is Iron Chef: America so I was very excited to attend the third annual Sake & Shine which is a collaboration between Iron Chef Masaharu Morimoto and former personal chef to Oprah Winfrey Art Smith. I was able to enjoy an excellent pan-Asian dinner and topped it of with Chef Smith's famous Hummingbird cakes. After the meal I was able to get a picture with Chef Morimoto and his culinary crew." ~J.R.

How to Raise Kids with Money Smarts

Parents have a responsibility to teach their children about finances—and that's true for wealthy families and less affluent families alike.

Kids are smart enough to pick up on signals that their family may have more than others. But if the conversation stops at the benefits that money can bring, you're missing out on important life lessons. They're not really being taught how to be financially responsible once they leave the house and become independent. What steps can parents take to teach both sensitivity and responsibility about money?

Step 1: Find teachable moments.

It can be difficult to find time to sit down and talk specifically about wealth, but natural opportunities to teach pop up every day.

For example, you can incorporate financial responsibility into an impromptu math lesson about money: If you find something that originally cost $100 and it's on sale for 30% off, you can ask kids how much the new price is—and, now that they are only spending $70, what they might do with the $30 that's left. *(Continued on Page 4)*

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Step 2: Take a lifelong view toward financial literacy.

Every child, and especially those who will one day inherit substantial wealth, should have a tool kit of basic financial literacy skills by age 18, including concepts such as how to spend, how to save, how to give, and the value of a dollar.

This can start very early with an exercise as simple as a three piggy banks analogy. You encourage the child to divide any money he or she receives into three piggy banks: spending, saving, and community/charity. This shows the concept of different types or purposes of money as opposed to all being for spending. Repeating this exercise can help ingrain the habit of saving regularly.

By late childhood or adolescence, parents can add concepts such as what it means to invest, what companies one might invest in, and how you assess risk with an investment.

You can encourage children in high school to think about college expenses logically by examining the costs and coming up with a credible college budget. Ask them to consider basic questions: What will you need in order to make this happen? What will the family need to supply, and what is the student expected to supply, in terms of tuition, books, room and board, transportation, and normal spending money?

And parents and grandparents can continue to encourage responsible, long-term financial responsibility by giving young adults an incentive to begin saving for retirement early. If you're able, and they have earned income, offer to match what they save into a Roth IRA. It's also wise to coax contributions to a 401(k) at work.

Step 3: Show your kids how it's done.

Your child's healthy relationship with money begins with an open and honest relationship within a family that models good money behavior. These discussions can be challenging, but the fruit is well worth the labor.

Stress education and expect them to do well in school. The parents who do really well in teaching financial literacy typically lead by example—they tend to be savers, and they're more careful with spending money. Remember to be that example. CAR—0320-02350

Thorsen ~ Hixenbaugh ~ Kovaleski
WEALTH ADVISORS
WELLS FARGO ADVISORS FINANCIAL NETWORK

315 East Robinson Street, Suite 190 ~ Orlando, FL 32801

Tel 407.845.1080 ~ Fax 407.845.1090 ~ www.THKWealthAdvisors.com

Sources from Page 2: https://www.cdc.gov/mmwr/preview/mmwrhtml/mm5249a2.htm; https://www.ncbi.nlm.nih.gov/pubmed/21342903; https://www.cdc.gov/vhf/ebola/history/2014-2016-outbreak/index.html