FEBRUARY 2020 ISSUE 1

MONARCH INSIDER

Reflection | Understanding | Relevance

A NEW YEAR, A NEW YOU

It's 2020 so...

What are you doing to prepare yourself for the new year? New diet, budget, or a vague commitment to becoming a better you? The end of the year gives us time to reflect on all the things we've achieved the past twelve months, shortcomings and some things we'd like to change about ourselves. Some of the most popular have to do with health, starting a strict diet, exercise and getting more rest. It's no secret, we all want to be healthier, live longer and have a better quality of life. That only becomes more and more apparent as we age and start to feel the effects of years of neglect.

When considering healthier ways of life in the new year, we also have some control over how much financial liability we can defray. During open enrollment, we all make choices about how and when we'll share medical costs with an insurance provider or faith-based coverage. For those of us who are healthy and make the conscious decision to elect a high deductible plan, there are a number of financial incentives that may not be so obvious.

For starters, the cost of a high deductible plan is a fraction of the cost of its more equipped insurance cousins. And that's for good reason; high deductible plans can become cost-prohibitive if your medical bills pile up throughout the year.

WHAT'S INSIDE THIS ISSUE:

MONARCH WEALTH MANAGEMENT

So, what exactly should I remember about an HSA and healthcare options? For starters, consider all of the major factors for your specific family when attempting to navigate your healthcare provider and level of coverage. Plans are intricate and the process of comparing them is no easy feat.

If making the conscious decision that a high deductible plan is your best option, a Health Savings Plan should absolutely be reviewed. They'll allow for a triple threat of benefits; tax-deductible contributions, tax-deferred growth, and tax-free withdrawals if used for a covered health expense.

You may be asking if anyone from the firm can assist with an HSA? The answer is absolutely. Focusing on long term growth of money set aside for health expenses over your lifetime is an integral part of these accounts. We are here to help consult, plan and even manage assets held inside these accounts. Yes, that's right, investment options are available in an HSA and one major component no one talks about. Most advisory firms don't promote it and have no clue how.

SECURE ACT

"Secure" for who?

The act itself is intended to do what exactly? Have you known about the Secure Act or seen it publicized at any point before it was signed into law? Yet, news of its existence was announced late in December and it was literally the first time most of us had even heard of it.

The legislation covers an array of topics including 529 plans, mandatory distributions, and non-spousal inherited assets. To say this is a broad scope would be an understatement. Because there is so much covered we'll only scratch the surface and touch on some of its highlights.

One item that will impact retirement income strategies is the extension of the RMD age. In previous years, the magic number was 70 1/2 and that has now been extended to 72 beginning calendar year 2020. That means an additional year and a half of additional growth potential and deferral of taxes. This is no surprise as the average life expectancy continues to rise.

Typically any type of withdrawal coming from a retirement account prior to age 59 1/2 is a big no-no. The latest exception will allow for up to $5,000 to be distributed from a retirement account for the adoption of a child or to help new parents. This will allow the withdrawal to avoid an IRS tax penalty. The withdrawal itself is still subject to tax, but will bypass a slap on the wrist for taking retirement funds before you're supposed to.

Planning to leave your retirement assets to someone other than your wife or husband? This act repeals the ability to "stretch" those RMD's over the beneficiaries' lifetime to reduce the tax burden. Instead, the new owner will be forced to distribute 100% of the account over just 10 years. This is a huge item that demands review and fair consideration while constructing your estate plan.

In summary, this act covers a lot of ground. This is a great time to kick the tires on your estate plan, income plan and discuss how and if you need to make changes.

The word "secure" means a lot of different things to a lot of different people. The latest act may challenge the stability of estate and retirement plans designed to provide some level of surety.

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TIS THE SEASON

Happy scamming! What, did you expect another celebratory message wishing you well this wintry season? The holiday's are behind us, we're almost halfway through the first quarter in the new year and this is still prime season for the vultures on the internet prowl.

This fraud reminder is not only relevant, but timely. It irks us all to hear about a friend, family member or client who was a victim of identity theft or fraud. More and more of what we're seeing is the smaller, quick, transactional breaches vs. a full blown identity takeover.

How does this happen and who is targeted? Nowadays it can be anyone with a phone, email, access to a computer or even the small intelligent speakers and displays we've all taking a liking to. Smart devices are becoming more common in the household.

I can speak from experience that it's relatively easy to hack a smart device without the necessary precautions. We've all done it. Quickly set up a new device, forget to enable 2-Factor authentication and wham, just like that you have an uninvited guest taking over control of your lights, thermostat, doorlocks and more. Scary is right!

Okay, so why should you care and how can you prevent fraud and hacks? Well, for starters be cautious of the sites you use. It can be for purchases and "free" tools designed to help you. Privacy is a hot topic on the various apps and social media sites we all use daily. Be sure to create unique passwords and use a variety of them between email and sites you use. I know it's tempting to keep them similar or the same, but that's inviting a world of hurt if things go wrong.

The tools we have in place to protect, monitor or keep us safe can also be used as a weapon against us. Do not get in the habit of sending personally identifiable information via email unless it's encrypted. We utilize an encryption software as well as use the latest infrastructure from DocuSign to review, encrypt and sign documents electronically.

Most of this is common sense, but don't be too quick to think, "ah, that'll never happen to me". It can and will to happen to some extent as the thieves are getting smarter and more creative by the day. If only they would put those minds to good use; perhaps as cybersecurity experts?

"...so why should you care and how do you prevent fraud..."

MARKET UPDATE

Last Year was great, now what?

So everyone is feeling great about their year-end statements and proud they participated in one of the greatest bull markets of all-time. This is great news, but what does this mean for 2020 and beyond? If you're a current client, you know and understand how the market works. We have a fundamental belief in diversification and maintaining a stance based on your objectives. Goal-based planning is how we measure success; it's not the huge market returns that make us pound our chests about the amazing work we provide. It's an ongoing process that takes time, discipline, strategy and a certain appreciation for the turbulence of the market.

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We know what the results were last year and for the better part of our recovery since 2008, but that leaves a lot of people wondering about this year. There is a lot to be concerned about and it's quite easy to fall into the camp of pessimism considering the robust returns we've been able to capture. Looming global concerns over interest rates, purchasing power, currency valuations, trade deals, tariffs, tax reform, potential terrorist attacks, pending impeachment, an election year and the list goes on and on. We all hear the news and can't get away from politics, but we certainly don't want that to interfere with our goals or investment management. Through it all, it's our job, duty, and responsibility to slice through the narrative and dig into details of corporate earnings, momentum and valuations.

Taking all things into consideration is no easy task, but we must take a stance on the outlook of the economy and the overall market. These are the things we think about daily in order to be the best steward of our clients' assets.

With that being said, our firm is cautiously optimistic about this year and next. Sound like a cop out? Well, what we mean by that is we anticipate mid-single digit returns this year. Challenges remain evident in fixed-income asset classes as retirees strive to quench their thirst for income. There are some small tweaks we've been making and considering. This is part of the "normal" ongoing process and due diligence. The majority of changes involve scaling back on sectors and taking some earnings off the table.

At this point we see no reason to dissent from our pro-growth stance as earnings continue to provide evidence that the stock market still holds the most attractive risk/reward value. Barring an unexpected event we remain positive and continuously assess our positions for change.

We thank you for your loyalty, value your relationship and strive to meet all your planning and wealth management needs.

A LITTLE MORE BEFORE WE GO

Our firm represents more than just wealth management and we like to showcase this by providing the most informative, useful news mixed in with some fun throughout the year.

If you're reading this newsletter, you've already taken a step towards regular communication. These quarterly distributions provide a summarized version of timely events and news. They are no replacement for semi-annual or annual reviews that take place.

We've added a number of outlets to access our thought process and philosophy on our money management. Our style is needs based to execute a holistic plan that is specific to you.

Take notice of our e-newsletter as well as print, podcast, social media, website, learning workshops and client appreciation events. Please like, share and comment on content. It will improve your overall experience and help deliver services to clients who need us most.

Our 2020 client appreciation events as well as learning workshops have been released on both the website as well as the postcard mailings. Contact us directly if you'd like more information or would like to schedule a consultation. Thank you and stay tuned for our next quarterly newsletter.

Cheers,
The Monarch Team

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