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Quick Checklist for the SECURE Act:

We've covered this new legislation in more detail in this newsletter, but here is a checklist for you to see if you will be affected by the new SECURE Act:

Were you born after July 1, 1949?

- You will not have to start taking mandatory IRA distributions until you turn 72.

Are you the beneficiary of an IRA account owned by someone other than your spouse?

- Beneficiaries inheriting after January 1, 2020, will have to withdraw the entire balance of the inherited IRA account over 10 years. (If you are already taking distributions from an inherited IRA, you will not be affected.)

Are you over 70½ and still earning income?

- You can continue to make IRA contributions, including contributions to spousal IRAs.

Do you work part-time, or employ part-time workers?

- Part-time workers with 3 years of service are now included in 401(k) plans, as long as they work at least 500 hours per year (quarter-time).

Are you a small business owner who does not currently offer a 401(k)?

- New provisions are available to help you establish a plan.

2019: A Year of Transition

In 2018, cash was the best-performing investment while all other asset classes lost money. In 2019, we experienced something completely different. Investors were rewarded for their patience and optimism, as markets around the world posted strong double-digit gains, bonds gave investors interest plus a bit more, and cash held its value. From a long-term perspective, this is the pattern that seems normal: risk pays off as stocks beat bonds and bonds beat cash.

As it goes with life, the economy, and investing, highs and lows are often experienced concurrently. In 2019, Notre Dame Cathedral burned, climate change worsened, and political divides became even deeper. Major pro-democracy protests gripped Hong Kong, one of the world's largest financial hubs. Economic unrest and protests also gripped Ecuador, Chile, Iraq, and others. The United Kingdom spent the entire year paralyzed with ongoing debates over Brexit. The world experienced a manufacturing recession. In the US, the Federal Reserve changed its strategy and cut interest rates three times in 2019, reversing nearly all of the 2018 increases. And in December, the President of the United States was impeached for just the third time in history.

Despite a series of negative events, much went right in 2019. The broad economy and consumers showed resilience. Although there were job losses in the manufacturing sector, the rest of the economy steadily added jobs throughout the year. The nation's unemployment levels remained near record lows. Despite a slowing economy and rising costs of tariffs, corporations were able to maintain high profit margins. Consumer optimism and spending patterns remained strong.

It's hard to be optimistic when many of the world's troubles need to be confronted realistically. But when investing, an optimistic outlook is usually the right attitude. The whole nation will need a healthy dose of optimism this election year.

Index	*12/31/2019*	*YTD*
Dow Industrials	**28,538.44**	**22.3%**
S&P 500	**3,230.78**	**28.9%**
S&P Small-Cap	**1,021.18**	**20.9%**
MSCI EAFE	**2,036.95**	**18.43%**
Bloomberg US Bond	**2,225.00**	**8.7%**
US Treas 10-yr yld	**1.9%**	

Most economists believe the economy will continue to grow in 2020, but minor warning signs lead some to believe that recession is still a possibility. We're seeing an increased risk appetite in many markets, and aggresive investing can push markets too far, too fast. We believe we are closer to the end of an economic cycle, and with valuations remaining high, a balanced risk-taking approach is the most appropriate. Most likely, the stock market will see further gains in the year ahead, but maintaining a diversified portfolio should keep you prepared for the unexpected.

The SECURE Act

The SECURE (Setting Every Community Up for Retirement) Act was a major Congressional action incorporated into an end-of-year spending bill and signed into law on December 20th, 2019. The bipartisan bill was designed to help Americans saving for retirement and prevent older Americans from outliving their assets. The legislation, effective January 1st, 2020, contains key provisions that will affect many financial and retirement plans.

Required minimum distributions (RMDs) from retirement accounts will no longer begin in the year the account holder reaches age 70½: the new RMD rule slightly delays the onset to age 72. Those turning 70½ in 2020 will be the first

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1501 Venera Ave., Suite 310
Coral Gables, Florida 33146
305.669.2119
www.firestonecapital.com

jack@firestonecapital.com
carol@firestonecapital.com
carlos@firestonecapital.com
anthony@firestonecapital.com

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Safety in Numbers: Back to Basics

The bad news: cybersecurity threats have become even more widespread and complex, from massive hacks of personal data to successful ransomware attacks on cities.

The good news: the best available methods for fighting back and keeping yourself safe (or at least safer) haven't changed much, and are still fairly simple. And most of them are low-cost or free.

1. Update! Major software providers are constantly patching their software. Keep your computer and devices updated, especially your antivirus software. Cost: free!

2. Monitor your credit! The major card providers allow you to set up alerts for specific activity types. For example, you can have an email sent to you when there's an international charge, or online, or at a gas station. Cost: free!

3. Watch your clicks! The best defense against phishing, malware, and data theft is your own caution. Be suspicious of emails or texts with links. Cost: free!

4. Use a password manager! Data breaches of major companies have shown us that any given password can be stolen. With a password manager, you can make sure that your passwords are all different, unique, robust, and easy to change. Cost: free for basic versions, and often worth it for premium.

The SECURE Act

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to benefit from this change, as retirees currently taking RMDs will be unaffected.

Under the previous law, workers over 70½ were not allowed to make IRA contributions: the SECURE Act removes this restriction, allowing workers of any age with earned income to make a contribution to their own IRA or to the IRA of a non-working spouse.

One of the most significant changes affects required distributions from IRAs inherited by non-spousal beneficiaries. Starting in 2020, the entire balance of inherited retirement accounts must be distributed within a maximum period of 10 years. Under previous law, these distributions could be "stretched" over the entire lifetime of the beneficiary. An exception can be made if the non-spousal beneficiary is a minor child, disabled, chronically ill, or less than ten years younger than the deceased IRA owner. Existing inherited IRAs are not affected.

This change has major implications, as distributions are taxed as income. This impacts tax planning and could also possibly increase retirees' Medicare premiums. We will be reviewing these concerns with potentially affected clients in the upcoming months.

Substantial changes have been made to 401(k) plan rules. Employers will now be required to include part-time workers with at least three consecutive years of service as participants in 401(k) plans, reducing the annual hours of service requirement from 1,000 to 500. For automatic-enrollment plans, the cap on optional payroll contributions increases from 10 percent to 15 percent of an employee's paycheck.

Small business owners who wish to offer 401(k) plans can now join group plans alongside other companies, to pool resources and share costs. The tax credit for associated plan start-up costs increases from $500 to $5,000.

Annuities, formerly barred as investment options in 401(k) plans, are now permitted. (The life insurance industry lobby was a major proponent of the SECURE Act.)

In an effort to provide relief for the mounting student debt problem, the SECURE Act allows 529 plans to be used to pay off student loans, up to a lifetime maximum withdrawal of $10,000. The new law also allows a $5,000 penalty-free IRA withdrawal for the birth or adoption of a child.

Finally, the SECURE Act reverses changes made in the Tax Cuts and Jobs Act of 2017 to the 'Kiddie Tax' (taxes on investment and unearned income of individuals under 17). Any income subject to this tax is again taxable at the child's parents' marginal tax rate, as opposed to trust tax rates.

Preparing for the Unknown

Proper planning can help prepare for the surprises, uncertainties, and inevitabilities that face us all. We all hope to age with dignity and have our final wishes honored. A fresh review of your estate plan can help you and your family prepare for life's transitions.

Get Your Docs in a Row: A comprehensive estate plan includes legal documents stating how your property is to be distributed at death (Wills/Trusts), who is designated to act on your behalf if you are incapacitated (Power of Attorney), who inherits invested assets (Beneficiary Designations), your wishes on end-of-life medical care (Living Will), who will make medical decisions if you are unable to do so (Health Care Directives), and who should take care of any minor children (Guardianship). Laws change from state to state: review your plan if you have moved, or if it's been over 3 years.

Aging in Place: Most people prefer to remain in their own home for as long as possible. Home sensors and other electronic devices, as well as property modifications (widened doorways, ramps, grab bars) can help maintain safety and independence. Provisions must be made if driving is no longer an option. In-home aides may be needed. Appointing someone, often a trustworthy and willing family member, to assist with bills and taxes is also a wise choice, as many financial frauds target older adults.

Freedom of Choice: Caring for loved ones or parents as they age isn't easy. Mobility and health issues can make it impossible for many of us to age in our homes and force us to make alternative living arrangements. People who move willingly and proactively have far better experiences and longevities. A Continuing Care Retirement Community supports senior residents through the different phases of the aging process. Different housing options and care levels are offered based on changing needs, from independent living to skilled nursing. Start planning early: the best facilities often have multi-year waiting lists.