Scott White ADVISORS
An Independent Registered Investment Advisor

SPRING 2020

The Navigator

MANAGING WEALTH. SERVING GENERATIONS.

Tax and Retirement Changes for the New Year

by A. Scott White, CFP®, ChFC®, CLU®
President, Scott White Advisors

The Tax Cuts and Jobs Act of 2017 mandated several tax law changes that took effect in 2018, but a few additional changes took effect in 2019. The Setting Every Community Up for Retirement Enhancement (SECURE) Act was passed into law in late December 2019. It contains the most comprehensive retirement account legislation in more than a decade. Here is a summary of changes that may affect your 2019 tax return.

Increased age for required minimum distributions from retirement plans

Individuals must start distributing retirement plan assets at age 72, up from the previous age of 70½. This only applies to those who have not yet started taking RMDs or turned 70½.

Higher retirement account contribution limits

401(k) base contribution: $19,000 (up from $18,500 in 2018)
401(k) catch-up contribution (for taxpayers age 50 and older): additional $6,000 (unchanged)
IRA base contribution: $6,000 (up from $5,500)
IRA catch-up contribution (for taxpayers age 50 and older): additional $1,000 (unchanged)

Higher HSA contribution limits

Self-only coverage: $3,500
Family coverage: $7,000

No "life stretch" for beneficiaries of IRAs

The life stretch IRA was an estate planning strategy that extended the tax-deferred status of an inherited IRA when it was passed to a non-spouse beneficiary. It allowed for continued tax-deferred growth of an Individual Retirement Account (IRA). Under the new law, non-spouse beneficiaries will have to take the funds in the inherited IRA within 10 years from the death of the original account owner.

continued on back page

Flor is Flourishing

Last year Flor, a 15-year-old Labrador retriever, retired as a guide dog and joined Scott and Adriana White's family. After serving as a companion to Adriana's brother, Miguel Moreno of Colombia, Flor moved to Fort Myers for her twilight years.

Scott says Flor is adjusting to being a pet. "She still insists on receiving commands before behaving in normal 'pet mode,' but she enjoys her walks around the neighborhood and has learned how to drink out of the toilet. Adriana and I are happy to give her a loving home for her retirement. She deserves it," Scott says.

Questions & Answers

Q: My wife and I established a Donor Advised Fund at a community foundation. Should we involve our children in deciding which charities to support?

A: Donor Advised Funds, and family foundations, can encourage an open dialog between generations. By asking your children about the charities they value, you can learn more about what is important to your heirs than you ever knew before. And that's an important benefit of these charitable giving programs. When parents and children make decisions together, they can support causes they believe will have a positive impact in our world. And the amount of money the government will take from the estate when it passes to the next generation may be reduced. Donors are urged to consult their attorneys, accountants or tax advisors with respect to questions relating to the deductibility of various types of contributions to a Donor-Advised Fund for federal and state tax purposes.

Study Finds Life in College Affects Life after College

If your child or grandchild is approaching college, the findings of a Gallup-Purdue University study[1] may be helpful.

The study found that the type of schools college graduates attended has little impact on their workplace engagement and current well-being. Instead, support and experiences in college had more of a relationship to long-term outcomes for the college graduates surveyed. These types of college experiences were linked to thriving and well-being after college:

- Having a professor who cared about the student as a person, made them excited about learning, and encouraged them to pursue their dreams.
- Having an internship or job in college where the student was able to apply what they were learning in the classroom, were actively involved in extracurricular activities and organizations, and worked on projects that took a semester or more to complete.

The study shows that the type of institution college graduates attended matters less than what they experienced there. Yet, just 3% of all the graduates studied had the types of experiences in college that Gallup finds strongly relate to great jobs and great lives afterward.

[1] *https://news.gallup.com/poll/168848/life-college-matters-life-college.aspx*

Jake Stoutenburgh, Scott, and Mark Stitchler visited Franklin Park Elementary to provide every 3rd grader with their own dictionary. They are pictured with Principal Michelle Freeman. Dictionary Day is a yearly initiative sponsored by the Rotary Club of Fort Myers.

Scott and Pacesetter Chair Bob Beville of Waterman Broadcasting at the United Way of Lee Hendry Glades and Okeechobee Kickoff event.

A Bull-Market Decade Ends, But Our Planning Strategy Continues

by A. Scott White, CFP®, ChFC®, CLU®
President, Scott White Advisors

When it comes to investing, some memories can be short. The longest-running bull market in U.S. history celebrated its 10-year anniversary on March 9, 2019, and the bull market has continued since then. But it followed a 17-month bear market known as the financial crisis of 2007-2009, when the S&P 500 lost approximately 50% of its value.

Today, the U.S. hasn't had a bear market in over 10 years, but bull markets are often followed by bear markets. The internet bubble bust in 2000 was followed by stocks in the S&P 500 index reaching all-time highs on October 9, 2007, and that was followed by the great recession of 2008, only to see the S&P 500 index reach another all-time high on March 28, 2013.

I don't believe the average investor is prepared for a bear market. Many investors are heavily invested in the stocks that did well this past decade, so they might now own a portfolio made up of very expensive stocks—or stocks of companies with a lot of debt and little profits—and those stocks did just fine riding the coat tails of the recent bull market. Others were so frightened by the financial crisis of 2007-2009 that they never invested in stocks—and they missed the biggest 10-year bull market ever. Now they're asking themselves if this is the right time is to go all in and buy stocks again. In my mind, neither of these mindsets will do well in the face of a lifetime of market unknowns for the years ahead.

Sir John Templeton, the legendary investor, said, "The four most dangerous words in investing are, 'This time it's different.'" Recessions are part of the economic cycle, and the U.S. has been through 10. Also, since the market and the economy move in different cycles, trying to anticipate the ups and downs of the market is practically impossible. Emotions such as fear, or even greed, can blind investors to their financial goals. In fact, entering and exiting the market based on emotions has been proven to adversely affect the returns of individual investors.

Hence, at Scott White Advisors we don't build portfolios based on events that may or may not happen. We build them based on our clients' unique family situation and needs. Those factors are the foundation of a written Investment Policy Statement (IPS) that articulates the investment objectives and policies applicable to each client's investment portfolio.

Bull market or bear, the number one factor for investing success is to avoid the permanent loss of capital. And a diversified portfolio with an asset allocation designed to meet your family's unique needs is crucial to its success. With such a portfolio, you benefit from my years of experience following the blueprint of a well-developed Investment Policy Statement that will help increase your probability of avoiding bad decisions based on emotions. And my guidance will coach you to help make the right decisions in times of market upheaval—so that you and your family have a better opportunity to achieve lifetime and generational goals.

A Scott White

The Scott White Advisors Team.

Personal attention. Proven experience.

Becky Pardue, Director of First Impressions; Dawn Hamm, Senior Planning Assistant; Scott White, President SWA; Janelle Lewis, Client Service & Planning Associate; Kelly Jelenchick, Operations & Office Manager; Gary Geston, Planning Assistant.

Tax and Retirement Changes for the New Year continued from page 1

No alimony deduction

For divorce and separation agreements made or modified in 2019 or thereafter, alimony payments will not be deductible. A spouse who paid alimony in 2019 cannot write the payments off on a tax return, and a spouse who received alimony in 2019 cannot count the payments as income.

No individual mandate penalty

The shared responsibility payment penalty—commonly referred to as the individual mandate penalty—had applied to individuals who were required to have health insurance under the Affordable Care Act but who didn't get coverage and didn't qualify for an exemption. Starting with 2019, however, there is no longer a penalty. So, people who didn't have health insurance in 2019 will not owe the penalty when they file their taxes in 2020.

Higher standard deductions

Standard deductions are higher for tax year 2019:
Married filing jointly: $24,400 (up $400)
Married filing separately: $12,200 (up $200)
Head of household: $18,350 (up $350)
Single: $12,200 (up $200)

Higher income brackets

Tax Brackets and Rates, 2019

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	$0	$0	$0
12%	$9,700	$19,400	$13,850
22%	$39,475	$78,950	$52,850
24%	$84,200	$168,400	$84,200
32%	$160,725	$321,450	$160,700
35%	$204,100	$408,200	$204,100
37%	$510,300	$612,350	$510,300

Source: https://taxfoundation.org/2019-tax-brackets/

1510 Royal Palm Square Blvd., Suite 103, Fort Myers, FL 33919-1068
239-936-6300 • 866-883-2658 **www.scottwhiteadvisors.com**