RIVERSIDE
FINANCIAL GROUP, LLC

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Q4 2019

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From the desk of…

Steve Worth

Balance That Barbell

For the past ten years at Riverside Financial Group we have espoused the idea of replacing a good portion of what would be a normal bond allocation with Income stocks like REITs and Utilities. Interest rates have been dropping unrelentingly and these equity income "generators" have been an excellent substitute for low bond yields. Over the same period, we've paired the income holdings with growth funds and single stocks in a barbell fashion; balancing growth & income. The barbell has created a smoother ride during volatile periods. Now we have come to a point where we may add another barbell to the equation, income versus value.

Utilities and REITs, our go-to income generators, are now trading at the top of their historical valuation ranges. Also, we see fatigue in the momentum of certain growth names. Both ends of our barbell have climbed to the top rung of their respective ladders. They may keep climbing, but it is reasonable to be proactive and start building a barbell that will match income holdings with "value" stocks – defined as names in the financial and industrial sectors that have been largely left behind over the last decade. For us at RFG, this rotation makes sense not only because these names are comparatively cheap but also because they will benefit from what has become a less inclusive and more parochial global economy. Even with a global trade resolution in hand, the genie is out of the bottle and the world economy has become a less efficient mechanism. The question of the day is (and will continue to be), 'What have you done for ***domestic*** GDP lately?'. This means more pieces and parts will be created and assembled into widgets at home. It also means that a less efficient world will bring back price dislocations, and interest rates should rise in an environment of less economic certainty. In general, rising rates are good for financials, and more domestic widgets are good for small and mid-cap industrials.

Then there is the issue of timing; when will this rotation happen? We are confident in saying that rising interest rates is an event that is way down the road; the IMF just downgraded global GDP growth for the fifth consecutive time. And every time I get a delivery from Amazon the product still has a made in China sticker on it. Accordingly, we will not only slowly wade into this value trade but also pair our income/value barbell to existing high quality growth exposure. The income stream will smooth out the volatility of the portfolio and promote dollar cost average through weak periods. This is our solution to a timeline problem. We don't know when fully appreciated names will start to sell off, and we don't know when the value rotation will become the primary force in the market. We do respect history and we want to be prepared if it unfolds on its current path.

From the desk of…

Charles E. Dear, Advisor *

Smart Tax Moves Before Year End

As we move into late fall, our financial planning attention turns more prominently to tax savings. Below is a list of four smart tax moves to consider before year end. Feel free to call us for a more thorough review of your options for income tax savings:

1. Max out contributions to your 401(k) (corporate), 403(b) (non-profit), or 457 (municipal) plan. For 401(k) plans, the maximum contribution is $19,000 for employees under age 50, and $25,000 for employees age 50 and over. Take a look at your year-to-date employee contribution; if your straight-line contribution through the remaining ten weeks of the year leaves you short of the maximum contribution, consider increasing your payroll deduction in the time you have left, then draw on savings to replace the deferred income – to the degree necessary.

2. Attempt to increase your itemized deductions to a level above the standard deduction; $12,000 for single filers and $24,000 for joint filers. There are a few easy and reasonable strategies to make this happen:

   a. Increase charitable gifts by transferring highly appreciated stock to a Donor Advised Fund. The Donor Advised Fund is itself a 501(c)(3) charity. So, the charitable deduction is allowable in the year in which the transfer is made, yet the individual end gifts can be done on your own time. The assets within the Donor Advised Fund grow tax-free, providing gifting "leverage", and most Donor Advised Fund platforms enable easy on-line gifting to most if not all qualified charities.

   b. Increase charitable gifts by donating personal items, including clothing, household furnishings, and automobiles and boats. For clothing and furnishings, you will need to maintain an itemized list including valuations. Automobiles and boats must be "qualified", and you will need a receipt from the receiving organization.

   c. Accelerate or "bunch" deductions meant for early 2020 into this tax year. One notable example is to pay a January 2020 property tax payment in 2019. This assumes that you are not already at the deductible cap for state and local income taxes, and that pulling forward deductions does not create AMT problems.

3. Take advantage of capital losses in your taxable portfolio whenever possible. If you have a losing investment in an after-tax account, consider selling the shares and use the proceeds to upgrade your portfolio. The capital loss will either provide you with another deduction or help to offset the tax liability of a higher amount of capital gains.

4. Get estimates of expected capital gain distributions from mutual funds held in a taxable investment account. If the expected capital gain distribution is unacceptably high, and the underlying fund has not significantly appreciated, sell the shares before the declaration date of the distribution and move the proceeds into a more tax-efficient fund.

From the desk of…

Donald Freeman

The Importance of Long Term Care Planning

We spend our lives making plans and preparing for future events. From the beginning we plan and work towards education, a career, marriage and a family. We work hard and save, invest and build our assets. We insure to protect our home, automobiles, health and medical needs.

Retirement age comes and our plan is finally in place. Finances and time have come together to allow us to enjoy the elder years of life. This is where the planning ends. But life does not end at retirement. There is a portion of life that the majority of us will live through after the retirement years called eldercare. Very few people plan for this part of their life yet it is as important if not more important to plan for it. If we don't, we are leaving the financial health of our last years to chance, or in someone else's hands.

As a independent insurance consultant, I have solutions to help plan, manage, and pay for the costs associated with eldercare; long term care insurance protection, Medicare supplemental coverage, and survivorship life. Whether for yourself or beloved parents, please call if you are interested in a holistic discussion regarding this all-important subject.

David Callahan

In You We Trust

I heard a startling story this week about a Probate Court case in CT that ended up costing the family a considerable amount of money. There was a Will, but that's about it. The Executrix had been at it with the state for almost two years. It reminded me why we talk about a Revocable Living Trust (Trust) to help protect your wealth.

Primary reasons for establishing a Revocable Living Trust account include;

- Avoiding Probate Court, meaning your assets are distributed according to your wishes with little delay and without state intervention. Also, you avoid usual and customary probate fees.
- Revocable Trusts are flexible and allow you to make changes or amendments right up until your death.
- Revocable Trusts are private and not made public at the time of your death.
- Revocable Trusts allow for the Grantor to establish parameters and conditions to the disposition of assets, and to design methods of family support and philanthropy.

Revocable Living Trusts are most commonly used to hold securities and cash not held in retirement accounts. However, it may be effective for your trust to also hold your primary residence, investment property, personal property, non-qualified annuities, or small business interests. There may also be instances in which it is smart to name the trust as the beneficiary to a retirement account. If it all seems overwhelming, let us help you put pencil to paper and map it out. By creating a schematic, you can visualize the overall distribution of your assets. If there are holes in the "plumbing" we will recommend that you visit with your current trust & estate attorney, or one of our referrals, to make your plan airtight.

Call us to talk about ways to "fund" a Revocable Living Trust with properly titled assets. It's not as hard as you might imagine.
Will a Will do? Not necessarily – Trust me.