

McBork Quarterly Report: 4th Quarter 2019
December 5, 2019

I hope you had a wonderful Thanksgiving. In the morning I took the boys downtown and watched the Thanksgiving Day Parade from our office on State Street. Afterwards, we headed home to watch the Bears game and then prepared for some family members to arrive later in the day.

When it comes to our Thanksgiving meal, we serve eighteen people and everyone in our family has a task. I am always in charge of the stuffing, green beans, and mushrooms. My mom brings the ham, my mother-in-law the mashed potatoes, and of course my wonderful wife cooks the turkey and makes sure our house looks like we do not have two small children. Speaking of kids, now that they are old enough, we have them help out by setting the table and pouring water for everyone.



Putting a Thanksgiving meal together at our house is similar to what our investment team does for your accounts at the end of each year. Each team member has specific duties.

Danielle works on our Required Minimum Distributions (RMD) for everyone over 70 ½. She makes sure everyone satisfies their RMD by the end of the year. Please note that there is bipartisan agreement to delay the RMD to 72 or 73 in Washington right now. We will see if this gets passed in the near future.

Claudia works on mutual funds that are paying out capital gains. When a mutual fund is paying out a gain, she makes sure we have the information to decide if we should avoid the gain or keep the position. She also handles the gifting requests from many of you regarding highly appreciated securities.

I analyze every non-retirement account to see if there is anything that we should be doing late in the year to help decrease taxes. And, of course, starting on day one of the New Year, I reach out to many of you to let you know how your accounts did and answer any questions.

Of course, we all monitor the daily activity of your fund holdings, your allocation, the markets (bond and stock), along with the overall economy.

Your Funds: We monitor all funds performance, risk, changes within the fund, social screens (if applicable), and third party research from sources such as Morningstar.

Your Allocation: For the most part, we have been saying that we need to be a little more cautious over the past year. With allocations, we have decreased our equity weightings a little bit and at the same time we have looked at investments with a lower degree of risk.

The Overall Economy: Where is the economy headed? That is a question that I have been asked a lot lately. The first thing that I say is that banks are in better shape and corporations have much better balance sheets than they did a decade ago. I like to look at company quarterly earnings reports because they provide real numbers that we can analyze as opposed to something an analyst thinks will happen or what a blogger or tweeter thinks about what the economy and/or markets might do. These quarterly reports tell you how the company is doing, and when you start looking at all of them together, it gives you a better picture on how the US economy is doing and where it might be headed. Last quarter company earnings were down 2.5% year over year, but that is still better than the 5% decrease analysts had expected. This was quite similar to the second quarter this year. This tells me that the economy is slowing down, but not as rapidly as predicted and that a recession in the very near term is unlikely.

Research analysts at LPL feel that there is about a 30% chance of a recession next year. I tend to agree with them. I believe some of this has to do with the trade war with China. The longer this plays out, the larger the possibility of a bigger misstep and/or a faster economic slowdown. We also can't forget about Brexit and how and when that might get resolved, which is anyone's guess right now.

The Markets¹: The S&P 500 Index is at an all-time high, up 24 % for the year. To put that number in perspective, we must take into account that it is only up 6% from the September 2018 highs. As I pointed out in our last McBork Report, the Barclays Aggregate Bond Index is having its best year since 2002. It is now up 9%, up about 0.5% since my last report.

We continue to recommend being cautious in this market environment. If you have any questions or concerns, please get in touch with me. Have a wonderful holiday season.

Some year-end household financial reminders:

(1) If you are over 70 ½ and have retirement plan assets or IRA accounts, you will need to take your **RMD (required minimum distribution)** by the end of the year. If you have not done so yet or are unsure, please get in touch with us as soon as possible. Also, please remember that you can “gift” your RMD or part of your RMD to a charity.

(2) At the end of each year many clients make **gifts of appreciated assets** to charitable organizations from their non-retirement accounts. The charity receives the same benefit as they would have obtained if you were to have written a check, but you avoid paying the capital gains tax on the appreciated asset. Please let us know **by the first week of December** if you wish to gift appreciated assets in 2019 or if you have any questions on gifting.

(3) Remember that **Traditional and Roth IRA** contributions may still make sense. While there are income limits on the amounts that you can contribute as well as limits on participation for participants in employer-sponsored plans, many individuals are wise to do so before the April 15, 2020 deadline for 2019 tax year contributions. For example, some individuals over 50 may place up to \$7,000 into Traditional or Roth IRA while the comparable limits for individuals under 50 is \$6,000. Please call if you would like to discuss the advisability of making IRA or Roth contributions.

(4) **For 2020**, the IRS has **increased the contribution limits to 401k and 403b plans** from \$19,000 to \$19,500. The age 50 catch-up contribution limit was also raised to \$6,500. So, if you are over 50, you now can now make up to \$26,000 in salary deferrals. **SIMPLE IRA** plans also increased its contribution to \$13,500 however the age 50 catch-up contribution remains at \$3,000.

(4) Estate Planning –With possibly having a few days off during the holiday season, it might make sense to dust off old **Wills, Powers of Attorney (POA), and/or Trusts** and review them to make sure nothing should be changed. If you do not have a will or POA, please let us know and we can talk to you about this.

(5) Quick reminder to those of you with **high school/college students or young adults** in your life itching to learn more about the world of money and investment: We are happy to sit down or teleconference with your children and grandchildren to offer them “Investments 101.” Winter break provides a great opportunity for such a briefing. Just give us a call and we will make the connection.

Sincerely,



Gregory Bork Jr.

LPL Financial Registered Principal

1: Yahoo Historical Numbers Database

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