STRATEGIC STEWARDSHIP

Guiding You Through Life's Transitions

November/December 2019

Avoiding Large Losses in Your Portfolio

"Rule No.1: Never lose money.
Rule No.2: Never forget rule No.1." – *Warren Buffett*[1]

Risk is a factor in any investment decision that you make. Your tolerance for risk is something that you will want to consider when you make decisions alongside your trusted financial professional. Your risk tolerance is balanced against your time horizon, meaning the time between now and your anticipated retirement date.

But is it possible to avoid a loss? No, not completely, but you can take steps to manage that risk when investing. This is where conversations about your risk tolerance are critical.

What would you rather have, $500 right now or a 50% chance at $2,000? Many people go for the $2,000 and rightfully so. Since you have a 50/50 chance, a decision tree shows the $2,000 answer carries a potential value of $1,000.

But let's add a few zeros and see if that changes your perspective.

What would you rather have, $50,000 right now or a 50% chance at $200,000? The decision tree says the opportunity to win $200,000 has the highest potential value. But in reality, many people second-guess that decision because $50,000 is a lot of money.

Remember, there is no correct answer to the questions. They simply help you better understand the concept of risk.

Investment risk can be managed, but it can't be eliminated entirely. All investments carry some level of risk. And in general, the greater the risk an investment carries, the higher its potential return.

Risk happens, but don't let it get in the way of your dreams. Ultimately, these concerns should only serve to inform you and the questions that you ask the financial professional you are working with. The conversation should include your questions about the risks for each strategy presented as well as questions from your professional about the retirement you want and the aspirations you hope to realize.

Citations.
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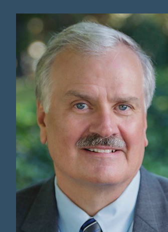

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- Advisors offering wealth management advice and services with excellence
- Creating close relationships with our clients on a long-term basis
- Encouraging the charitable and stewardship aspirations of our clients for the wealth that has been entrusted to them

Annual Financial To-Do List—
Things you can do for your future as the year unfolds

What financial, business, or life priorities do you need to address for the coming year? Now is a good time to think about the investing, saving, or budgeting methods you could employ toward specific objectives, from building your retirement fund to managing your taxes. You have plenty of choices. Here are a few ideas to consider:

Can you contribute more to your retirement plans this year? In 2020, the contribution limit for a Roth or traditional individual retirement account (IRA) remains at $6,000 ($7,000 for those making "catch-up" contributions). Your modified adjusted gross income (MAGI) may affect how much you can put into a Roth IRA: singles and heads of household with MAGI above $139,000 and joint filers with MAGI above $206,000 cannot make 2020 Roth contributions.[1]

Before making any changes, remember that withdrawals from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½.

Make a charitable gift. You can claim the deduction on your tax return, provided you itemize your deductions with Schedule A. The paper trail is important here. If you give cash, you need to document it. Even small contributions need to be demonstrated by a bank record, payroll deduction record, credit card statement, or written communication from the charity with the date and amount. Incidentally, the Internal Revenue Service (I.R.S.) does not equate a pledge with a donation. If you pledge $2,000 to a charity this year, but only end up gifting $500, you can only deduct $500.[2]

These are hypothetical examples and are not a replacement for real-life advice. Make certain to consult your tax, legal, or accounting professional before modifying your strategy.

See if you can take a home office deduction for your small business. If you are a small-business owner, you may want to investigate this. You may be able to legitimately write off expenses linked to the portion of your home used to exclusively conduct your business. Using your home office as a business expense involves a complex set of tax rules and regulations. Before moving forward, consider working with a professional who is familiar with homebased businesses.[3]

Open an HSA. A Health Savings Account (HSA) works a bit like your workplace retirement account. There are also some HSA rules and limitations to consider. You are limited to a $3,550 contribution for 2020, if you are single; $7,100, if you have a spouse or family. Those limits jump by a $1,000 "catch-up" limit for each person in the household over age 55.[4]

If you spend your HSA funds for non-medical expenses before age 65, you may be required to pay ordinary income tax as well as a 20% penalty. After age 65, you may be required to pay ordinary income taxes on HSA funds used for nonmedical expenses. HSA contributions are exempt from federal income tax; however, they are not exempt from state taxes in certain states.

Pay attention to asset location. Tax-efficient asset location is an ignored fundamental of investing. Broadly speaking, your least tax-efficient securities should go in pretax accounts, and your most tax-efficient securities should be held in taxable accounts.

Asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee

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Annual Financial To-Do List

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against investment loss. Before adjusting your asset allocation, consider working with an investment professional who is familiar with tax rules and regulations.

Review your withholding status. Should it be adjusted due to any of the following factors?

* You tend to pay a great deal of income tax each year.
* You tend to get a big federal tax refund each year.
* You recently married or divorced.
* A family member recently passed away.
* You have a new job and you are earning much more than you previously did.
* You started a business venture or became self-employed.

These are general guidelines and are not a replacement for real-life advice. So, make certain to speak with a professional who understands your situation before making any changes.

Are you marrying in 2020? If so, why not review the beneficiaries of your retirement accounts and other assets? When considering your marriage, you may want to make changes to the relevant beneficiary forms. The same goes for your insurance coverage. If you will have a new last name in 2020, you will need a new Social Security card. Additionally, the two of you may have retirement accounts and investment strategies. Will they need to be revised or adjusted with marriage?

Are you coming home from active duty? If so, go ahead and check the status of your credit and the state of any tax and legal proceedings that might have been preempted by your orders. Make sure any employee health insurance is still there and revoke any power of attorney you may have granted to another person.

Consider the tax impact of any upcoming transactions. Are you planning to sell any real estate this year? Are you starting a business? Do you think you might exercise a stock option? Might any large commissions or bonuses come your way in 2020? Do you anticipate selling an investment that is held outside of a tax-deferred account?

If you are retired and older than 70½, remember your year-end RMD. Retirees over age 70½ must begin taking Required Minimum Distributions from traditional IRAs and 401(k), 403(b), and profit-sharing plans by December 31 of each year. The I.R.S. penalty for failing to take an RMD can be as much as 50% of the RMD amount that is not withdrawn.[5]

Lastly, should you make 13 mortgage payments this year? If your house is underwater, this makes no sense – and you could argue that those dollars might be better off invested or put in your emergency fund. Those factors aside, however, there may be some merit to making a January 2020 mortgage payment in December 2019. If you have a fixed-rate loan, a lump-sum payment can reduce the principal and the total interest paid on it by that much more.

If you're considering making 13 payments, consider working with a tax, legal, or accounting professional who is familiar with your situation.[3]

Citations.

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6 Principles for Financial Success -
Principle 5: Believe that God owns it all

This is the fifth of a six-part series by our own Michael Pemberton on Six Principles for Financial Success that all of our advisors emphasize repeatedly (with ourselves and) with our clients.

How many verses on money are there in the Bible? About 2,350 of them, more than on faith and prayer combined! Why does God say so much in His Word about money? He knew that money is a chief competitor for our hearts. Understanding ownership is paramount to handling money in a way that pleases the Lord.

Do we own the money that we have in our bank, investment, and retirement accounts? Are we the true owners of our possessions? Scripture repeatedly emphasizes God's ownership of all things:

"The earth is the Lord's and everything in it, the world, and all who live in it; for he founded it upon the seas and established it upon the waters." Psalm 24:1-2

"Yours, Lord, is the greatness and the power and the glory and the majesty and the splendor, for everything in heaven and earth is yours." 1 Chronicles 29:11

God owns it all. He owns our investment, bank, and retirement accounts. He has entrusted us as stewards. He wants us to use the resources He has entrusted us for his everlasting glory. One day we will have to give an account to the Lord of our stewardship.

What is the application? I think Randy Alcorn sums it up best in this excerpt from his book "Money, Possessions, and Eternity".

"Stewardship is living in the light of these overriding truths. It's living with the awareness that we are managers, not owners; that we are caretakers of God's assets, which he has entrusted to us for this brief season here on earth. How we handle money and possessions demonstrates who we really believe is their true owner-God or us.

John Wesley posed this question that will help us decide how to spend money.

"In spending this money, am I acting as if I owned it, or am I acting as the Lord's trustee?"

If we really believe He is the owner of all that has been entrusted to us, shouldn't we regularly be asking him, "What do you want me to do with your money and your possessions?"

God wants us to be faithful caretakers of what He's given us. We just need to be willing to seek Him in prayer and His Word for the answers.

Bacon Cream Cheese Pinwheels

3 ounces cream cheese, softened
2 tablespoons finely chopped onion
1 teaspoon 2% milk
1 tube (8 ounces) refrigerated crescent rolls
5 bacon strips, cooked and finely chopped

* Preheat oven to 375°. In a small bowl, mix cream cheese, onion and milk until blended. On a lightly floured surface, unroll crescent dough into one long rectangle; press perforations to seal.
* Spread with cream cheese mixture; sprinkle with bacon. Roll up jelly-roll style, starting with a long side; pinch seam to seal. Using a serrated knife, cut roll crosswise into twenty-four (1/2-inch) slices. Place on ungreased baking sheets, cut side down.
* Bake 12-15 minutes or until golden brown. Refrigerate leftovers.