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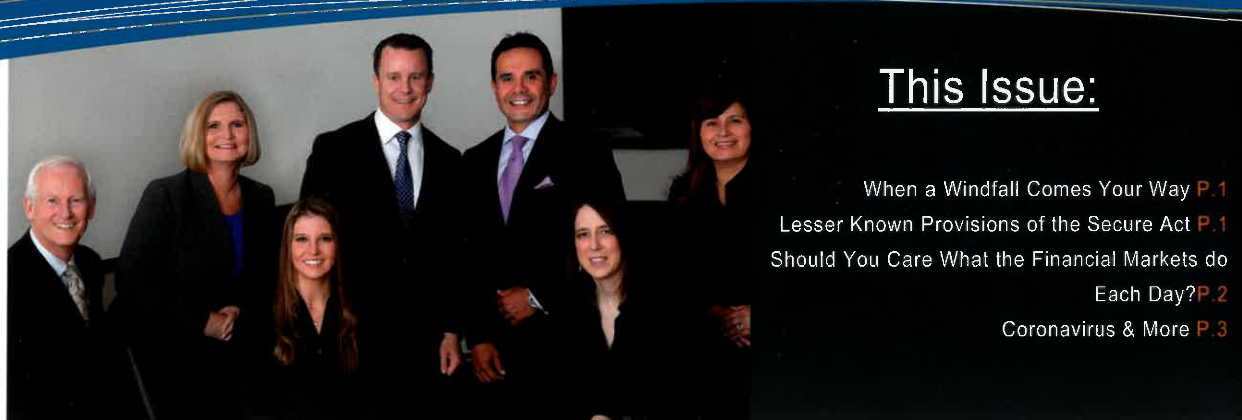

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When a Windfall Comes Your Way

What do you do with big money?

Getting rich quick can be liberating, but it can also be frustrating. Sudden wealth can help you address retirement saving or college funding anxieties, and it may also allow you to live and work on your terms. On the other hand, you'll pay more taxes, attract more attention, and maybe even contend with jealousy or envy. You may also deal with grief or stress, as a lump sum may be linked to a death, a divorce, or a pension payout decision.

Wi[illegible]ls don't always lead to happy endings. Take the example of Alex and Rhoda Toth, a Florida couple down to their last $25 who hit a lottery jackpot of roughly $13 million in the 1990s. Their feel-good story ended badly: by 2006, they were bankrupt and facing tax fraud charges. Or Janite Lee, who won $18 million in the Illinois Lottery. Just eight years later, she filed for Chapter 7 bankruptcy; she had $700 to her name and owed $2.5 million to creditors.[1]

Windfalls don't necessarily breed "old money" either. Without a long-range vision, one generation's wealth may not transfer to the next. As *Fast Company* notes, the wealth built by one generation fails to migrate to the next 70% of the time, and two gen[illegible]ons later, it is gone 90%[illegible] the time.[2]

What are some steps to take when you receive a windfall? What might you do to keep that money in your family?

Lesser Known Provisions of the SECURE Act

What younger investors need to know.

The SECURE Act passed into law in late 2019 and changed several aspects of retirement investing. These modifications included modifying the ability to stretch an Individual Retirement Account (IRA) and changing the age when IRA holders must start taking requirement minimum distributions to 72-years-old.[1,2]

While those provisions grabbed the headlines, several other smaller parts of the SECURE Act have caught the attention of individuals who are raising families and paying off student loan debt. Here's a look at a few.

Changes for college students. For those who have graduate funding, the SECURE Act allows students to use a portion of their income to start investing in retirement savings. The SECURE Act also contains a clause to include "aid in the pursuit of graduate or postdoctoral study." A grant or fellowship would be considered income that the student could invest in a retirement vehicle.[3]

One other provision of The SECURE Act: you can use your 529 Savings Plan to pay for up to $10,000 of student debt. Money in a 529 Plan can also be used to pay for costs associated with an apprenticeship.[4]

Funds for a growing family. Are you having a baby or adopting? Under the SECURE Act, you can withdraw up to $5,000 per individual, tax-free from your IRA to help cover costs associated with a birth or adoption. However, there are stipulations. The money must be withdrawn within the first year of this life change; otherwise, you may be open to the tax penalty.[5]

Annuities and your retirement plan. This might be the most complicated part of the SECURE Act. It's now easier for your employer-sponsored retirement plans to have annuities added to their investment portfolio. This was accomplished by reducing the fiduciary responsibilities that a company may incur in the event the annuity provider goes bankrupt. The benefit is that annuities may provide retirees with guaranteed lifetime income. The downside, however, is that annuities are often the incorrect vehicle for investors just starting out or far from retirement age.[6]

The best course is to make sure that you review any investment decisions or potential early retirement withdrawals with your advisor.

- Barbie

Keep quiet, if you can. If you aren't in the spotlight, don't step into it. Who really needs to know about your newfound wealth besides you and your immediate family? The Internal Revenue Service, the financial professionals you consult or hire, and your attorney. The list needn't be much longer.

What if you don't have the opportunity to keep quiet? Winning a lottery prize, selling your company, signing a multiyear deal – when your wealth is publicized, expect friends and strangers to come knocking at your door. Be fair, firm, and friendly – and avoid handling the requests on your own. One generous handout may risk opening the floodgate to others. Let your financial team review appeals for loans, business proposals, and pipe dreams.

Yes, your team. If big money comes your way, you need skilled professionals in your corner: a tax professional, an attorney, and a wealth manager. Ideally, your tax professional is a Certified Public Accountant and tax advisor, your lawyer is an estate planning attorney, and your wealth manager pays attention to tax efficiency.

Think in stages. When a big lump sum enhances your financial standing, you need to think about the immediate future, the near future, and the decades ahead. Many people celebrate their good fortune when they receive sudden wealth and live in the moment, only to wonder years later where that moment went.

In the immediate future, an infusion of wealth may give you some tax dilemmas; it may also require you to reconsider existing beneficiary designations on IRAs, retirement plans, and investment accounts and

Should You Care What the Financial Markets Do Each Day?

Focusing on Your Strategy During Turbulent Times.

Investors are people, and people are often impatient. No one likes to wait in line or wait longer than they have to for something, especially today when so much is just a click or two away.

This impatience also manifests itself in the financial markets. When stocks slip, for example, some investors grow uneasy. Their impulse is to sell, get out, and get back in later. If they give in to that impulse, they may effectively pay a price.

Across the 30 years ended December 31, 2018, the Standard & Poor's 500 posted averaged annual return of 10.0%. During the same period, the average mutual fund stock investor realized a yearly return of just 4.1%. Why the difference? It could partly stem from impatience.[1]

It's important to remember that past performance does not guarantee future results. The return and principal value of stock prices will fluctuate over time as market conditions change. And shares, when sold, may be worth more or less than their original cost.

Investors can worry too much. In the long run, an investor who glances at a portfolio once per quarter may end up making more progress toward his or her goals than one who anxiously pores over financial websites each day.

Too many investors make quick, emotional moves when the market dips. Logic may go out the window when this happens, in addition to perspective.

Some long-term investors keep focus. Warren Buffett does. He has famously said that an investor should, "buy into a company because you want to own it, not because you want the stock to go up.[2]

Buffett often tries to invest in companies whose shares may perform well in both up and down markets. He also has famously stated, "If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes."[2]

In contrast with Buffett's patient long-term approach, investors who care too much about day-to-day market behavior may practice market timing, which is as much hope as strategy.

To make market timing work, an investor has to be right twice. The goal is to sell high, take profits, and buy back in just as the market begins to rally off a bottom. But there is volatility in financial markets and the sale at any point could result in a gain or loss.

Even Wall Street professionals have a hard time predicting market tops and bottoms. Retail investors are notorious for buying high and selling low.

Investors who alter their strategy in response to the headlines may end up changing it again after further headlines. While they may expect to be on top of things by doing this, their returns may suffer from their emotional and impatient responses.

Nobel Laureate economist Gene Fama once commented: "Your money is like soap. The more you handle it, the less you'll have." Wisdom that may benef[illegible] your strategy, especially during periods of market volatililty.[3]

- Mico

Citations.
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2 - fool.com/investing/best-warren-buffett-quotes.aspx [8/30/19]
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Coronavirus & More

The 24-Hour News Cycle moves from Impeachment to COVID-19 to the Primaries – What's next?

In recent weeks, we've seen several major stories in the news. On the political front, in addition to the arrival of the presidential election through the 2020 caucuses and primaries, we have just experienced the third presidential impeachment in American history. In international news, the latest coronavirus outbreak has hit China, now referred to as COVID-19, leading to closed borders and heightened screening at hospitals worldwide.[1]

It's not so much the facts of what's going on that are unusual – none of these matters are unprecedented – but the way that they are reported in the media can be alarming. Even frightening.

How might this affect me? When major events make headlines, it's easy to put yourself in the picture. Knowing, as well, how such events might affect the financial markets, it's also easy to wonder how your investments and retirement strategy might fare.

The truth? Political ups and downs, virus outbreaks, and other circumstances might lead to some short-term volatility on Wall Street. But it's important to remember two things: 1) Your portfolio is positioned to reflect your risk tolerance, time horizon, and goals. 2) The way we experience news has changed over the years, and not all of it for the better.

Never-ending news. On June 1, 1980, businessman and broadcaster Ted Turner debuted Cable News Network (CNN), the world's first 24-hour television news channel. In the four decades since, other similar channels have emerged. Collectively, they changed how the world experiences news. Notably, it was the dawn of the 24-hour news cycle.[2]

Before 1980, news was very different. Major newspapers might have published several editions during a day, but most areas only had a morning or evening edition. Radio might offer news break updates at the top of the hour, with news programs in the morning, afternoon, and evening. Television followed a similar pattern.

The never-ending news cycle means that news organizations have an interest in continuing to report on the same news story even though little or nothing has changed. Twenty-four hours is a lot of time to fill, and they need ratings in order to be of value to advertisers. While this doesn't necessarily mean that the news has become inaccurate or sensationalistic, it might be perceived as repetitive.

It's also becoming ubiquitous. With our smartphones, we're often receiving news updates immediately throughout the day.

Keep informed, but don't be rattled. Your investment and retirement strategy, which you have designed and put into place with your trusted financial professional, has considered big news events, both major and minor. Your professional knows the difference between something that may be a minor force in your financial life and something that might require you to make some changes. A good strategy gives you room for market changes that might see reactions that last a few days – even a few years. Staying the course is often the smartest move, partially because you aren't reacting immediately to a dip, and you might benefit from a potential recovery.

So, keep yourself informed, but if you get too worried, have a conversation with your financial professional. They can help you understand what the news means for your financial life and offer you the context you need to remain confident in your strategy.

-Shawn

policies. A will, a trust, or an existing estate plan may need revisiting. Resist the temptation to try and grow the newly acquired wealth quickly through aggressive investing.

Now, how about the next few years? Think about what financial independence (or greater financial freedom) means to you. How do you want to spend your time? Should you continue in your present career? Should you stick with your business, or sell or transfer ownership? What kinds of near-term possibilities could this open for you? What are the concrete financial steps that could help you defer or reduce taxes in the next few years? How can risk be sensibly managed as some or all the assets are invested?

Think about doing nothing for a while. Nothing financially momentous, that is. There's nothing wrong with that. Sudden, impulsive moves with sudden wealth can backfire.

Welcome the positive financial changes, but don't change yourself. Remaining true to your morals, ethics, and beliefs will help you stay grounded. Turning to professionals who know how to capably guide that wealth is just as vital.

-Jim

Dark days of the Stock Market

* Black Tuesday 1929 - Over a 4-day period, market dropped 25% starting Great Depression
* Black Monday 1987 - 1-day DOW drop of 22% ending a 5-year bull market
* Housing Market Crash 2008 - Dow fell roughly 34% no recovery until early 2009

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9550 Warner Ave Ste 300
Fountain Valley, CA 92708
714.962.8000
714.962.7853 fax
www.IWMPartners.com

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Did you know?!?

A Recent 2019 Barometer Study stated, only ***46%*** *of Americans say they feel knowledgeable about life insurance. That number drops to* ***38%*** *for disability insurance, and* ***35%*** *for long-term care...*

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