



Q3 NEWSLETTER

Dear Clients and Colleagues:

In this newsletter, we review the Second Quarter 2019 market performance and discuss major proposed changes to the rules governing qualified retirement plans and IRA distributions.

2Q 2019 Market Performance¹

The S&P 500 index had its best June since 1955, rising by 6.9%, and its best first six months of the year since 1997.²

	<u>2Q2019</u>	<u>YTD</u>
S&P 500	4.30%	18.54%
MSCI EAFE (Dev.Int'l)	3.68%	14.03%
MSCI EM (EmergingMrkt)	.61%	10.58%
BBgBarc US Agg Bnd	3.08%	6.11%

Trivia

Which female and male tennis players have won the most grand slam tennis events in the Modern Era?

The Secure Act

Current legislation pending in Congress would, if enacted, bring about the biggest change in the rules governing retirement plans since 2006 and significantly change the IRA distribution rules. The “Secure Act” (passed in the House) and the Retirement Enhancement and Savings Act (pending in the Senate) would, among other things, expand tax credits and make it easier for employers to administer 401(k) plans, broaden participation for part-time workers, eliminate the age restriction on IRA contributions, push back the required beginning date for retirement plan and IRA distributions, make it easier for employers to include annuities in retirement plans, and limit “stretch” distributions of inherited retirement accounts.

¹Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

²See Barrons, July 1, 2019, at pg. M3.

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- **Increase Credit for Small Employer Pension Start-Up Costs and Additional Automatic Enrollment Credit**

The maximum tax credit for retirement plan start-up costs would be increased to \$5,000 and would apply for three years, and plans that include automatic enrollment provisions would be eligible for an additional \$500 credit.

- **Repeal of Maximum Age for Traditional IRA Contributions**

The legislation would allow IRA contributions regardless of age (prior limit age 70.5), in recognition of the fact that many now continue employment beyond traditional retirement age.

- **Allowing Long-Term Part-Time Workers to Participate in 401(k) Plans**

The legislation would require employers maintaining 401(k) plans to have a dual eligibility requirement of either one year of service and 1,000 hours or three consecutive years of service with 500 hours of service.

- **Increase in Age for Required Beginning Date for Mandatory Distributions**

The bill would increase the required beginning date for minimum distributions from qualified retirement accounts from age 70 ½ to 72.

- **Plan Sponsor Safe Harbor for Selection of Annuity Provider**

Plan sponsors would be afforded an optional safe harbor to satisfy the prudence requirement with respect to the selection of an annuity provider and would be protected from liability in the event the provider defaults on its obligation.

- **Modification to the Required Minimum Distribution Rules**

The legislation would require most non-spouse beneficiaries of retirement plans or IRA's to distribute the funds (and pay tax) in ten years instead of stretching the payments over the beneficiary's lifetime.

The legislation is now pending in the Senate and we will see if these significant changes are enacted in 2019.