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WEALTH ADVISORS GROUP

WEALTH ADVISOR QUARTERLY

YTD Returns Through June 30, 2020

Dow Jones Inds.	-8.24
S&P 500	-5.08
Barclays Aggregate Bond	+4.91
MSCI EAFE	-13.22
MSCI Emerging Mkts.	-12.65

WAG on the Move

Welcome Tavis Logan!

WAG would like to welcome Tavis Logan to the WAG family! At WAG, Tavis works in investment portfolio management, processing distributions, and working on projects throughout the office. Tavis was born and raised in Phoenix, Arizona, and very much enjoys the beauty of the desert. He moved to West Lafayette, Indiana to pursue a degree in Biomedical Engineering (BME) at Purdue University - and to meet his wife. In May 2019, Tavis graduated in BME with a minor in psychology, and a week later married his lovely bride, Ashley. Through God's providence, the opportunity arose to join the financial services industry in Fort Wayne, IN, and Tavis followed His leading. Now, Tavis has a passion for the people he serves, and seeks to develop into a people-centered financial advisor, ultimately glorifying God through his work. In his free time, Tavis enjoys reading and writing, watching movies, and visiting his family across the country. Please join us in welcoming Tavis to the team!

Tech Corner

Working From Home

Due to the COVID-19 pandemic, we have experienced changes to our lifestyles in many ways, including our work environment. When Indiana issued its stay-at-home order back in March, we quickly began making adjustments to be able to work from home in an effective and efficient manner. Thanks to many of our technology systems being internet-based, we were able to perform each of our regular job duties from home, with some extra communication and coordination between our staff. We continued working remotely for about 6 weeks, until the restrictions in Indiana began to lift. At that point, we returned

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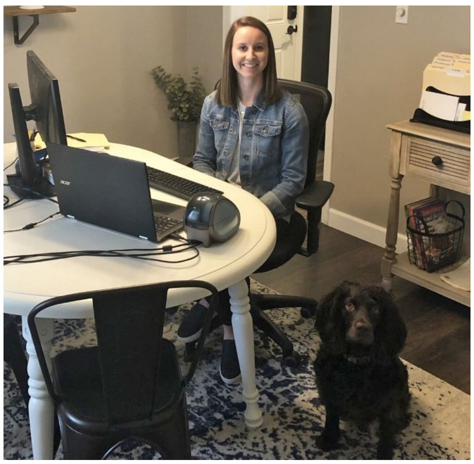
to the office and were so glad to be working together under one roof again. We are so thankful to have had the resources to make working from home a success for our team.

Logan Timbrook


Maranda Wellman and River


Rachael Veenstra, Moose and Bear

Tax and Legislation

Planning Ahead for Taxes in Retirement

Diversification isn't just for your investment portfolio. If you're actively saving for retirement, it's also a good idea to diversify how and when your savings will be taxed. Doing so can help you successfully navigate two unknowns in retirement:

1. How much of your income will be taxable? You need to consider not just your retirement savings, but also Social Security, pensions, nonretirement investments, and other potential sources of income.

2. What will your tax rate be after you retire? Today's rates are relatively low by historical standards, and it's conceivable they could rise before or during your golden years.

Given these unknowns, it's still possible to plan for a potentially better tax outcome. "One approach," says Rob Williams, CFP® and vice president of financial planning at the Schwab Center for Financial Research, "is to use accounts with a variety of tax treatments so you can better control your taxable income in retirement."

The big four

Broadly speaking, you have four account types at your disposal, each with its own unique tax advantages:

1. Tax-deferred: Contributions to these accounts—which include 401(k)s, 403(b)s, and traditional IRAs—generally reduce your taxable income dollar for dollar in the year you make the contribution. What's more, pretax contributions and gains aren't usually taxed until retirement,[1] at which point withdrawals are subject to ordinary income tax rates. You can't leave your savings in these accounts forever, though: Starting at age 72, the IRS requires you to take required minimum distributions (RMDs) from your tax-deferred savings accounts each year.

2. Roth: Unlike tax-deferred accounts, contributions to Roth 401(k)s and IRAs are made with after-tax dollars, so they won't reduce your current taxable income. But when you withdraw the money in retirement, you won't owe taxes on appreciation, income, or withdrawals.[2] A Roth IRA is exempt from RMDs.

3. Taxable: These traditional bank and brokerage accounts are also funded with after-tax dollars. For brokerage accounts, you can sell securities and contribute or withdraw money at any time and for any reason without penalty. Any taxable investment income is taxed in the year it's earned, and investments sold for a profit are subject to capital gains taxes. If you sell an investment for a loss, you may be able to use it to offset any gains—and/or up to $3,000 of ordinary income. These accounts are also exempt from RMDs.

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Did You Know

During the Civil War, there was a shortage in the supply of coins in the United States. At the time, they were still made of silver and gold, so people were holding on to them because the metals were valuable. To address this, the government started accepting postage stamps as payment for debts.

4. Health savings: Although not traditionally considered retirement accounts, health savings accounts (HSAs) can be an effective savings vehicle. Contributions reduce your taxable income up to annual limits, investments grow tax-free, and you pay no tax on withdrawals for qualified medical expenses. Once you reach age 65, withdrawals for nonmedical purposes will be taxed as ordinary income.[3] HSAs are also exempt from RMDs.

Tax diversification in action

So, what's the right mix of retirement accounts for you? "That depends on several factors, including your current marginal tax rate, your tax rate in retirement, and how much flexibility you'd like when making withdrawals in retirement," says Hayden Adams, CPA, CFP®, and director of tax planning at the Schwab Center for Financial Research. Nevertheless, there are some basic guidelines you can consider when deciding which retirement accounts to fund first:

1. Capture your match: If your employer offers matching contributions to your retirement account, your first priority should be to save enough to get the full match.

2. Consider an HSA: "We're all likely to have increased medical expenses in retirement," Hayden says. "So why not pay for them with tax-free dollars?" In 2020, individuals can contribute up to $3,550, families can contribute up to $7,100, and account holders age 55 or older can contribute an additional $1,000. Employers sometimes provide matching contributions, though they'll count against the annual limits.

3. Maximize your tax-advantaged savings: Next, consider an appropriate combination of tax-deferred and Roth accounts, depending in large part on your current tax bracket:
   - If you're in a lower tax bracket (0%, 10%, or 12%), consider maxing out your Roth accounts. "There's a chance your tax bracket in retirement will be equal to or higher than it is today, particularly when you consider that tax rates are at the lowest levels we've seen in decades," Rob says. "Workers early in their careers, in particular, may be in a lower tax bracket than they will be later in life."
   - If you're in a middle tax bracket (22% or 24%), consider splitting your retirement savings between tax-deferred and Roth accounts. "It can be especially difficult for people in the middle tax brackets to predict their future tax rates, but if you contribute to both types of tax-advantaged accounts you may alleviate some of that uncertainty," Hayden says.
   - If you're in a higher tax bracket (32%, 35%, or 37%), there's a good possibility your tax rate in retirement will be the same as or lower than it is today, so maximizing your tax-deferred accounts might make the most sense.

4. Invest tax-efficiently in a brokerage account: If you still have more left to save after you've taken the steps above, consider investing in a traditional brokerage account. True, income generated in these accounts is generally taxable, but there are strategies you can employ to improve their tax efficiency, such as:
   - Holding appreciated investments for more than a year so you can take advantage of long-term capital gains rates, which range from 0% to 20%, depending on your income.
   - Considering tax-efficient investments, such as exchange-traded funds, index mutual funds and tax-managed funds, which by and large don't create as many taxable distributions as actively managed funds.
   - Opting for tax-advantaged municipal bonds, especially if you're in a high tax bracket. The interest paid on such bonds is typically free from federal taxes and, if issued in your home state, is generally free from state and local taxes, as well.

5. Consider a Roth conversion: If your income precludes you from contributing to a Roth IRA,[4] one potential option is a Roth conversion. With this strategy, you convert all or a portion of funds from a traditional IRA to a Roth IRA and pay ordinary income taxes on the converted amount in the year of the conversion. "Despite the additional taxes, a Roth conversion can help diversify a mostly tax-deferred portfolio," Rob says. However, "the conversion amount is considered income, which could nudge you into a higher bracket if you're not careful," Hayden warns. "That's why many people opt to perform several Roth conversions over multiple tax years." If you're unsure how much to convert in a given year, a tax professional can help you decide.

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“Anticipating future tax rates is always a bit of a guessing game,” Rob says. “But with a number of account types at your disposal, there’s potential to build in flexibility and a surprising level of control over future tax bills.”

Article adapted from Charles Schwab Article titled: How to Plan Ahead for Taxes in Retirement

[1]Tax-deferred withdrawals are subject to ordinary income tax and may be subject to a 10% federal tax penalty, if taken prior to age 59½. Withdrawals for birth and/or adoption expenses can be made up to a certain limit without a penalty. | [2]Roth withdrawals are tax-free provided the account holder is over age 59½ and has held the account for five years or more. | [3]HSA withdrawals used for nonmedical purposes before age 65 may be subject to ordinary income tax plus a 20% penalty. | [4]To contribute to a Roth IRA, single filers must have a modified adjusted gross income of less than $139,000, and contributions are reduced starting at $124,000; for those married and filing jointly, the figures are $206,000 and $196,000.

Financial Planning Corner

The 7-Step Financial Planning Process

The CFP Board’s new Code of Ethics and Standards of Conduct went into effect on October 1, 2019. This comprehensive update to the Practice Standards, the most recent to address the delivery of financial planning services since 2007, focuses on ethical responsibilities in developing, presenting, and implementing recommendations.

Most significantly, these changes include the addition of a seventh step to the formerly six-step process. This change reflects the CFP Board’s vision for how advisors need to interact with clients in order to serve their best interests.

Advisors must comply with these enhanced standards by June 30, 2020, when the CFP Board begins enforcement of the new rules.

The seven steps include:

1. Understanding the Client’s Personal and Financial Circumstances
2. Identifying and Selecting Goals
3. Analyzing the Client’s Current Course of Action and Potential Alternative Courses of Action
4. Developing the Financial Planning Recommendation(s)
5. Presenting the Financial Planning Recommendation(s)
6. Implementing the Financial Planning Recommendation(s)
7. Monitoring Progress and Updating

A More Holistic Approach to Financial Planning

One of the most significant changes in the CFP Board’s financial planning process outlines the way in which advisors must take a holistic approach to advice. There are changes to all steps in the new standards to incorporate consideration of all of a client’s financial goals.

That means asking clients questions about all aspects of their finances to make sure their financial and life goals fit into a suggested strategy.

The new financial planning process reflects the reality that in today’s advisory firms, the roles and responsibilities of planning are often segmented. That makes it imperative that everyone in the firm who is involved in client financial plan creation understand and comply with all seven steps of the new Code and Standards.

The CFP Board’s new seven-step process for financial planning continues to push advisors and firms in this direction, putting in place even more guidelines for advice that is in the best interest of clients.

Retirement Planning

Social Security Best Practices

Establish a my Social Security account before the age of 65

Establishing a my Social Security account before the age of 65 allows individuals to become familiar with the online portal. Individuals can access the retirement estimator which shows personalized benefits using your work history to determine your potential future Social Security payments.

Login to my Social Security periodically to ensure information is correct and up to date

Individuals should login to their my Social Security account periodically to make sure all personal information is correct and up to date. Individuals should also confirm their earning history is correctly recorded. Your my Social Security account can also be used to set up or change direct deposit information as well.

Designate a representative payee

Social security does not recognize a Power of Attorney. Instead, Social Security requires that a representative payee be designated. Social security allows individuals to designate in advance up to three individuals who could act as payees, should the need arise.

Notify Social Security of any updates

Individuals should notify Social Security of any updates such as name changes, phone number changes, and address changes. Most of these can be done online using your account. This will ensure that there is less room for error when the time comes for enrollment.

Start planning for Social Security early

As always, planning early gives individuals time to work with their financial advisor to create a plan that will work best for the client and their family, and maximize their benefits.

Article adapted from i65 Webinar and Social Security website

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. No strategy assures success or protects against loss.