



# WEALTH ADVISORS GROUP

W E A L T H   A D V I S O R   Q U A R T E R L Y

## YTD Returns Through December 31, 2020

Dow Jones Inds.	+7.25
S&P 500	+18.37
Barclays Aggregate Bond	+7.48
MSCI EAFE	+7.59
MSCI Emerging Mkts.	+17.03



## WAG on the Move

### Welcome Amber Timbrook!

We would like to welcome Amber Timbrook to the WAG family! At WAG, Amber works as a staff accountant, tax preparer, and operations associate. Amber was raised in Athens, Alabama. She moved to Fort Wayne, IN to attend IPFW where she graduated with a double major in accounting and finance and a minor in psychology. During college, she met and married her husband, Logan, who is also an employee of WAG. She studied for and passed her CPA exams after graduation and then started full-time at Crowe - a public accounting firm here in Fort Wayne. She received her CPA license after working for two years as a public tax accountant and joined the WAG family in October 2020. Amber is excited to be in



this new role where she can serve others and apply her tax knowledge in the financial planning environment. In her free time, Amber enjoys cooking, traveling, and spending time with her family and friends. Please join us in welcoming Amber to the team! ■

## Tech Corner

### Riskalyze Risk Survey

If there is one thing WAG continually strives for, it is always trying to find a better way of driving client success and meeting their goals. In our pursuit of this, we have partnered with Riskalyze. Riskalyze assists us in obtaining client risk tolerance through their next generation risk survey. In addition, it gives us top of the line portfolio analytics, allowing us to see anything from what percent of the portfolio is international vs US markets to how diversified the portfolio is. In short, Riskalyze gives us the ability to determine how much risk our clients want,



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how much risk our clients currently have in their portfolios, and how much risk they need to take to meet their goals. Ultimately, this gives us more ammunition in creating robust financial plans for our clients.

While we have always had the ability to find a client's risk profile and perform analysis on a portfolio, we are extremely excited about this new partnership. Riskalyze is a staple in the financial technology industry and has been named to the Forbes FinTech50 list twice. As innovators ourselves, we know that Riskalyze will continue to make strides in risk management.

So, what does this mean for you? It means you will be getting the same level of service from us, but with even more resources at our disposal to personalize your financial and investment plan. If you would like to take the new risk survey, please visit our website at [www.wealthag.com](http://www.wealthag.com), go to "services" and then "investment management". ■

### Orion Eclipse Customizable Trading Solution

In our office, trading client accounts is one of the highest priority items done on a daily basis. Trading can mean investing cash in accounts, selling funds to send cash out, or rebalancing an out of tolerance account. Whatever the action is, it is imperative that trading is customizable, effective, and efficient. Enter Eclipse, Orion's all-inclusive trading platform.

Eclipse gives us the ability to move on from the old manual way of trading accounts and moves us further into the future of innovation. Specifically, Eclipse allows us to be more attentive to tax consequences in accounts, enable workflows for contributions and distributions, and make tactical adjustments to portfolios to minimize trade cost. In addition, we can build all models used by our firm into Eclipse and customize each according to client preferences.

We have been using Eclipse since last September but are continuing to work on developing our daily trading process and cleaning up our database. We are confident that we will be able to provide a more individualized, tax-sensitive client experience with Eclipse, while enhancing the investment strategies that we offer. ■

# Financial Planning & Tax Corner

## Financial Planning 2021 Outlook

Financial planning was incredibly worthwhile in 2020 due to the ever-changing circumstances from COVID-19. In fact, we were reminded of the importance of a financial plan and sticking to it through thick and thin. It gives us and our clients a sense of control that someone is looking out for their best interest. We believe that planning will continue to be essential to navigating the upcoming year. We have adapted a few articles that discuss new tax and financial planning trends heading into 2021.

### The pandemic has underscored planning needs.

According to a 2020 Schwab survey, more than half (52%) of Baby Boomers surveyed said the pandemic has made them more focused on developing a clear financial plan for retirement. And a 2020 TD Ameritrade survey of U.S. adults found that 71% of those surveyed anticipated that the pandemic would affect their retirement plans, with 37% of Boomers indicating they had delayed or considered delaying retirement, and 23% indicating they had retired early or considered it because of the pandemic.

Most of the Boomers questioned in our 2020 survey said they felt confident in their retirement savings, but the survey revealed a disconnect in that confidence. On average, those surveyed said they plan to spend \$135,000 a year to live their "best life" in retirement. But overall, they have saved an average of just under \$1 million. Even with Social Security, we estimate that total would not last much more than 10 years of retirement if people spent at that rate.

We are keeping an eye on a few additional developments related to retirement planning. In November, the U.S. House of Representatives proposed a new retirement-related bill. Commonly called the "SECURE Act 2.0," it could provide more flexibility for retirement savings. It stands a good chance of being voted on in 2021. If passed, the bill would further increase the required minimum distribution (RMD) age from 72 to 75 and allow some older workers to make even larger contributions to their retirement accounts.

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## Did You Know

In 2008, Zimbabwe experienced a terrible case of hyperinflation. At the peak, one US dollar was worth 2,621,984,228 Zimbabwe Dollars. At that same time, a loaf of bread in the country cost 10,487,936,912 Zimbabwe Dollars.

Also, the pandemic has caused some analysts to project that the Social Security trust fund may run out of money earlier than originally expected. As a result, those near retirement may be tempted to start benefits early, and recessions tend to lead to an increase in people starting benefits at age 62—the earliest age possible. If you are nearing retirement, the timing of your filing decision is one of the most critical—and largely irreversible—retirement decisions you will make. Make an informed choice. Working with a professional to create or update a retirement income or Social Security plan can help you prepare for the future.

### Re-examine estate planning documents and insurance coverage.

The pandemic forced many of us to face our own vulnerability. Is your insurance coverage adequate, and do you have basic estate planning documents in place? Now is the time to review these topics with your advisor.

### Big tax policy changes are unlikely in 2021, but there could be some changes on your 2020 taxes.

#### - Unemployment Benefits:

Many Americans lost their jobs either permanently, or temporarily, during the pandemic as businesses were forced to close in an attempt to stem the spread of the virus. But there may be tax repercussions for people who received unemployment benefits, which were enhanced under the CARES Act and will be boosted again per recently passed legislation. The IRS requires people to report income received in the form of unemployment – in fact, failure to do so could result in taxes owed to the IRS, and failure to pay could result in potential penalties and interest as well. Recipients may not know that they have to request to have taxes withheld from this money. If you do not have taxes withheld from your checks, you may have to make quarterly estimated payments to the IRS. These payments are typically required of individuals who expect to owe tax of \$1,000 or more when their return is filed.

#### - Remote Working:

Another big change is that people, specifically those who have been working remotely, may have to file multiple state income tax returns this year. Typically, a worker is required to file a return in his or her state of residence as well as where he or she works if those states are different. There are different rules in every state governing at what

point a nonresident is required to pay taxes in the state. Whether some people owe more in taxes next year will depend on how high the state taxes are where an individual is currently working vs. their home state. In many cases, an individual can receive a credit in the resident state for taxes paid to the nonresident state. But if taxes are higher in the nonresident state, a worker could end up owing a little extra.

#### - Stimulus Checks/PPP Loans:

Money sent to American households in the form of direct payments, \$1,200 under the CARES Act and \$600 per the most recent legislation passed by lawmakers, does not count as taxable income for 2020. Business owners who received loans from the popular Paycheck Protection Program need to be aware that they are not eligible to claim regular deductions if expenses were paid for using money that was forgiven under the program. That is according to IRS guidance issued in the spring. Lawmakers are, however, looking to change this provision for those business owners who might be eligible for another loan in the upcoming round.

#### - Educational Expenses: 529 Plans and ESAs

Any money you take out of a 529 plan or Educational Savings Account (ESA) must be used for qualified educational expenses in order to be tax-free. Makes sense. But a lot of schools went remote or cancelled classes this year—which means your college might have refunded some or all of your 529 or ESA money. If that is the case, you have 60 days to put the money back in the account or use it to cover other educational expenses. If you did not, you might have to pay income taxes and a withdrawal penalty. There are also a couple of new ways you can use 529 plans in 2020 without having to pay any taxes. First, you can now use 529 plans to pay for the costs of certain apprenticeship programs—including fees, books and supplies. And second, you can also use money from a 529 plan to pay off up to \$10,000 in student loan debt (that's \$10,000 total—not annually) without having to pay any penalties or taxes.

There were a bunch of changes to the tax law in 2020; however, in any year, you should consider various year-end tax planning opportunities, such as tax loss harvesting, tax gain harvesting, charitable gifting, and a Roth conversion. ■

Adapted from articles titled: "2021 Financial Planning Outlook 3 Trends and Implications" (Charles Schwab), "Tax Tips for 2021" (Fox News), and "Tax Season What You Need to Know" (Dave Ramsey)

# Retirement Planning

## 5 Secrets to a Happy Retirement

We know that our clients come to us with their most complex financial issues day in and day out. We love helping them figure out the best way to structure their finances to make their goals work. However, during these tough times, we have been having a lot of conversations about more profound issues like “What does it look like for you to enjoy your retirement?” We hope that this preface from an online article can help you dive a little deeper into what retirement means for you.

### Secret No. 1: Money is not everything

You do not need enormous wealth to be happy in retirement. You just need enough.

What is enough? Many people think they want the same income in retirement as they have when they retire: If their job paid \$100,000 a year, that is what they want to have when they retire. But that is high: Not only will you no longer be commuting to work and paying payroll taxes toward Social Security and Medicare, but you also will not be shoveling a chunk of every paycheck into a retirement account. Most planners say that 80 to 85 percent of your preretirement income is plenty. And if you have paid off your mortgage, you may need even less than 80 percent of your preretirement income.

“People say, ‘I’m afraid of running out of money in retirement,’ but most don’t run out of money unless it’s a family crisis or health issue,” says Ray Ferrara, CEO of ProVise Management Group, a financial planning firm in Clearwater, Florida. “What people are really worried about is having to change their lifestyle.”

If you want to have enough money in retirement, make sure your lifestyle matches your budget. How much do you need to cover your bills? How much do you typically spend doing the things you enjoy – such as concerts, dining out and travel? Factor in the cost of health care, too – most people qualify for Medicare coverage at age 65 – to get a more accurate sense of how much is enough for your happy retirement.

And remember that happiness is not just a fabulous vacation or four rounds of golf a week. “Find a way to savor small things,” says Christine Benz, director of personal finance at Morningstar. “Throughout our lives, it’s the little things that get us up in the morning.” It is a valuable lesson that has been reinforced by the pandemic. Walking your dog, enjoying coffee and the newspaper, having dinner with your spouse – those are what make a happy retirement, and they cost next to nothing.

### Secret No. 2: Make health a priority

You cannot control your genetics, which are a big part of how your health will hold up in retirement. But you can actively work to make sure your health is as good as possible.

If you plan on moving to a new place when you retire, check out local hospitals and other nearby health facilities. First consideration: Distance. That place up in the mountains or on a secluded beach may have great views, but how long will it take you to get to a doctor? Even as telehealth has gained popularity amid the coronavirus outbreak, in-person medical care remains essential for certain conditions and during emergencies.

Next is quality of care. If you have a preexisting condition, such as high blood pressure or knee problems, make sure you’re confident in the local specialists. You do not want to bank on the only orthopedic surgeon in town for a hip replacement.

Find a sport or activity that you like. Biking, tennis, yoga, or walking will not only prolong your life, but also help you enjoy it. Frankly, any exercise is better than none. A study of 334,000 Europeans found that the biggest beneficiaries of exercise – those who went from inactive to moderately inactive – had a 16 to 30 percent drop in premature death risk.

And try not to put off doing things you have always wanted to do, Ferrara says. “The thing to do is quit planning to do those things you’ve always wanted to do. If you are healthy and can afford it, do them – because at some point you will have some health issue that will keep you from doing it.” Ferrara’s boat, incidentally, is named “Someday is Today.”

### Secret No. 3: Relationships matter

People are social animals, as the pandemic has reminded us all, and people who live in isolation typically don’t live as long, or as happily, as those who get out and socialize. “As much as you like being alone, you might underestimate the benefits of being with people,” Benz says.

According to the Mayo Clinic, the benefits of being with other people are considerable. Adults with strong social support have a reduced risk of many significant health problems, including

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depression, high blood pressure and an unhealthy body mass index (BMI). Older adults with a rich social life tend to live longer than those who are more isolated, too.

If you decide to move to a new place when you retire, visit it frequently beforehand so you do not wind up feeling alone. “We tell people that if you want to move somewhere, try living there for three or four months first,” Ferrara says. “Get to know the area, meet people, and see if people are nice. Then make your decision.”

And sometimes, you can even spend money to get new friends. In most cases, buying a new sports car is a bad idea in retirement – but not if it is because you love being with other people who love sports cars, too, says Benz. “Then it might be money very well spent.”

#### Secret No. 4: Hone your vision

One of the best ways to get people to save for retirement is to have them make a detailed list of what they want from it, says Brad Klontz, founder of the Financial Psychology Institute and an associate professor at Creighton University Heider College of Business. Doing so often results in an immediate increase in retirement savings.

Why? Simply articulating the things you envision for your retirement makes them more real and makes you more likely to achieve those goals. And talking about your vision can even help you understand why you might be nervous about retirement. “Sometimes, people don’t realize that they have a negative vision of retirement,” Klontz says. They may, for example, know people who retired and died shortly thereafter. Or they may have had a parent whose life turned worse after retirement. It is best to get those negative thoughts out of your head before you retire.

And it is important that your vision of retirement jibes with the vision of a spouse or partner if you have one. If your idea is to buy a Winnebago and camp in all 50 states and your significant other wants to live in an apartment in Rome, it is best to address those issues now, rather than during your retirement party. The coronavirus has disrupted retirement plans for many, so take advantage of the unexpected delay to hone your own vision.

#### Secret No. 5: Find your purpose

If you want to be happy in retirement, you need to feel like you have a reason for being, aside from playing golf or reading novels.

“In the first six to 12 months after retirement, most people are happy doing things they didn’t have time to do before,” says Klontz. But once the golf season is over and they have finished War and Peace, they become bored and start to wonder why they retired.

“It’s an existential crisis,” Klontz says. “You want to make a difference in the world, and if you don’t have a good answer for why you retired, you end up depressed.”

In earlier societies, people matured into different roles. “You may be too old to be a hunter, but perhaps you’re expected to teach or be a mentor,” Klontz says.

That is no longer the case in modern society, so you have to plan your own purpose – and that may even be going back to work, says Ferrara. If you like to sail, consider helping to manage a marina, or start a sailing class for adults or teens. Want to make your local community better? Run for town council. “Retirement can be freedom to do what you always wanted to do but never had the chance to do,” Ferrara says. ■

Adapted from article: “5 Secrets to a Happy Retirement” (AARP)

## Employee Spotlight

### Welcome Weston Wellman!

We are very excited to announce a new addition to the Wellman family, Weston Lee Wellman. He was born on November 26th at 12:16pm and both he and Maranda are doing well. As they welcome their first child, Maranda and Brandon are learning more about the transition to parenthood and all that comes along with it (and it’s a lot!). We could not be happier for the new addition to their family! We wish them all the love and support going forward. ■



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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.