

February
2020

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IAG Insight

Serving the clients of IAG Wealth Partners, LLC

Electionitis

Every four years or so we find that reliable long-term investors become susceptible to a pernicious disease I like to call electionitis.

Electionitis is a contagious virus which cannot be treated with typical antibiotics. The major symptom of electionitis is that it causes otherwise rational investors to believe that cash is the only appropriate investment until the next election is over and “things settle down.”

The delusion that “things settle down” after an election is pure fantasy, of course, but someone with electionitis will focus so hard on the election date that they literally cannot envision even one day beyond it. To the electionitis victim it literally becomes a day of reckoning.

There is no doubt elections can be stressful to otherwise normally functioning humans. Some would

say they are even purposefully designed to be stressful.

Since one of the easiest emotions for politicians to manipulate is fear, they will use it extensively to retain or obtain power. They will spend upwards of \$6 billion (and even more words) this election cycle to infect you with electionitis.

While fear can be a sound political strategy, it is not a sound investment strategy.

To ward off electionitis, we recommend focusing on outcomes over which you have more influence — like investment risk, personal goals, saving and spending habits, and the media you choose to digest.

Replace political fear with personal confidence that regardless of manipulative politicians, you can make positive decisions that will help you and your family make progress toward your long-term goals.

Upcoming Events

Power Break: SECURE Act Q & A

March 3rd and 4th bring 3 Power Break opportunities: Tuesday, 3/3, at 7:30 am and 4:00 pm and Wednesday, 3/4, at 4:00 pm. All sessions are held at our Waukesha office. Please **RSVP** to Carol at 262-446-8150 or [here](#).

Wealth Management Symposium

Save the date for our 25th annual Wealth Management Symposium. This year it will be held on the afternoon and evening of May 21st.

2019 Tax Timeline

You do **NOT** have to wait for the U.S. Postal Service to deliver your 2019 tax forms.

This time of year brings on the annual tradition of gathering up all of your tax documents to prepare last year's tax returns.

Here is the timeline from LPL Financial for distributing your 2019 tax documents:

January 31

LPL mailed out all 1099-R forms for retirement account distributions.

Additionally, **IF** the investment income for a non-retirement is unlikely to be revised by the reporting investment firm, LPL mailed out 1099-DIVs, 1099-INTs, and 1099-Bs (all in

one package) for those accounts. This is rare.

February 18

LPL will mail out additional 1099s for nonretirement accounts if they believe there is a low chance of revision.

February 20

If you did not receive your tax forms in the first two mailings, LPL will create a preliminary draft for your account and make it available online through AccountView. This draft cannot be used to file your taxes and will not be mailed.

March 2 and March 16

LPL will mail additional 1099s.

You do **NOT** have to wait for the U.S. Postal Service to deliver your 2019 tax forms.

You can view and download your tax forms on the day they are mailed. Simply log in to your [AccountView](#), click on the Documents & Statements tab, and then select Tax Forms.

While LPL attempts to avoid revisions, please keep in mind that all 1099s are subject to change if LPL receives new information from investment firms.

Inside the Beltway

With November elections looming, **Congress** will likely accomplish little to nothing over the next 12 months.

In the U.S. House of Representatives, Democrats currently hold 234 out of 435 seats and will need to maintain at least 218 seats to control the chamber. It is likely Democrats will continue retain power in the House, though with a smaller majority.

In the U.S. Senate, Republicans hold 53 out of

100 seats and will need to retain either 50 (with a Republican Vice President) or 51 (with a Democrat Vice President) seats to control the Senate.

Elections in Alabama, Arizona, Colorado, and Maine will likely determine who controls the Senate in the 117th Congress, but other races could surprise us.



One topic that neither party is concerned about is our national debt which now totals \$23,205,880,808,457.79

and, according to the Congressional Budget Office, will continue to grow by at least \$1 trillion per year for at least the next 10 years unless Congress takes action to raise revenues or limit federal spending.

The **Federal Reserve** would prefer to maintain its current monetary policy through this fall's election to avoid appearing political, but bond traders are currently pricing in a greater than 50% chance of a rate cut by September.

We will likely not see the Fed raise rates again until official inflation estimates persistently exceed their 2% target, leaving short-term savings and debt rates lower for the foreseeable future.

SECURE Act: RMD Changes

The President signed the SECURE Act into law on December 20, and the rules for Required Minimum Distributions (RMDs) instantaneously changed for 2020.

Previously, taxpayers were required to begin taking RMDs in the year they turned 70.5 (with a few exceptions). The SECURE Act changed that magic age to 72 starting

in 2020, but the old rules still apply for those already taking RMDs.

Thus, anyone born **before** July 1, 1949, is still required to take RMDs in the year they turn 70.5 while anyone born **after** June 30, 1949 does not have to take RMDs until the year they turn 72.

Due to the last-minute change for 2020, several IRA custodians mailed letters to our clients telling them that they are required to take an RMD in 2020 because they turn 70.5 this year. These notices are incorrect.

In other good news, the SECURE Act did not change the age to

qualify for making Qualified Charitable Distributions (QCDs) from IRA accounts did not. Once you are age 70.5, you may donate up to \$100,000 per year directly from your IRA to an eligible charity.

Please contact your advisor if you have any questions about your 2020 RMD.

SECURE Act: Beneficiary Changes

One of the more drastic changes included in the SECURE Act impacts the beneficiaries of retirement accounts.

Previously, most non-spousal beneficiaries had multiple options for when to close an inherited retirement account, including the option to stretch the account dis-

tributions over their IRS life expectancy.

Effective for ac-countholder deaths occurring after December 31, 2019, nonspousal beneficiaries (with a few exceptions) will be required to empty inherited retirement accounts by the **end of the tenth year** after an ac-

countholder's passing.

This change will require beneficiaries to carefully plan the tax consequences for inheriting a retirement account and reinforces the benefits of naming tax-exempt charities as retirement account beneficiaries.

Additionally, this change

in beneficiary treatment could have a significant impact on trusts if they are named as the beneficiary on a retirement account. We highly recommend consulting with your legal professional to determine if any changes are needed to your beneficiaries.

SECURE Act: Other Changes

As with any 2,700 page piece of legislation, there are also numerous other provision included. Here are few other less headline-grabbing changes included in the SECURE Act.

If you have earned income, you may now make IRA contributions after age 70.5.

If you add a baby to

your family (birth or adoption), you may take up to \$5,000 in penalty-free distributions from your retirement account within one year after the birth or adoption finalization. You may then roll your "baby" distribution back into your retirement account at any point in the future.

The SECURE Act also

expanded the permitted tax-free use of 529 education savings plans to include paying down up to \$10,000 in student loan debt lifetime.

Please keep in mind that individual states must also adopt these tax changes before distributions are state income-tax free.

Because your tax circumstances are unique, please be sure to consult with your tax professional before making any decisions regarding tax changes.



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IAG Grapevine

Events, celebrations, or interesting stories about your IAG team:

Jesse Sindorf and his wife, Hannah, welcomed their second child, Graham, on Wednesday, January 22nd.

Michael Koerner's daughter, Kaelyn, played the lead role of Anna in the Wisconsin Middle Hills school production of Frozen Junior.

Bill Otto's son, Brett, recently published a paper in Tetrahedron Papers with his peers entitled "Linear Oligosulfoxides:

Synthesis and Solubility Studies."

Brad Carroll travelled to New Orleans for a long weekend to celebrate a milestone birthday.

Chris Mitchell and his family took a road trip to Colorado over Christmas to visit family and ski.

IAG anniversaries:
 2 years: **Cathy Marschall**
 3 years: **Carol Diettrich**
 7 years: **Jayme Heineck**
 9 years: **Tom Peterson, Mike Kutz, Mary Paul**
 13 years: **Anne Sapienza**
 18 years: **Bill Otto**
 22 years: **Jenny Bartz**
 33 years: **Susan Kuhlenbeck**

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