February 2021

IAG Insight

Serving the clients of IAG Wealth Partners, LLC

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Unexpected Risk

Risk can come in many forms and from many unexpected directions.

In early February, a number of companies with generally accepted bleak futures saw their stock prices launch higher.

This caused significant pains for a few hedge fund managers that had expected to lock in a sizeable profit when these companies went out of business and their stock price fell to $0.

It is probable that many, if not most, of the bleak-futured companies will fail at some point in the future.

So, how did professionals with the right thesis lose so much money? They encountered an unexpected risk they had not hedged.

Thousands of retail investors colluded using the internet and bought enough of the companies' shares to force the stock prices skyward.

The hedge fund managers had tools at their disposal to hedge this risk while it was unexpected, but once the risk was known the cost of those hedges skyrocketed as well.

The same holds true for your financial plan. Many people dismiss the need for life or long-term care insurance when they are younger and healthier. The risk seems minimal and their plan works without insurance.

However, once the risk of death or needing long-term medical care becomes known, you will no longer be able to hedge against those risks. Be sure to talk with your advisor now, before unexpected risks become known.

IAG Wealth Partners, LLC includes fourteen experienced professionals:

Lori A. Watt, CFP®

Susan C. Kuhlenbeck

Scott D. Heins, CFP®

William E. Otto, CEPA

Christopher W. Mitchell, CFP®

Anne C. Sapienza, CRPC®

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Rusty J. Peterson, ChFC, CLU, CRPC®

Debra B. Melvin, MBA, CDFA™

Jayme L. Heineck

Michael J. Koerner

Jennifer B. Bartz

Jesse M. Sindorf, CFP®

Upcoming Events

Power Break: Stimulus Dive

Our Power Break will be held virtually on Tuesday, 3/9, at 4:00 pm. You must RSVP by **Monday, March 8,** to receive an e-mail invitation to join the Power Break. There will be no in-person Power Break sessions held this quarter. Please RSVP here.

Wealth Management Symposium

Due to the uncertainty created by COVID-19 and the time and effort required to create a successful symposium, we will regrettably not be holding our annual Wealth Management Symposium for a second consecutive year. Here is to next year!

InSECURE Inheritance

It pays to plan ahead to reduce the IRS' lien on your tax-deferred retirement accounts.

The SECURE Act was signed into law in December 2019, and it made inheriting an IRA less secure.

Prior to the SECURE Act, most nonspousal IRA beneficiaries could stretch out the income taxes due on their inherited IRA over their life expectancy.

The SECURE Act requires most nonspousal beneficiaries to pay taxes on their inherited IRA within just over ten years after the owner's death.

This accelerates and likely increases the income taxes paid by IRA beneficiaries.

If you own large tax-deferred accounts, you may wish to consider using the following strategies in consultation with your tax professional:

1. Convert a portion of your IRA to a Roth IRA.* This needs to be evaluated very carefully to minimize total taxes. Your beneficiary would still need to empty the Roth IRA account within 10 years, but it would likely be tax-free.
2. Use tax-free Qualified Charitable Distributions (QCDs) after age 70.5 to reduce your IRA balance during your lifetime.
3. Use taxable IRA withdrawals to pay premiums on life insurance policies that provide income-tax-free death benefits.

Now, more than ever, it pays to plan ahead to reduce the IRS' lien on your tax-deferred retirement accounts.

Inside the Beltway

The winds of change have blown through the nation's capital, and one party controls the legislative and executive branches.

The first priority for the President is an additional COVID-19 relief package that would bolster individuals' pocketbooks with a cash infusion, extend unemployment benefits, support state and local governments, provide funds for vaccine distribution, raise the minimum wage to $15 per hour, extend the eviction moratorium until September, and provide additional funds to small businesses that are struggling.

If it passes, it would likely have a short-term positive impact on corporate earnings as much of the money would be spent by consumers.

The second highest priority for the new administration will likely be an infrastructure bill that would address our deteriorating infrastructure and boost the economy. This also would be short-term positive for the financial markets.

Our national debt now totals $27,920,544,756,665.90 as of this writing.

The Federal Reserve clearly intends to maintain its accommodative monetary policy for the foreseeable future.

Most committee members do not envision raising interest rates or curtailing bond purchases in 2021, and most think it will be 2023 before this is necessary.

What could accelerate that timeframe? Sizeable inflation that appears to be sustainable long-term.

At this point, no one believes inflation is a risk, and both Chairman Powell and Treasury Secretary Yellen are more concerned about solving unemployment and avoiding deflation.

However, a large fiscal stimulus from Congress, a $15 per hour minimum wage, and a boost in infrastructure spending coupled with extremely loose monetary policy could be the recipe to revive inflation.

Source: U.S. Treasury

*Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. Th
Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to ta

Averages Require Time (ART)

Does successful investing require more ART or science?

Many investors focus on the science of average annual returns when evaluating their portfolios. This misstep can create false expectations about the future.

An average annual return provides no information about how much investment risk is in a portfolio. All of the exciting highs and demoralizing lows have been reduced to a scientifically simplistic flat percentage.

The reality is that averages are like erosion -- they diminish highs and fill in lows to make everything smoother.

Erosion takes time. Mountains do not disappear overnight. Only time gives averages the power to erode short-term market volatility.

When portfolio returns do not meet expectations, many times it is because the portfolio was not given the time needed to average out its short-term risks.

At IAG, we use our Portfolio Segmentation™ process to align our clients' investment portfolio with their financial plan and put time on your and your portfolio's side.

As much as investors would like to think that successful investing requires sophisticated science, often times it simply takes ART.

Oftentimes, successful investing requires more ART than science.

Welcome, Stephanie!

Stephanie joined the IAG Operations Team on December 1.

She graduated from Mount Mary University with a B.S. in criminal justice and sociology. She has an extensive background in insurance, real estate, and her primary passion — customer service.

Outside of work, Stephanie enjoys spending time with her family, friends, and with her four-legged friend, Charlie, an energetic 1.5-year-old English Springer Spaniel.

She also loves to cook, bake, travel, and enjoys just about anything that gets her outside — including hiking, kayaking, fishing, and hunting.

Welcome, Sean!

Sean joined the IAG Operations Team on December 1.

Sean graduated from the University of Wisconsin-Milwaukee with a B.S. in Finance. Prior to joining the IAG team, he worked with several financial advisors at another firm. He also has experience in banking.

Sean recently moved to the Tichigan area with his wife, Mariah. They have two dogs, Bailey and Sulley, and a cat named Penny (aka Kitty).

They enjoy taking the dogs on long walks to explore their new area, watching football and Formula 1, and are looking forward to going to shows and movies when they return (hopefully) in the near future.

ese primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a
ake a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

IAG Grapevine

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

Bill Otto's son, Brett, graduated from Michigan Tech with a BS in Chemistry. He accepted a position with Charles River Laboratories International in Kalamazoo, MI, where he will focus on stage one testing of new pharmaceuticals.

Cheryl Tesch's mother-in-law, Patricia Tesch, passed away on January 14.

Kelly Baumgart and her husband, Dan, are expecting their second child on April 15.

Cheryl Tesch was named to the leadership board of the Exit Planning Institute of Wisconsin.

Gina Haenisch's son, Andy, and his wife, Jo, are expecting her second grandchild on March 31.

IAG anniversaries:
1 year: Kelly Baumgart
4 years: Carol Diettrich
8 years: Jayme Heineck
10 years: Tom Peterson, Mike Kutz, and Mary Paul
14 years: Anne Sapienza
19 years: Bill Otto
23 years: Jenny Bartz
34 years: Susan Kuhlenbeck

Looking for more? Check out our top 5 most-widely read blogs from the last three months:

1. Mobs
2. RMD Clarity
3. The Race
4. Inversion
5. 5,593

The IAG Charitable Foundation

supports our clients as they make a positive impact in our community. Click here to learn more.

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