December 2019

As many of you may have already heard, on Monday November 25th, Charles Schwab and TD Ameritrade announced that they have entered into a definitive agreement for Charles Schwab to acquire TD Ameritrade. According to the press release, the deal is based upon an enhanced value proposition for clients. The press release states that clients of TD Ameritrade and Charles Schwab alike, should benefit from the broader and deeper array of services. The combination will bring together the best of the two firms' innovative and client-centric platforms, products and services. These include: leading trade and wealth management platforms, custody platforms and tools, investor education, award winning service, retirement services, banking, and asset management.

Many of you are probably wondering how this will affect you and your accounts that are held with TD Ameritrade and Pearson Financial Services. I want to let you know that this deal is still subject to standard regulatory approval and that will not happen, at the earliest, until the 2nd half of 2020. Then from there, the integration of the (2) companies will take another 18 to 36 months. Potential improvements could come in a redesigned format of monthly statements as well as an improved online experience. We will keep you informed of any information that we get as this works through the process.

It's interesting to note that the SECURE Act – which stands for "Setting Every Community Up for Retirement Enhancement" was recently signed by the President. The bill was pushed through as part of the government's spending bill that needed approval before the Holiday recess. Some retirement experts' question what impact this bill will truly have, as there are a few changes that could negatively impact savers, so we will be actively watching these provisions and how they will affect our clients. Listed below are some of that changes that may impact you:

- **Increasing the start Age of Required Minimum IRA distributions to 72.** This provision is only for people that will be turning 70 ½ in 2020 and after. If you have already started taking required minimum distributions in 2019 (or before), you need to continue taking those distributions.
- **Contributions to Traditional IRA's can continue past 70 ½ if you still have earnings from employment.** In the past you could only contribute to a **Roth** IRA after 70 ½, with wages from employment.
- **No more stretch IRA's –** A husband or wife that inherits an IRA from each other will continue to have the ability to stretch out the distributions over their lifetime. It's non-spouse beneficiaries (children, grandchildren etc.) that will not be allowed to stretch them out over their lifetime. They will be required to withdraw all assets within 10 years. But there will also be no **R**equired **M**inimum **D**istributions annually. You could essentially take nothing from the inherited IRA for 9 years and then close out completely in year 10. Each situation will have to be examined to understand the inheritors' income tax situation and what their financial plan looks like. I believe having our team behind you will be a significant advantage, as we work with the next generation to make sure that they don't make choices that could negatively impact the money that they will be inheriting from your years of hard work and sacrifice. Remember, ALL existing non-spouse inherited IRA's will continue to enjoy the stretch option afforded to them when they inherited the IRA. The change is only for new non-spouse inherited IRA's in 2020 and there-after.

- **Some workplace CHANGES TO 401k PLANS –** auto-enrollment to 401k plans – think grandchildren and their first jobs. This will automatically enroll them in their company plan rather than putting it in their hands to take the time to sign up. There are a few other changes that will allow annuities into 401K plans as investment options. Small businesses can link up with other small businesses to enjoy economy of scale to gain access to more features at affordable prices.

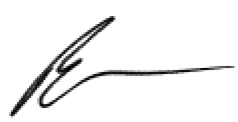
In summary, 2019 has shaped up to be a great year for the stock market. The S&P 500 Index was up 28% for the year. However, as we enter into the new decade, one can only surmise that the risks ahead could be a bit more skewed to the downside of the market. Ongoing trade disputes with China, (which is nearing completion of a phase one deal), continued slow global growth worries, stock valuation concerns, ongoing Federal Reserve rate policies questions, growing tensions with Iran and an upcoming Presidential Election, may all add up to increased volatility in the year ahead.

With all the noise out there in the market, I always try to come back to the notion of stock price / to earnings ratio (PE Ratio). What is a reasonable level for the market to be trading at? The S&P 500 Index is trading today at 18.5 times 2020 earnings, which is above their 25-year average of 16.1%. Yet, according to many financial experts and researchers, stocks can stay overvalued or undervalued for very long periods of time and many other factors are always at play over time to push stock prices up or down. Because of all this uncertainty, we continue to suggest that you take a conservative approach to your portfolio, locking in some gains where possible. Through re-balancing, you can bring your stock allocation down a bit to your lower end target. For example, if you were comfortable with 50-60% in stocks, it may be time to consider moving back toward that lower end of your range. If you have any major expenses coming up in 2020, it may make sense to draw up cash with the market at all time highs.

While we do remain somewhat optimistic on the economy, it’s safe to expect lower stock market returns and increased volatility for 2020. We all remember the volatility of December of 2018 and know that things can turn very quickly, even if a recession is not on our doorstep. However, if there one thing that history has taught us, while investing in stocks has always carried risk, it has been a source of great returns over the last 100 plus years.

As always, please do not hesitate to reach out to us with any questions. We look forward to speaking with you for an “annual review”! In the meantime, sending our best wishes for a Happy and Healthy 2020!

Sincerely,



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