

OCTOBER 2020

SWK

FINANCIAL PLANNING ADVISORS

of

RAYMOND JAMES®

CHA, CHA, CHA, CHANGES...

Troy A. Kestner, CFP, Sr. Vice President, Wealth Management

"Turn to Face the Strange, Changes." Lyrics from a David Bowie song released in 1971.

If we had only known on New Years Eve what we were getting into in 2020, we would have been singing this song instead of the traditional Auld Lang Syne. As strange as this year has been for everyone, I want to share some personal changes with the team at SWK.

Jim Ed Summers, Sr. Vice President, Wealth Management, Deena Wright, Associate Vice President, Wealth Management & Kimberly Shepherd, Senior Registered Client Relationship Associate have all moved or are planning to move personal residences. Deena's son has changed high schools and is now a Har-Ber Wildcat and her daughter is now swimming for Aqua Hawgs. Stephanie's oldest moved off to college as did my middle daughter. And my oldest daughter graduated from college & is pursuing her passion in a full time capacity! (Cha-Ching!) We haven't had a 'normal' day at the office since March 16th. Thankfully, our technology was up to the challenge as we didn't miss a beat with our daily responsibilities working from home.



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On a more personal note, my family experienced several pet losses. My 9 year old dog, a favorite rooster, one of our two Tom cats and sweet ole red cow we called Rosie all passed away in 2020. All sad times. However, it was a huge blessing for my family to have all 3 of our daughters back under one roof for an extended period of time. Many memories were made and as a family, we have a lot to be thankful for!

As we head into the 4th quarter and the holiday season, I encourage you to focus on what you can be thankful for. I would be remiss not to Thank each of our clients for the trust you place in our team.

We are THANKFUL for you!



Above: Konley, Troy, Kenadie, Holli and Kingslee

Right: Kingslee, Konley & Kenadie



A PLAN FOR ALL SEASONS



A plan for all seasons

A NEW LEAF, NEW INSIGHTS



FALL/WINTER 2020 | MARKET CLOSURES

Thursday, November 26: Thanksgiving Day

Friday, December 25: Christmas Day

DATES TO REMEMBER

Thursday, October 1: Last day to establish a SIMPLE IRA plan or a Safe Harbor 401(k) to be effective for 2020.

Thursday, October 15: Open enrollment for Medicare Parts C and D begins. Make any changes to your coverage by December 7.

Thursday, October 15: The final day to file a 2019 income tax return for those issued an extension.

Thursday, December 31: New Year's Eve is the year-end charitable gift deadline for check and wire transfers.

Thursday, December 31: Last day to take 2020 required minimum distributions for those who turned 70½ in or before 2019. *

THINGS TO DO

- Confirm cost of living:** Next year's Social Security adjustment is typically announced in October.
- Gear up for open enrollment:** Prepare your documents for Medicare open enrollment, if eligible. If you're working and your employer offers benefits, take the time to understand them.

- ❑ **Be a savvy donor:** As deadlines for year-end gift and charitable contributions approach, make a strategy for your philanthropic goals. Consult with your advisor if you're interested in bunching, which means donating a few years' worth of contributions in one year, usually to a donor advised fund, to help you meet the threshold for itemizing on your tax returns.
- ❑ **Steer clear of fraud:** Start by tracking and reviewing all of your bank and credit card statements for irregular activity. You can also request a copy of your consumer credit profile and stay on the lookout for scams asking you to confirm or update your account information via email.
- ❑ **Tune up your plan:** It's important to monitor your retirement and investment accounts regularly and make adjustments to insurance and estate plans as needed. The holidays can be a good time to do this if you want to discuss what you're planning with close friends or relatives.
- ❑ **Size up your portfolio:** If you're invested in mutual funds, don't forget about capital gains distributions dates that typically fall in December. Consider balancing your realized capital gains with losses where appropriate. Talk to your advisor about whether this strategy might help lower your tax liability.
- ❑ **Reflect on resolutions:** Before beginning your New Year's celebrations, review the financial planning you did for the past year. Did you meet your goals?

Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59½ a 10% federal penalty tax may apply. Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value. © 2020 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. © 2020 Raymond James Financial Services, Inc., member FINRA/SIPC. Raymond James financial advisors do not render legal or tax advice. Please consult a qualified professional regarding legal or tax advice.

***With the passage of the C.A.R.E.S Act in March, Required Minimum Distributions were waived for 2020.**

TAX ADVANTAGED INVESTMENTS

by Troy A. Kestner, CFP, Sr. Vice President, Wealth Management



Benjamin Franklin is credited to stating “nothing in this world can be said to be certain, except death and taxes”. I agree, however you only die once. You face taxes every day. Payroll tax, income tax, sales tax, use tax, self-employment tax, property tax, excise tax, alternative minimum tax, capital gains tax, etc etc.

Before you get worked up, paying taxes isn’t all bad. The alternative would either be not earning any money or going to jail soon for tax evasion. Neither is good. With all these taxes, it’s good to know some options to help us diversify the tax laws within our investment strategies.

Personal Home Mortgage.

Although there are limits on income and amounts, home mortgage interest is deductible. Over time the mortgage balance decreases, the interest provides a tax deduction and generally the value of the home appreciates. It has great tax advantages but must be considered as part of an overall plan.

Retirement Accounts are available in many shapes and sizes. IRAs, Roth IRAs, 401k, SEP IRA, 403b or 457 plan, or a defined benefit plans. These plans allow tax advantages for the contributions to be deducted from income. The tax on the growth of the account is also deferred until the money is used. In the case of the Roth 401k or IRA, the future withdrawal is tax free. Contributions however, are not tax deductible. Contribution limits may apply and withdrawals prior to 59 1/2 could incur penalties or be subjected to income tax. Other restrictions may apply, so consult with your financial advisor.

Municipal Bonds allow investors to earn a yield or interest on their investment which generally isn’t income taxed at the Federal and/or State level.

Insurance products **such as life insurance and annuities have tax deferred growth advantages. Structured properly, withdrawals from life insurance cash values can be tax free. These products can be complex and have specific Internal Revenue Codes addressing their taxation. Seek a tax professional for advice.**

Master Limited Partnerships and Real Estate. AKA MLPs and REITs, **own investments in depreciable assets such as buildings, oil rigs, pipelines, rental properties and machinery. These assets are leased with the goal of generating an income for the investor. Since the assets owned by the product are depreciating in value because of their anticipated maintenance cost, a portion of the income generated isn't considered taxable. These are also complicated investment products with complex tax rules which could cause additional taxation on the liquidation of the original investment.**

Educational Savings Accounts (ESAs) aka Coverdell Educational Savings Accounts and 529 Plans.

The tax implications can vary significantly from state to state. In some states, these accounts hit the trifecta of tax advantages by allowing tax deductible contributions, tax deferred growth and tax free withdrawals for qualifying education expenses. In the case of 529 plans its an effective estate planning tool because it allows the owner of the account to retain control of the assets and withdrawal timing while not being considered part of the owner's estate.

Health Savings Accounts (HSAs) **are accounts which allow an income tax deduction for contributions and the use of the money to pay for qualifying medical expenses. Many providers of HSAs allow investment options. A high deductible health plan (HDHP) is required in order to qualify to contribute. Understanding these as basic options will allow you to evaluate your current tax strategy when reviewing your investment portfolio. I do not encourage clients to make investment decisions solely based upon taxes. However, taxes should be one of the considerations used in evaluating, monitoring and tracking an effective financial plan to accumulate wealth. In doing so it will help you attain your long term financial goals. After all, the more taxes you save now and in the future, the more money you have to use at your discretion later.**

Disclosures:

MLP distributions are not guaranteed. The actual amounts of cash distributions may fluctuate and will depend on the MLP's future operations performance. Increasing interest rates could have an adverse effect on MLP unit prices as alternative yields become more attractive. Increasing debt service cost and interest expense negatively affect cash flow and could impact the MLP's ability to make cash distributions.

Investors should also be aware of the risks of MLPs. Among them: concentration risk, illiquidity, exposure to potential volatility, tax reporting complexity, fiscal policy and market risk. It is advisable to consider the suitability of MLPs, given your individual income needs and portfolio constraints.

Investments in securities of MLPs involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs.

Be advised that investments in real estate and in REITs have various risks, including possible lack of liquidity and devaluation based on adverse economic and regulatory changes. Additionally, investments in REIT's will fluctuate with the value of the underlying properties, and the price at redemption may be more or less than the original price paid.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of the author, and not necessarily those of Raymond James. Expressions of opinion are as of this date and are subject to change without notice. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Be sure to contact a qualified professional regarding your particular situation before making any investment or withdrawal decision. Past performance does not guarantee future results. Investments mentioned may not be suitable for all investors.

Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes.

HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover educational costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. The tax implications can vary significantly from state to state.

While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of RJFS, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional.

Giving Back is more than a tradition, it's who we are!

With the help of Fayetteville Metro Kiwanis members,
we collected the #1 asked for items by teachers at
Asbell Elementary:

Water Bottles & Lanyards to hold the students face masks.

We put on our masks on a beautiful Friday morning to present
these items to the teachers & staff. We are grateful to give back
to the communities in which we work & live.

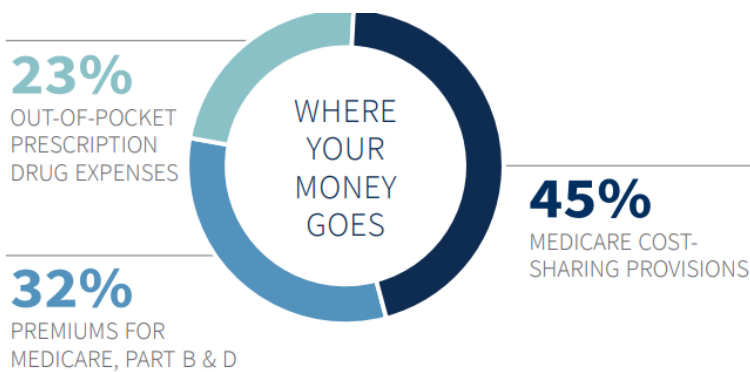


*Water Bottles & Lanyards
for Asbell Elementary*

Retirement & Longevity

Is it Time for a Change of Plan?

The arrival of fall also marks the arrival of Medicare open enrollment from **October 15 to December 7**. During this time, you can change from Original Medicare to a Medicare Advantage plan or vice versa or switch from one Medicare Advantage plan to another. You can also join a Medicare Advantage or Medicare prescription drug plan for the first time or drop your drug coverage completely. The point is you've got options.



Source: Medicare.gov, 2017



Open enrollment is a great time to make sure you are getting the most from Medicare. Every year you should compare your current plan to other plans in your area in case one offers better health and/or drug coverage at lower prices or that better fits your needs.

Reevaluate your Needs:

The coverage provided by insurance companies often changes every year & could result in paying more on out of pocket healthcare expenses throughout the year.

Know the Risk:

If you decide to drop drug coverage, you can rejoin in the future. But, if you go 63 days or more in a row without other creditable prescription coverage:

- You'll have to wait for an enrollment period to sign up for coverage
- You may have to pay a late enrollment penalty. Learn more at www.medicare.gov.

Next Steps:

1. Mark the Medicare Open Enrollment dates on your calendar.
2. Review the annual notice of change from your current plan provider.
3. Set aside time with your SWK Advisor to assess your current coverage & make adjustments, if needed.



Draft the Players Your Financial Team Needs

Take it from legendary coach Vince Lombardi: “People who work together will win, whether it be against complex football defenses, or the problems of modern society.” Similarly, a well-rounded team of professionals working in harmony can be a game changer for your finances.

As we gear up for the next American football season, we examine possible roles on your financial team and how they should work together on areas such as estate and tax planning.

The coach: You

It’s your financial game plan, and you’re in charge. If you’re married, your spouse shares this role, too. You will vet and hire the team of professionals and define the goals you’re trying to achieve, and keep each player updated on any changes in your situation.

The QB: Your financial advisor

Your advisor has a big-picture perspective on your finances and will act as quarterback of your money team, coordinating with your tax and legal specialists and guiding you through your interactions with them. For example, your advisor might be called on during tax time to provide cost basis information to your CPA and to provide updates throughout the year on any event that could affect your tax plan (and vice versa). They also can work with your estate attorney to make any necessary changes to your financial plan that result from your estate planning, and make sure everything is in harmony.

Special teams

Depending on your situation, you may need additional help in the form of an insurance specialist for risk management; a banker to address cash flow, lending and debt planning; or if you’re an entrepreneur, a business lawyer who can represent you in a contract dispute or other legal matters.

You might also have family members, a business partner or others who have a temporary role on your team – say as your power of attorney, successor or trustee. You’ll want to make sure these key players have earned your trust and have the information they need to understand your wishes.

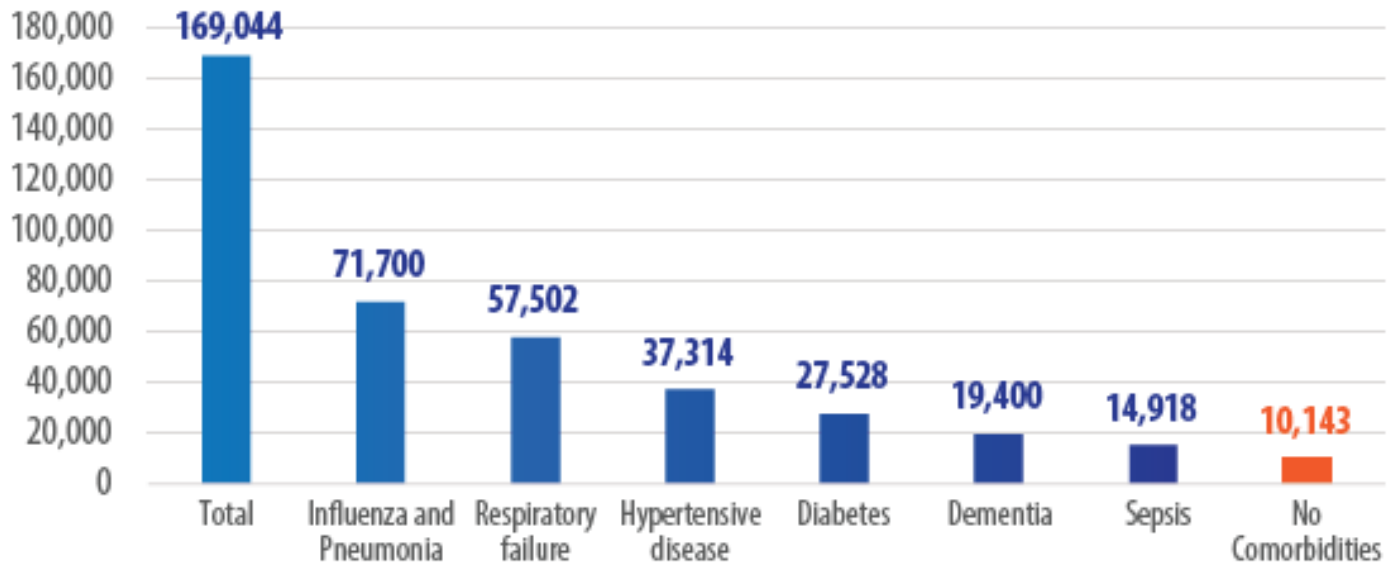
Putting together the game plan

By building a strong financial team, you can gain an overall sense of confidence in your future. Together, these key players can help you keep more of the money you make and avoid pitfalls, freeing you to keep your eye on the ball.

When hiring tax, legal and other professionals, collaboration is the key.

CDC Reported COVID-19 Deaths and Selected Recorded Comorbidities

As of August 29, 2020



Source: CDC.gov

Also, according to the CDC Faststats Homepage, there were 169,936 unintentional injury deaths from accidents in 2017. It was the 3rd leading cause of death that year.

Of which they were:

36,338 from falls

40,231 from motor vehicle accidents

64,795 from unintentional poisoning

JOIN OUR
WEBINAR!

Topic: Market & Election Update with Vice President, Asset Management Services of Raymond James, Michael Hayman

When: October 22, 2020 at 2:00 PM

Register in advance for this webinar:

https://raymondjames.zoom.us/webinar/register/WN_ilsAdfBKQlex0LNtTkrl-w

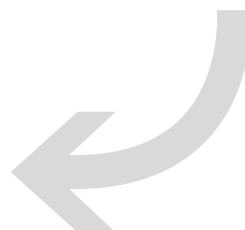
WORTHWHILE MAGAZINE



Access the Fall 2020 Magazine [here](#).



We are meeting with clients in the office by
appointment only.
Let us know if you are interested in a meeting!



CONGRATULATIONS

ASBELL TEACHER OF THE YEAR



Ms. Cameron Magness

*"Ms. Magness always goes above and beyond for any and every student in the building."
"She always has great relationships with her students and is always willing to help me out."
"She's always putting herself before everyone else and keeps our ship sailing."*



2020 U.S. ELECTIONS

Explore insights from leading investment strategy and Washington policy specialists on how the elections may impact the markets and your finances.

For information on the 2020 Election,
visit the SWK Website [HERE](#).

As always, we are here for you and it is easy to get in touch.
Simply send us an email or call our office.
We appreciate you & want to help however we can.



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