Kick-off Checklist for 2019

The Des Moines Group at Morgan Stanley

The last quarter of 2018 was extremely volatile for investors (to say the least). Total return for the S&P 500 for the full year was -4.4%, but the 4th quarter alone posted a loss of 13.5%. International equities ended the year losing 11.4%, also losing 13.5% in the 4th quarter. This follows a solid 2017 when both U.S and International stocks gained in excess of 20% for the year. For 2019, Morgan Stanley is projecting a 10% return for both the S&P 500 and the European stock markets. Volatility is expected to continue so it will be very important to stay in touch during the year to take advantage of potential opportunities as they come along.[1]

A little perspective on volatility: 2018 appears to have been a volatile year, however, upon further review, 2018 was more normal than not. Since 1981, the S&P 500 has averaged 61 1% moves per calendar year, which is in line with the 64 experienced in 2018. The volatility just felt worse given that 2017 was abnormally calm, only 8 days with a market move up or down in excess of 1% for the entire year.[2]

The Des Moines Group also had a big change in the 4th quarter. Sara Rivas, our longtime assistant, took a new role at Morgan Stanley, so we hired a new sales assistant, Christina Baker. Christina started November 1. A good number of you have already had the opportunity to interact with Christina and the feedback we have received is nothing but glowing! We are excited to have Christina as part of the team and for those who have not had the chance to visit with her yet, we encourage you to do so.

There have been a number of changes since last year that will vastly improve your ability to save for the future. A 60 second scan of this 8 point checklist will prove a valuable use of your time. Please advise if you would like to set up a time in the near term to discuss any or all of the items on the list.

Fund your Employer's Qualified Plan: 401k or 403b. Make sure you fund as much as you can afford in the plan. At a minimum you should defer enough to receive the maximum matching contribution from your employer. For 2019, participants can defer up to $19,000 ($25,000 if over 50 years old) into a qualified plan. You should also consider funding a Roth 401k or 403b if it is offered by your employer. Also, now would be a good time to revisit your investments and underlying asset allocation.

Thinking of, or already in, retirement? If you are within 10 years of retirement, or already retired, please allow us to run a LifeView retirement plan for you. LifeView gives us the ability to model a variety of different scenarios to help with retirement income planning and we are confident that you will find it advantageous. Before you start drawing your Social Security, talk to us.

Remember the value of tax-exempt/tax-deferred compounding. Whether you qualify for a Roth or traditional IRA, the concept is simple, put off the taxman. If you earn 10% on a taxable investment, most of you will keep about 7%. If you earn 10% and keep it all, you are 3% ahead. On a single $4,000 investment, the difference in value at the end of 10 years between earning 10% and 7% is over $2,400. Do the same exercise on an initial $4,000 investment and 20 years of $4,000 annual contributions, and the difference in value at the end of 20 years is over $80,000.

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[1] "*2018 Year-End Asset Return Analysis*", Morgan Stanley Wealth Management. Capital Markets. January 02, 2019. Patrick Natalie, Simon Kong.
[2] "*Putting 2018 Into Context*", Morgan Stanley Wealth Management Investment Resources. Chartbook. 2018 Review. December 31, 2018.

<u>Open a college savings account for your child or grandchild.</u> The 529 college savings plans are funded on an after-tax basis, but the account grows tax deferred and withdrawals for qualifying college expenses are tax free. You, as owner of the account, always maintain control, even after the child reaches the age of majority, so you reserve the right to change beneficiaries anytime you choose. Depending on what state you live in, you might be allowed to deduct some portion of your contribution from your state tax return.

<u>Submit FAFSA for children at or near college age.</u> For the 2019-2020 school year, you can submit the FAFSA application online until June 30, 2020. The earlier you file, the more grant money you are likely to receive. Filing early also helps to ensure you don't miss FAFSA deadlines for state and college aid, which may differ from the federal deadline. The filing period for the 2020-2021 school year opens this year on October 1.

<u>Charitable Giving.</u> In light of the tax law changes enacted last year, the number of taxpayers who are eligible to itemize their deductions has gone down, thus making it more difficult to take a charitable deduction on your tax return. Establishing a Donor Advised Fund is one way that you can structure your charitable giving to make sure you will be able to deduct it. Please ask us for more information.

<u>Consider or re-consider long-term care insurance.</u> This is one area of health care that is not likely to be addressed by any government program. Since the costs of home health care and skilled nursing care have been steadily increasing, they pose a real threat to your retirement. There are a number of new products available that might be right for you. Let's discuss soon.

<u>Review your current life insurance coverage.</u> Often times we buy life insurance policies and pay the premiums, but rarely do we take the time to review them to make sure we are covering the life we are currently living and not the life we were living at age 25. We have an excellent resource at our firm who will take the time to review your current policies and give an objective, detailed analysis of what you have and whether or not it is working for you.

There are many ways to navigate the waters of our financial lives; these are a few things that we are talking to people about these days. In the spirit of the New Year and making resolutions, why not resolve to take advantage of the resources our firm can provide to you and your family? Please give us a call if you have any questions, or would like to take advantage of any of the programs mentioned above.

Sincerely,

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