Wealth Management

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The SECURE Act – Why it's important

On December 20th, the 1.4 Trillion spending package was enacted by Congress, the SECURE Act represents the most sweeping set of changes to retirement legislation in more than a decade. In this edition of the Buzz, we have highlighted the changes that we feel are the most significant for our clients to know and understand. In our reviews with you, we will discuss how these changes will affect your situation specifically. However, please contact us with any questions on the SECURE Act before we meet.

Elimination of the "stretch IRA"

Perhaps the change requiring the most urgent attention is the elimination of longstanding provisions allowing non-spouse beneficiaries who inherit traditional IRA and retirement plan assets to spread distributions — and therefore the tax obligations associated with them — over their lifetimes. This ability to spread out taxable distributions after the death of an IRA owner or retirement plan participant, over what was potentially such a long period of time, was often referred to as the "stretch IRA" rule. This shorter maximum distribution period could result in unanticipated tax bills for beneficiaries who stand to inherit high-value traditional IRAs.

Benefits to individuals

People who choose to work beyond traditional retirement age will be able to contribute to traditional IRAs beyond age 70½. Previous laws prevented such contributions. **Retirees will no longer have to take required minimum distributions (RMDs) from traditional IRAs and retirement plans by April 1 following the year in which they turn 70½. The new law generally requires RMDs to begin by April 1 following the year in which they turn age 72.**

2019 play by play

Global equity markets rallied nicely in 2019, most evident in the fact that Emerging Markets' 18.6% total return for the year was the worst return of the major regions and geographies. The MSCI All Country World Index increased 27.3%, supported generously by global equities but most notably powered by the U.S.

Looking specifically at the U.S., Tech was at the top of the returns trifecta—quarter, year, and decade. For 2019, the sector appreciated more than 50% on a total-return basis with Communication Services the next-closest at 33%. That's quite the gap, but much of it was fueled by the strength of the largest tech companies in the world. Consider Apple Inc.'s 89% total return in 2019 or Microsoft Corporation's 57.6%. They are the two largest companies in the world and strongly outperformed the broader U.S. stock market. A popular grouping of six of the largest tech-oriented companies in the world, labeled

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FAANGM (Facebook, Apple, Amazon, Netflix, Google-parent Alphabet, and Microsoft), accounted for 35% of the S&P 500's Q4 return and 31% of the S&P 500's full-year return.

The Long View

Looking forward, we remain optimistically bullish as we embark on a new decade of investing. Certainly, there are possible pitfalls to be avoided in the near and longer terms, but our belief is that the U.S. consumer remains clearly planted in the camp of good health and that the equity returns of the past decade were not excessive, particularly in light of the two generational recessions a mere eight years apart in the 2000s. This backdrop sets up another decade where we believe near-average equity returns would be acceptable, even if the path isn't always even.

Personal Corner

Shea's 5-year old twins Willow and Wyatt, not excited about posing for "Holiday Pictures" last December.

It's easy to refer friends and family!

The biggest compliment is a referral of your friends and family.

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