

Q1 news

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Charitable Giving Strategies

As a result of the new higher standard deduction put into place with the passage of the Tax Cuts and Jobs Act of 2017, many of us were surprised to find that we no longer itemize our deductions. For those who opt to make charitable contributions, this may be frustrating because they may not be getting the same income tax benefits that they would have in the past.

For 2019 the standard deduction for a married couple is \$24,400 and \$12,200 for individuals.

For those who give to charity and are concerned about how the new tax plan limits your ability to deduct those contributions, consider “lumping” or “bunching” two years of charitable and other deductions into one single tax year. For example, if you make charitable donations in January and December of the same year, you may be able to itemize those deductions in that year to exceed the increased standard deduction for that year. The next year, take the standard deduction and forgo itemizing. With this method, a taxpayer would receive a greater tax benefit for the same dollar amount of charitable contributions just by cleverly timing those contributions. To accomplish this, think of your tax situation over a two-year period and time your gifts carefully.

Another approach is to create a Donor Advised Fund (DAF). This will allow you to benefit from the same concept as bunching, just in a different way. With a DAF, you are making a contribution and getting an immediate tax deduction in one year, but then deploying donations to charities over a period of several years. Separating the timing of when the deduction occurs, versus when the charity actually receives the money, is a different way of thinking allowing you to maximize your income tax savings while continuing to fulfill annual charitable goals.

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Index	1 st Quarter Total Return*
S&P 500	13.65%
Russell Midcap	16.54%
Russell 2000	14.58%
MSCI EAFE	9.98%
Bloomberg Barclays Aggregate Bond	2.94%
Bloomberg Barclays Muni Bond Index	2.90%
Dow Jones Industrial Average	11.81%

*Index return data as of 3/31/2019 provided by Morningstar DirectSM

Quarterly Market Review

- Recovering quickly from the worst December for U.S. stocks since the Great Depression, the S&P 500 rebounded in the first quarter, marking its best quarterly return in a decade and the best start to a year since 1988. The rally was supported by a dovish pivot from the Federal Reserve and optimism related to a potential U.S./China trade agreement.
- Information Technology stocks continued a trend of market leadership and produced the best sector returns in the 1st quarter and Energy stocks rebounded from a dismal 2018 as oil prices recovered. Health Care stocks were notable laggards in the 1st quarter after having been the top performing sector last year.
- Foreign stocks rallied but continued to underperform U.S. stocks with headwinds from weak economic conditions in Europe compounded by the uncertainty related to Brexit, continued evidence of a slowdown in China and the currency impact from a strong U.S. dollar.
- Bonds rallied along with the stock market as the 10-year U.S. Treasury yield, a key reference rate for the bond market, fell below 2.50% to the lowest level since late 2017, a sharp retreat from the recent peak around 3.25% last October. ▲

News and Notes

- In an abrupt reversal of tone regarding interest rate policy, Federal Reserve Chair Jay Powell stated in January that the Fed “will be patient” in determining the future adjustments to the federal funds rate. The latest “dot plot” from the Federal Open Market Committee (FOMC) suggests no increase in interest rates this year and only one in 2020, down from a total of three projected rate hikes in the Fed’s last forecast in December. The Fed also announced the decision to taper the runoff in its \$4 trillion balance sheet starting in May and ending the runoff in September.
- The OECD, the Organization for Economic Cooperation and Development, reduced its forecast for 2019 global growth to 3.3% from a prior forecast of 3.5%, citing worries around China and Europe, while the Federal Reserve reduced its forecast for 2019 U.S. GDP growth to 2.1% from 2.3% previously.
- U.S. Treasury Secretary Steven Mnuchin tweeted that “constructive” discussions took place between China’s trade envoy and U.S. officials in Beijing at the end of March, providing hope for a resolution of the long-running U.S./China trade dispute that has been a factor in slowing global growth.
- The United Kingdom’s “Brexit”, a persistent source of unease for markets since the 2016 vote, was scheduled to become official on March 29th, but has been postponed as the British Parliament has been unable to agree on the terms of its relationship with the EU.
- The current bull market for the S&P 500, the longest on record, reached its 10-year anniversary on March 9th and the current U.S. economic expansion will become the longest on record if growth continues into July of this year. ▲





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Charitable Giving Strategies, continued...

For IRA owners subject to the required minimum distribution rules, Qualified Charitable Distributions (QCD) can be a very tax efficient way to support your favorite charities. If you are at least age 70 ½, up to \$100,000 could be transferred directly from your IRA to charity. Although a tax deduction for the contribution is not allowed, the amount transferred from the IRA to the charity is excluded from taxable income and counts toward your required minimum distribution. This exclusion from income can have a greater tax reducing effect than a deduction, and is especially beneficial for those who are claiming the standard deduction and want to get a benefit for their charitable contributions.

With thoughtful planning around charitable giving, there are ways to accomplish your philanthropic goals and minimize taxes. Please consult your tax professional when exploring such strategies. ▲

Digital Declutter Checklist

KEEP A CLEAN MACHINE

- Update software on all internet-connected devices to reduce risks from malware and infections.
- Clean up your mobile life by deleting unused apps, keeping others current and reviewing app permissions.

MAKE SURE YOU'RE SECURE

- Lock down your login: Your usernames and passphrases are not enough to protect key accounts like email, banking and social media. Strengthen online accounts and use strong authentication tools whenever offered.
- Secure your router by making sure it has a strong passphrase and does not broadcast who you are through its name, such as "the Jones Family" or "123 Elm Street."
- Check to ensure all devices are password, passcode, fingerprint or eye-scan protected.

DIGITAL FILE PURGE AND PROTECTION

- Clean out your old email and empty deleted folders. If you need to keep old messages, move them to an archive.
- Delete or archive older files and outdated financial statements.
- Unsubscribe to newsletters, email alerts and updates you no longer read.
- Copy important data to a secure cloud site or other drive where it can be safely stored.
- Password protect back-up drives and keep them in a different location off the network.
- Permanently delete all old files. ▲

Upcoming Events

Tuesday, May 7, 2019

12:00p.m. – 1:00p.m.

Tax Planning Workshop

Tuesday, May 21, 2019

11:30a.m. – 2:00p.m.

Shred Ace document shredding and Rare Earth Farms Food Truck

Tuesday, June 19, 2019

10:00a.m. – 11:00a.m.

Charitable Giving Strategies with Schwab Charitable

Tuesday, July 23, 2019

12:00p.m. – 1:00p.m.

Town Hall Discussion of the Markets

Wednesday, July 24, 2019

10:00a.m. – 11:00a.m.

Town Hall Discussion of the Markets

12:00p.m. – 1:00p.m.

Town Hall Discussion of the Markets

Email Kim at krandolph@trianglesecurities.com to attend. ▲