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TRIANGLE SECURITIES
Where Families Invest®

Q4 news

2020 Financial To-Do List

Assess your emergency fund. Unexpected expenses can crop up making it essential to hold liquid reserves apart from your long-term retirement assets, and 3–6 months of expenses is a good starting point. Those who are retired will want to have more, knowing that near-term income needs are covered can help to ride out volatile times.

For those in the accumulation mode, review how much you saved last year. Did you meet your savings goals? Also, be sure to bump up contribution rates to accommodate new limits. Company retirement plan limits are $19,500, $26,000 for those over 50. IRA contribution limits are $6,000, $7,000 for those over 50.

For those retired, review last year's spending. Did you stay within your budget or do you need to make adjustments?

Review your debt level. If you have high-interest rate credit card debt, create a plan to reduce. If you have a mortgage, is the rate competitive?

Tax day – April 15 – will be here before you know it. Check in with you tax professional and begin to gather your tax-related paperwork and documentation of deductible items. To benefit from itemizing deductions they must exceed the standard deduction. For 2019, the standard deduction is $12,200 for individuals and $24,400 for married couples filing jointly. Some taxpayers may benefit from "bunching" their deductions – saving deductible outlays for a single year to exceed their standard deductions.

Review your current estate plan. Do your estate plan and designated beneficiaries of retirement accounts need to be updated in light of recent tax legislation?

Your Triangle Securities Team can help you to assess your current situation to keep you on track to achieve your financial goals.

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Index	4th Quarter Total Return	2019 Total Return
S&P 500	9.07%	31.49%
Russell Midcap	7.06%	30.54%
Russell 2000	9.94%	25.52%
MSCI EAFE	8.17%	22.01%
Barclays Aggregate Bond	0.18%	8.72%
Barclays Muni Bond Index	0.74%	7.54%
Dow Jones Industrial Average	6.67%	25.34%

*Index return data as of 12/31/2019 provided by Morningstar Direct℠

Quarterly Market Review

- Strong returns in the final months of 2019 put the finishing touches on a remarkable calendar year of performance for global stocks. This occurred despite a "wall of worry" for investors centered on the U.S./China trade dispute and associated tariffs, which had factored into a sharp slowdown in global economic activity and raised fears of a pending U.S. recession. The "phase 1" trade agreement between the U.S. and China, announced in mid-October, set the stage for a stock market rally in the 4th quarter as recession concerns eased and positive sentiment was bolstered by a 3rd rate cut from the Federal Reserve in late October.
- U.S. large cap stocks led the market in 2019 with standout performance from technology stocks, the largest sector component of the S&P 500, which registered gains of over 50% for the year. Foreign stocks posted robust returns in 2019, but continued a trend of underperformance versus U.S. stocks that has persisted for much of the past decade.
- After testing all-time low yield levels in the 3rd quarter, longer-term bond yields recovered some ground in the 4th quarter. The 10-year Treasury yield, a key reference rate, closed the year at 1.92%, above the current Federal Funds target range of 1.50%-1.75%, relieving concerns of an "inverted" yield curve that has often been a precursor to U.S. recessions.

News and Notes

- The Federal Open Market Committee (FOMC) reduced the Federal Funds rate 3 times in 2019, a sharp reversal from a pattern of gradually raising rates to "normalize" interest rate policy that had been in effect since 2015. Fed Chair Jerome Powell has suggested that interest policy is on hold barring a material change in the U.S. economy, and most global central banks have pledged continued easy monetary policies.
- Paul Volcker, Chairman of the Federal Reserve from 1979-1987 and Chair of the President's Economic Recovery Board from 2009-2011, passed away on December 8th at the age of 92. Mr. Volcker is widely known as "the inflation fighter" and credited with having ended the high levels of inflation in the U.S. during the 1970's and early 1980's.
- The U.S. was a net petroleum exporter in September, the first full month of a positive oil trade balance since the 1940's. Oil prices rallied above the $60 level in December on optimism for improved global growth and a pledge from OPEC and its allies to establish a lower production quota in 2020.
- The U.S. Census Bureau reported that population growth for 2018 in the United States was the slowest in the past century, a potential headwind for future economic growth. Declining fertility rates and immigration restrictions were cited as contributing factors.
- In addition to the preliminary trade agreement with China, the U.S. is close to formally ratifying the long-awaited United States-Mexico-Canada Agreement (USMCA), which will update and replace the North American Free Trade Agreement (NAFTA), which has governed trade between the U.S, Mexico and Canada since 1994.
- The U.S. entered its record-breaking 11th year of economic expansion in 2019 and the 3.5% U.S. unemployment rate is the lowest since 1969.

Where Families Invest®

Triangle Securities is a privately owned investment advisory firm that specializes in assisting families with developing a realistic strategic plan to provide the best opportunity for achieving their long-term financial goals as prudently as possible.

We provide clients structure, clarity, confidence and reassurance as they move toward the next phase of life. Our clients value our honesty, integrity, transparency and genuine concern for their well-being.

We are in business to serve our clients.

Our core values describe who we are and what we stand for, as well as what our clients can expect from us everyday.

Independence

We value the independence of seeking the best solutions for our clients and are not beholden to any one company or its investment products.

Integrity

We have a duty to always act in the best interest of our clients.

Care & Concern

We create multigenerational relationships based on mutual trust and respect. We are advocates for our clients.

Please Note: When you send us a check, don't forget to make it payable to "**Charles Schwab**," not Triangle Securities.

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Year-End Tax Law Changes

SECURE Act Creates Retirement Planning Opportunities and Challenges

Sweeping legislative tax or retirement reforms typically happen only once every decade or so, but the final weeks of 2019 brought the second major piece of Congressional action in the past 24 months, as the SECURE (Setting Every Community Up for Retirement Enhancement) Act, along with a series of year-end tax extenders were signed into law by the President. Highlights include:

"Stretch" IRAs eliminated for most Non-Spouse Beneficiaries. The SECURE Act eliminates the current rules that allow non-spouse IRA beneficiaries to "stretch" required minimum distributions from the inherited account over their own lifetime (and potentially allow the funds to grow tax-free for decades). Instead, it requires liquidation of the entire inherited IRA by the end of the 10th year following the year of inheritance.

Exceptions to this general rule are when the beneficiary is the surviving spouse, disabled or chronically ill, not more than 10 years younger than the deceased IRA owner or a minor child of the IRA owner. For minors, the exception only applies until the child reaches the age of majority. At that point, the 10 year rules kicks in. Minor children would appear to be ineligible for this treatment if the retirement account was inherited from a non-parent, such as a grandparent.

Increase in age for beginning Required Minimum Distributions. The new rules will move the age at which retirees must take their required minimum distributions (RMDs) from 70½ to 72. The higher age trigger applies to people who attain age 70½ in 2020 or later. Individuals upon reaching the required age, now 72, will still be able to delay their first RMD until April 1 of the following year for which they must take their first RMD. However, if the first RMD is not taken in the year an individual turns 72, but is instead taken the following year (by April 1), a second RMD (for the year the individual turns 73) will also be required to be distributed by the end of the year.

While the beginning age for RMDs has been increased to 72, taxpayers can still make Qualified Charitable Distributions (QCDs) from their IRA as early as 70½. QCDs are not taxable, the limit is $100,000 per year, and the distribution must be made directly to the charity. Utilizing QCDs may help to reduce future RMDs since they will reduce the balance of the IRA.

No age restriction on IRA or Roth IRA contributions. The SECURE Act allows individuals of any age to contribute to an IRA or a Roth IRA, as long as they have earned income. As such, only those individuals who are 70½ or older and who are still working (or who have a spouse still working and are contributing under the Spousal IRA rules), will be able to take advantage of this change.

The SECURE Act does contain an anti-abuse rule that coordinates post-70½ Traditional IRA contributions with QCDs. Under the rule, the tax-free portion of any qualified charitable distribution will be reduced by the cumulative amount of any post-70½ deductible IRA contributions.

New Penalty-free IRA distribution of up to $5,000 for a Birth or Adoption. This new exception to the 10% early (pre 59½) distribution penalty allows up to $5,000 to be distributed penalty-free from an IRA as a "qualified birth or adoption distribution" at any point during the one-year period beginning on either the date of birth, or the date of which an adoption of a child under the age of 18 is finalized. Both parents can make a Birth or Adoption Distribution with each new birth or adoption (assuming both parents have available retirement assets).

Kiddie Tax Rules change back to old rules. The SECURE Act repeals the Kiddie Tax changes made in the 2018 Tax Cuts Jobs Act. This means that in 2020 unearned income for a child under 18, or 24 and a full time student, will go back to being taxed at the parents' top marginal rate rather than at trust tax rates. Taxpayers can elect to use either set of rates for 2018 and 2019.

Threshold for Qualified Medical Expense Deduction reduced. The AGI hurdle rate that must be exceeded to deduct qualified medical expenses reduced to 7.5% for 2019 and 2020. This is down from 10%.

In light of the changes introduced by the SECURE Act, review your current financial position and estate plan with a qualified tax advisor and attorney who specialize in trusts and estate planning, especially for situations where minor children or trust are named as a designated beneficiary of a retirement account. We will continue to review the legislation and remain committed to helping you to achieve your long-term financial goals.