



## FEBRUARY 2019 - PONDERINGS & MUSINGS

“Doing what you love is the cornerstone of having abundance in your life.”

- Wayne Dyer

“We are shaped and fashioned by what we love.”

- Johann Wolfgang von Goethe

“Love is that condition in which the happiness of another person  
is essential to your own.”

- Robert A. Heinlein

## Only 6 Weeks Away!

### **VWG's 7th Annual Charity Casino Night is Saturday, March 30, 2019**

Woodmont Country Club, Rockville, Maryland 7:00pm – 11:00pm

The 7th Annual VWG Charity Casino night takes its turn in Maryland this year. We hope you can join us and plan to bring family and friends! It will be a fun evening filled with good company, excellent food, and fast action at the gaming tables. Everyone will be playing for their chosen charity. Last year over \$15,400 was raised, with \$10,000 of it being designated to VWG's focus charity, the Iraq and Afghanistan Veterans of America (IAVA).

## VWG's "Your Life" Series continues on February 27

We proudly announce the next event in our quarterly series of events and content focused on enhancing our client's overall financial and personal well-being:



### **10 Financial Tools We Love in February**

Online Wednesday, February 27th 12:00 PM EST

Join VWG Wealth Management's team of advisors as we present 10 different financial strategies to consider in 2019. We'll explore tools to reserve resources for medical emergencies, support causes and

organizations that are making change in the world, age with dignity, protect your net worth and identity, and more. These tools all emphasize our core values as your fiduciaries and our commitment to your overall well-being.

We have designed this webinar to provide valuable yet concise information for our clients, friends, and families. Please feel free to invite your friends and family to register for the webinar. Please register using the link below, or contact Amanda with your R.S.V.P. She will provide you with details on accessing the live webinar. A replay will be available for those with schedule conflicts. [Register for VWG Webinar](#)

## Continental Connections Breakfast Event on February 20

Our very own Elana Fine will co-spotlight in a professional development networking breakfast hosted by

The Women's Center of Vienna, Virginia:

**“The Courage to Try; The Resources to Succeed”**

February 20<sup>th</sup> 7:30-9:30am

1919 Gallows Road, 1<sup>st</sup> Floor Conference Room

The Women's Center's CEO Shirley Clark will lead a lively discussion on developing inner and outer resources that can help you achieve your professional and personal goals. Krista Woods, inventor of GloveStix and \$150k deal winner on “Shark Tank,” and Elana Fine, VWG's COO and adjunct faculty member of the Smith School of Business, will share stories of creativity, passion, courage and determination.

Continental Connections is The Women's Center breakfast series, featuring prominent leaders sharing their personal experiences and valuable advice on successful career building. You can register for this event online:

[Continental Connections Breakfast R.S.V.P.](#)

## Is There A Behavioral Premium for Illiquid Investments?

The most recent bout of volatile markets once again calls us to assess our investment strategy and portfolio construction. Just as important, it calls upon us to introspectively review how we react to wildly swinging markets, media conjecture, and ugly prints on our statements.

Joe Wiggins, in his “Behavioural Investment” blog ([behaviouralinvestment.com](http://behaviouralinvestment.com)), explores behavioral research from psychology, sociology, economic and cognitive science disciplines. He attempts to convey their implications for investors. We liked his December 12 piece so much

that we asked for his permission to republish it in our newsletter. The following is largely unedited (we have substituted the American English treatment of “Behaviour”). Much thanks for this excellent piece, Joe!

*“I would like to make clear at the outset that this post is not about the attractiveness of illiquid asset classes – I will leave others to debate the merits (and drawbacks) of private equity and its counterparts – rather I am interested in the behavioral implications of illiquidity.*

*What do I mean by a behavioral premium? Let’s assume there are two identical assets, but one offers daily liquidity and is market priced, and the other is appraisal priced / valued and provides liquidity on an annual basis. I would contend that, on average, investors are likely to be better off (from a return perspective) in the less liquid structure over the long-term because of the implications for our behavior. Most of the behavioral problems that plague investors stem from our reaction to the fluctuations in price of an asset allied to our ability to freely trade it. These issues relate primarily to liquid, regularly traded, market priced assets; illiquid investments have different features – two of which are particularly important when considering the implications for our investment decision making.*

*– **Price volatility is reduced:** Illiquid assets are typically valued on some form of appraisal basis, rather through than market pricing. This does not remove price volatility entirely, but should lead to a significantly smoother return profile. Although we can argue about whether volatility is an adequate measure of risk, it seems irrefutable that the variability in the price of an investment influences our behavior. Whilst the underlying risk of an asset is not altered by the manner or frequency with which it is valued, volatility does matter. Not only does it provoke our behavioral biases (such as myopic loss aversion); but volatility is the fuel that feeds the fire of narratives that dominate our investment decision making. If we observe or experience reduced volatility, we are less likely to act because of volatility.*

*– **Ability to trade is removed or restricted:** By definition, it is simply more difficult to trade illiquid assets. With a liquid, market priced asset there is the ability to react immediately – this can be costly, particularly if our decision making is emotion-laden. Daily liquidity and easy access to our investments means that we are forced to make investment decisions perpetually – is my asset allocation correct? What about the recent fall in value of my portfolio? Should I reduce my equity exposure as there might be a recession ahead? Market movements often*

*incite an overwhelming temptation to act, which technology and liquidity facilitate, increasing the potential for behavioral mistakes. Illiquidity indirectly forces us to make fewer decisions, potentially reducing the behavior gap.*

*Of course, the idea of a behavioral premium for illiquidity is something of an abstraction – liquid and illiquid assets are distinctly different. We cannot perfectly isolate the behavioral impact of investments with different liquidity profiles. Furthermore, an investment should never be selected on the basis of its liquidity or pricing methodology.*

*However, investors don't have to invest in illiquid assets in order to capture such a behavioral premium; rather we can create a similar benefit with liquid investments simply by taking steps to reduce evaluation and decision-making frequency – through making it harder to trade (limiting investment decisions) and checking portfolios less regularly (to reduce our 'experienced' volatility). Such actions are crucial in making and sticking with sensible long-term investment plans.”*

## **Wait Before You File**

It's hard to believe but tax filing season is quickly upon us. This year could prove to be especially challenging for a number of reasons. Some of the small print on 2018's extensive tax law changes have not even dried. Tax professionals are still awaiting IRS formal interpretation of certain clauses and special cases. The IRS has purportedly been further pressed due to the 35-day U.S. government shutdown. We have been advised that some 1099s from custodians could be issued very late, possibly lagging into March. And it is almost certain that some of these will be revised before April 15. As such, we cannot over-emphasize the following:

- **DO NOT file your taxes before the first week of April.**
- **If you have any uncertainty, strongly consider filing for an extension.**
- **Make sure to consult with your tax advisor.**

## Planning and Life Transitions Corner

This month, Lynette Jones, Certified Planning Practitioner™ and our Life Transitions Specialist, presents the strategy of ***“Having Your Cake and Eating it Too: Making Qualified Charitable Donations from Your IRA”***

For those who are taking required minimum distributions (RMDs) from their IRAs and who have charitable inclinations, making donations directly from their IRA could effectively serve both needs.

A Qualified Charitable Donation (QCD) can be made directly from your IRA to a qualified charity or charities of your choice. The donation can be counted towards your required minimum distribution as long as you follow the rules. Although you will not receive a tax deduction for making the donation, the distribution is not counted as income unlike other distributions from your IRA. This can lower your taxable income which could impact the amount you pay for Medicare Part B and D (prescription drug coverage). In addition, you do not have to itemize when you make a qualified distribution from your IRA. With 2018's tax law changes, you can take the standard deduction but still use a QCD for charitable giving.

Here are the rules and some issues to consider:

- You must be 70 ½ or older.
- IRAs (but not retirement plans) are eligible to make a QCD. These include rollover IRAs, traditional IRAs, Inherited IRAs and inactive SEP IRAs and Simple Plans.
- The maximum annual amount that qualifies for a QCD from your IRA is \$100,000. If you file jointly, your spouse can donate from their own IRA in addition to yours up to \$100,000.
- The charity must be a 501(c) (3) organization. Charities that do not qualify include private foundations or donor-advised funds.
- Funds must be paid out of your IRA by December 31<sup>st</sup> in order to count towards your current year's RMD. We highly recommend that this strategy be initiated early in the year rather than waiting until December to avoid confusion and to ensure that your annual required distribution has been made.

We can prepare and process all the paperwork necessary to make charitable donations from your IRA.

Please reach out to us to discuss further!

## VWG's Holiday Spirit

We hope your 2019 is well on its way to being a fantastic year! Before the 2018 holidays get too distant in the rear-view mirror, we want to share some of VWG's holiday spirit. At December's team holiday luncheon, we participated in a rousing White Elephant gift exchange. Luckily no one's psyche was irreparably harmed. And for the second year, we held an "Ugly Sweater" contest. As you can see, everyone brought their "A" game. The winning prize went to Justin for his hideous Grinch sweater, complete with creepy dangling legs!



On a more serious note, VWG once again participated in a service effort through Fairfax Virginia-based non-profit, "Britepaths." The mission of the Britepaths' holiday program is to ensure that struggling families in our community have help and hope at the holidays. VWG sponsored a local family of 4 in need of holiday food and gifts. Special thanks to Rashmi and Amanda for leading our efforts to purchase, wrap and package clothes, toys & holiday dinners. We all learned that remote control cars and toy trains were hot items this year!

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***We look forward to seeing many of our clients, friends, and family at our 7th Annual Charity Casino Night. For those who have other commitments and those living outside the area, we'll greatly miss you.***

Regards,

VWG Wealth Management

*Suzanne, Ashley, Lynette, Michelle, Rashmi, Kay, Christina, Justin, Sarah, Amanda, Patricia, Elana, John, Rick and Jeff*

[Who We Are](#)

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*\* Index Data Sourced from FactSet Research and Strategas Research*

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