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## November 2018 Ponderings and Musings: Gratitude

“It’s a funny thing about life, once you begin to take note of the things you are grateful for, you begin to lose sight of the things that you lack.”

- Germany Kent

“Feeling gratitude and not expressing it is like wrapping a present and not giving it.”

- William Arthur Ward

“If the only prayer you said in your whole life was “thank you,” that would be enough.”

- Meister Eckhart

### **VWG Cares**

VWG Wealth Management is a proud recipient of the CARE Award, presented by Northern Virginia Family Service (NVFS). The CARE (Companies As Responsive Employers) Awards commend outstanding culture and employee engagement strategies, including innovative and sustained corporate social responsibility, to create best places to work across our region. The CARE Award is awarded to employers who demonstrate extraordinary leadership and sustained commitment in creating community outreach and engagement, outstanding work place culture, and family-friendly





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VWG WEALTH MANAGEMENT

environments. Being a CARE Award winner shows commitment to employee satisfaction, and a strong connection with the Northern Virginia community.

John Verfurth, Ashley Galvin, Elana Fine, Christina James, Amanda Burkard, and Jeff Grinspoon represented VWG at the CARE Awards Breakfast on November 8. We were in good company with other employers who also value a strong company culture.

## **Farewell Cruel October**

October was an extremely difficult month for almost all asset classes. The S&P 500 had its worst month since September 2011. October's decline was slow but ceaseless, tying a record for the longest streak of days in a month without two back-to-back gains. The three major U.S. stock indices – the S&P 500, the Dow Jones Industrial Average, and the Russell 2000 – have now all suffered two 10% corrections this year. Overall, international stocks have fared worse, with the average country index down -13% from its 52-week high. And bonds, pressured by rising interest rates, have proven little safe haven. In October the yield of the 10-year U.S. Treasury Note traded to a level last touched in July 2011.

So now with the U.S. mid-term election, and the quarterly corporate stock buy-back blackout window having passed, the question of the day is – has risk subsided? Is it now “clear skies” for investors into year end?

VWG Wealth Management sees the current environment as mostly favorable. First and foremost, the U.S. economy, labor markets, and consumer demand are all very strong. While GDP and corporate earnings growth are expected to slow over the coming 12 months, a slowdown is far from a decline. Second, equity valuations are more reasonable after October's pullback. Third, there are compelling reasons to believe that current U.S. leadership will be highly focused on the economy for the next two years. As they say, “never underestimate politicians needing reelection to cut a policy deal in an election year.” History backs this convincingly. Since 1946 there have been 18 midterm elections in the U.S. The stock market has rallied over the next 12 months after every single one.

Offsetting this are a number of potential perils that cannot be overlooked. Paul Krake of “View from the Peak” states, “in the next several weeks, two of the dominant geopolitical themes of the past several years will come to a head.” These are a likely Brexit announcement, and the G20 meeting between Presidents Trump and Xi Jinping. If

2



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and under what terms a Brexit deal is worked out between the United Kingdom and the European Union will have major effects on international risk assets, the British Pound, and the US dollar. If and under what terms any positive movement on the trade tensions between the U.S. and China are attained will have a major effect on U.S. and Asian stocks. Not far in the distance, the U.S. 2019 budget and Federal debt ceiling have potential for further stress.

Overall, we are increasingly cautious, but not negative. It is time to be a bit more selective in the placement of assets, and more measured. We expect more regular bouts of volatility, which could uncover opportunities, despite their test to our nerves. Gradually increasing interest rates and inflation further support our view for a choppy, but still favorable environment.

## **Planning for Year's End**

As Thanksgiving nears, the busy, sometimes dizzying tasks and events of the holiday season are soon upon us. It is not too early to attend to your year-end financial wrap-up and planning for 2019. Here are some items that need your timely attention, and some to consider. *(We'll be publishing a list of annual planning review items in next year's "spring cleaning" issue).* It is by no means a comprehensive list. VWG will be working with you on many of these, and we're here to help with advice and resources on many others.

### **Tax Planning**

- Determine how you are affected by the 2018 tax changes. Some clients will benefit from the lower tax-rate structure, but will also be impacted by the scaling back or elimination of many tax preference items and deductions. The most significant of these is the new \$10,000 limit on the deductibility of state income, sales and property taxes (commonly referred to as "SALT"). For many, these changes will move them to take the standard deduction, which will then prevent them from deducting charitable contributions from their taxable income. Clients should consult with a tax professional to understand how the new law impacts their taxes and if there are any strategies that may be considered based on individual circumstances.
- VWG will implement strategies to harvest tax losses for our clients to help offset realized capital gains and mutual fund capital gain distributions.
- If you are working, review your payroll tax withholding for 2019 to ensure you are having enough (but not too much) federal and state taxes taken from your pay check.



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**Funding and Taking Distributions from Retirement Accounts**

- VWG is working to ensure that this year's Required Minimum Distributions (RMDs) are taken if you are age 70½ or older. For clients subject to RMDs, please be sure to let us know if you have any outside IRAs which need to be considered, or if you are still an active participant in a 401(k) plan.
- If still working, confirm that you have made the 401(k) maximum contribution this year. Depending on your 2018 income, you and/or your non-working spouse may also be able to contribute to an IRA or Roth IRA. Self-employed individuals have further options in which they could defer larger amounts of earnings. These actions have the dual benefit of increasing your retirement savings and potentially reducing this year's tax liability.
- Maximize Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs). Review your current benefits and options, particularly for those whose employers' plans are in the open enrollment period for next year. HSAs, associated with a high-deductible health plan, can also be used to expand salary deferral as a savings vehicle that can be used in later years or in retirement. Your contributions are tax-deductible, and these funds can be invested which grow tax-deferred or tax-free depending on how they are used. Since funds placed in an HSA will stay with you forever, regardless of whether you change employers or insurance, any unused money rolls over.

**Charitable Gifts and Tax-Smart Gifting Strategies**

- If you haven't already started, plan on which charitable donations you would like to make by year's end. Keep records of all donations. For larger gifts, consider gifting highly appreciated stocks, funds or other assets instead of cash.
- For taxpayers who will claim the standard deduction in 2018 (see above), consider "lumping" multiple years of charitable gifts into one year in order to itemize deductions on that year's tax return. A great way to do this is by making that "lump" contribution into a Donor Advised Fund (DAF), from which you can easily disperse smaller "grants" to multiple IRS-approved public charities at your discretion over the coming 2 or 3 years, or more.
- Those age 70½ or older, may even consider making charitable contributions to qualified charities directly from their IRA. Such donations can serve as one's RMD for the year (although this will not qualify as a charitable deduction, the distribution will not be deemed taxable income and thus will avoid taxation).



### **Family Gifting**

- Consider year-end gifting to family members. The 2018 annual gift tax exclusion for individuals has increased slightly to \$15,000. That means that the maximum a husband and wife can gift to a single person in one year is \$30,000. If you intend on making a very large gift to a child - for example helping with a home down payment - consider spreading your gifting between the end of this year and the beginning of next year.
- This annual limit is overridden for gifts made directly into 529 education savings accounts. A special 529-exclusion allows five years' worth of gifts — up to \$75,000 for single or \$150,000 for married couples — to be contributed at once, provided that no other gifts are made within the next five-year period. If the grandparents are the owners of these 529 accounts, these assets are not currently factored as assets for determining federal financial aid (but plan distributions may be counted as part of the income test).

### **VWG's "Your Life. Your Future. Your Self" October Seminar**

On October 17<sup>th</sup>, VWG continued its "Your Life" Series focused on enhancing our clients' overall financial and personal well-being. This quarter's seminar focused on estate planning and mindful travel.

Catherine Schott Murray, estate planning attorney with Odin Feldman and Pittleman, discussed the need for proper estate planning. She discussed tips on incapacity planning, health care decision making, elder law, managing family dynamics and estate and trust administration. Shirley Clark, CEO of The Women's Center, shared pointers on how to review your travel "to do" list. She encouraged us to enjoy the moments, determine how we want to experience our travel, and focus on what we need and would like to savor from the trip.

We thank our guest speakers and all who attended to make this an engaging, "time well spent" event. If anyone has follow-up questions, we would be happy to pursue these for you. For those who could not attend, a video replay is available. Please call or contact Amanda Burkard ([aburkard@hightoweradvisors.com](mailto:aburkard@hightoweradvisors.com)) for more details. VWG is looking forward to continuing our "Your Life" series in 2019!





## **Benefits of Expressing Gratitude**

Thanking others for all they have done for us, and being appreciative for all of life's gifts, is hard to resist considering all of our blessings. But have you considered that a practice of intentional and authentic gratitude can build a virtuous circle from which we benefit, helping to quell negativity, and to improve resilience and happiness? Whitney Cole of "The Mission Maven" builds the case in this wellness piece:

[How Practicing Gratitude Can Make You More Resilient](#)

## **The High Payoff of Raising Other's Aspirations**

A great way to express our gratitude for all that others have done for us is to lift up and encourage others. Unsurprisingly, this is also a gift that keeps on giving, to ourselves, to our community and to the world. Tyler Cowen, economics professor at George Mason University, points this out in a recent blog (*we highly recommend his "Conversations with Tyler" podcast*):

"At critical moments in time, you can raise the aspirations of other people significantly, especially when they are relatively young, simply by suggesting they do something better or more ambitious than what they might have in mind. It costs you relatively little to do this, but the benefit to them, and to the broader world, may be enormous. This is in fact one of the most valuable things you can do with your time and with your life."

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As the Thanksgiving holiday nears, we'd like to take this moment to thank you for being part of our VWG family. We recognize the trust you place in us as advisors. We want to express our sincere gratitude for welcoming us into your lives, and allowing us to partner with you to help secure your financial and personal well-being. Best wishes to you and your family for a wonderful Thanksgiving!

Regards,

### **VWG Wealth Management**

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



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

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