

Dear Clients,

2017 is already half way finished and we hope you are all having a healthy and productive year as many of you prepare to head off for your summer holidays. As each quarter ends I normally have a short list of what I think are interesting topics to write about in world events, financial markets, and individual financial planning topics for you to consider. This quarter I have a rather long list in all of these areas; there is a lot going on in the world. For a change, I will start off on personal financial topics and make my way into world events for while the world around us may be interesting, it is our personal situations and what we choose to do about them that matter most.

This quarter I have had the pleasure to speak with many of my clients who have not been in contact for a while. I have also gotten the chance to meet and speak with the adult children of many clients and to help guide them as they start their careers. Despite answering questions on many personal and financial subjects for well over a decade, one of the wonderful things about this profession is that helping people make good choices never gets old. All of us at White Lighthouse feel both honored at the trust and confidence you put in us as well as fulfilled that we have been able to work with so many great people, thank you all and keep the questions and information coming our way!

### **Personal Financial Topics:**

- Estate Planning

This year many clients have faced a variety of health challenges themselves, in their immediate family, with their parents or with close friends. Events like these often keep us up at night. Have we organized our affairs in a way that if we or someone close to us passed away, that those left behind would be able to cope with all the administration necessary; estate settlement, bill paying, accessing financial and other on-line accounts, getting into the home computer and files? The emotional toll is difficult enough and good organization can lower stress both before and after the information is needed.

Proper estate planning consists not only of having up to date and appropriate legal documents such as wills, trusts, and powers-of-attorney but also the organization of information at home in a way that if something happened to you or someone close, that there are instructions on what to do next. If you are married, odds are one spouse deals with most of the home administration and/or finances, taxes, financial advisors etc.; if you are living on your own, who do you trust to take care of you if you become incapacitated or worse?

While we encourage all our clients to have an estate plan in place, and for many we have helped you to find appropriate counsel to achieve this, at White Lighthouse we encourage you to go a step further. We have an estate planning organizer that we encourage all clients to

complete and update regularly and to store the completed version at home and in your private directory on our client portal. You can find the template in the Public directory in our customer portal under Reference Material or for your convenience you can download the template at this link: <https://jkwlim.sharefile.com/d-s98aec9b7a514250b> .

- Am I Saving Enough Or Spending Too Much?

A couple of the most common questions we receive are: 1) Am I saving enough to meet my financial goals (especially retirement, buying a home or sending children to university) and 2) If I am retired, how much can I comfortably spend each year? To answer these questions with any degree of accuracy requires an understanding of your current income, spending and assets as well as many assumptions about the future. The longer the time horizon, the more uncertainty but also more time to prepare. From time to time we assign budgeting and expense tracking homework to our clients. While this exercise is rarely enjoyably it is almost always empowering. Also in our Reference Material file is a cash flow and balance sheet template. If you are interested in answering these questions or would like to better organize your assets and expenses, we encourage you to complete and upload a copy to your private directory. You can find the template at this link:

<https://jkwlim.sharefile.com/d-s9330a56a4d04f69b> .

We are here to help you answer these questions.

- An Investment Book for Teens

A few clients have asked for a book recommendation for their teenagers to try and get them started and interested in investing and personal finance. My oldest child, Julian will be a teenager on August 1<sup>st</sup> and I recently bought him the Motley Fool Book: “Investment Guide for Teens” which you can find here on Amazon: <https://www.amazon.com/Motley-Fool-Investment-Guide-Teens/dp/0743229967> . Julian’s early assessment is that he is enjoying it. He and I periodically look at how to invest his savings and we are mostly choosing individual stocks rather than ETFs because at this age he can relate more to the individual names and I am looking to foster his interest: He has recently chosen Southern Company, Exxon and Royal Dutch Shell for the dividends (he likes the idea of getting paid to hold the stocks) as well as Disney for some growth....Speaking of Disney, a company my wife used to work for in her previous life before our children arrived; we have just booked our first family vacation to Disney in Orlando for February, 2018. My only comment at this stage is that Mickey Mouse is not a financial planner; Disney seems to have a way of making even some of the stingiest of parents spend incredible amounts of money for the “experience”. I have been assured “the memories will be worth it...I will keep you posted...

- **Are You Ready for the Next 25% Drop or More in Global Stock Markets and in Your Investment Accounts?**

Approximately once a year the stock markets suffer a 10% drop from peak to trough; about every three years this drop turns into a bear market, a drop of over 20%. The US markets were very close to a bear market, albeit briefly, in February and March of 2016 (and several companies and sectors broke below the 20% drop) but this downturn ended quickly and most people have since forgotten it. On the other hand, it only very rarely takes more than two years for the stock market to hit a new high, with the two main outliers being in the early 1970s and the most recent financial crises. If you have forgotten what stock market volatility looks like, you can be forgiven. In May of this year, the VIX, the most common measure of stock market volatility in the United States hit a 23-year low as stocks have continued to meander slowly higher with even 1% moves up or down seeming rare; and anything above 1% making a “breaking news” headline. A 1% move, or just over 200 points on the Dow Jones Industrial average is really nothing to get very excited about.

At White Lighthouse, our investment philosophy continues to be based on building well diversified portfolios with a long-term investment horizon and not trying to time the market’s yet we still pose the question, are you ready for the next big drop? We are not suggesting that a big drop like this will happen this year (though it easily could); we are relatively certain it will happen within 3 years, but from what peak we certainly don’t know. The question is more to remind our clients to be focused on their long-term goals and to ask them to contemplate if they want or need to use any of their long-term investments sometime in the short term; the next two years. If the answer is yes, you would like to use some of your investments in the short term, we recommend not taking market risk and moving that amount of money into cash in the currency you expect to spend it in. Taking risks in the financial markets should not be for short term speculation, it should be for long term investment performance. If you don’t need the money in your accounts for years or decades from now and you are not new to investing; you are aware that market volatility is normal and that waiting out the downturns is generally the most effective and consistent long- term strategy.

If you have any questions or concerns about your portfolio or think for your situation a decrease in risk is warranted; especially if you see some upcoming cash needs, please get in touch, thank you!

### **What’s Going on in Europe? The Euro is Rising!**

Long gone seem the days when we were worrying about a debt crisis in Greece, Spain, Portugal, Italy and in the banking system; we don’t see Mario Draghi making as many headlines and this is a good thing. While debt problems may yet still flare up again, suddenly the European economy seems finally to have some optimism and other economic and political issues are taking center stage. European bank stocks are on the rise, unemployment is falling

and the Euro has almost climbed back to 1.15 to the dollar, a level it has only rarely exceeded in the past two years.

A considerable amount of optimism is coming out of France these days with the election of the young President Macron. Only 2 months into his term, President Macron is looking to succeed where several past French presidents have failed; a reform of the countries labor laws to encourage a friendlier business climate. The main components of his proposal center around the relationship between labor and management which will aim to make it easier to modify old and restrictive contracts, easier and cheaper to downsize the workforce and to limit financial penalties for “unfair” dismissals of employees. The changes, if passed, will be similar to what several northern European countries, including Germany, already implemented almost 2 decades ago.

President Macron will play host to President Donald Trump on Bastille Day, July 14<sup>th</sup>, and like his counterpart Justin Trudeau in Canada, looks rather modern, less divisive, and perhaps represents more of the future direction of world leaders. Success and popularity at home often bolster world leaders’ standing in international organizations and so the next couple of years will continue to be interesting and perhaps volatile as past alliances between countries are at risk of fraying as new relationships form. Successful reform and a strengthening economy in France and other countries could be just the shot adrenalin that the EU needs to regain its footing after the still lingering impact of the financial crises, the Brexit vote in England and the restless population that now seems to be pulling back from favoring the extreme political parties. Perhaps European voters have conceded that they will not find anyone to match President Trump’s personality and social media prowess and so have retreated to the center?

The UK continues to make headlines in Europe (for the wrong reasons) and while previously I had thought that Prime Minister May had a good chance of deftly managing her own government and the Brexit process, I am left in wonderment as to the logic of her calling a snap election; especially after the surprise Brexit vote. The fickle masses! Between the dismal election results, the very tragic fire in London, several terrorist attacks, and the start of the Brexit negotiations I am less optimistic [at least in the short term] than before about Britain’s economic prospects. If reforms happen in France and the UK continues to stumble, Britain’s loss could be the EU’s gain. Perhaps we are starting to see the beginning of a resurgent European Union both economically and politically?

## Various and Sundry World Topics

The **US Department of Homeland Security has thankfully backed off considering banning laptops** and tablets from the cabin of all flights into the US; a relief to many business and leisure travelers alike. However, it was announced this past week that US will require increased security measures for flights into the US from abroad and it is expected to include more screening of passengers, increased efforts to detect explosive materials and new protocols to protect aircraft on the ground. The 10 airports that are currently subject to the laptop ban will be able to get the ban lifted once they comply with the new measures.

The **US Supreme Court has ruled in favor of President Trump's executive order limiting travel to the US from 6 predominantly Muslim countries.** Effective on June 28<sup>th</sup>, citizens of Iran, Libya, Somalia, Sudan, Syria and Yemen will find it considerably more challenging to enter the United States. Visitor visas with no statutory limit are available to citizens of those countries with a "bona fide relationship" to someone in the US; otherwise there will be a 6-month temporary ban and a limit of 50,000 Visas per year from these countries for individuals without a bona-fide relationship or who otherwise can gain an exception under the rules. When the executive order was first introduced by President Trump, this was the top news story in the country; the subsequent reversal of the lower courts decisions, in favor of President Trump remains rather muted; many people will not realize that this has happened. Instead the "news" is again making the news in the United States as President Trump and several "news" organizations continue to bicker in public.

On June 27<sup>th</sup> Federal Reserve Chair Janet Yellen was quoted as saying that because of the measures the Federal Reserve has taken over the past years, **"another financial crises is unlikely in our lifetime"**. Janet Yellen is currently 70 years old and the average life expectancy of a 70-year-old woman in America is 16.3 years. I am not sure if chairwoman Yellen was meaning to be comforting to her audience or trying to bolster the image of the Federal Reserve or was trying to accomplish something else, but I find more to be concerned about than comforted in this statement. Former Federal Reserve chair Alan Greenspan uttered the phrase **"irrational exuberance"** for which he is known the best, in December 1996 (borrowed perhaps from Yale Economist Robert Shiller) to describe the valuations of stocks and yet for 3 years afterwards markets climbed steeply before the dot.com bubble popped. I fear that Chairwoman's phrase above may well be prescient. This is the type of talk that gets Politicians and Bankers together to argue for a loosening of regulations without enough pushback from the public. While I generally like to see less regulations; the banking industry is one that needs strong governance due to the contagion effects that lack of confidence in the financial system can cause as well as the propensity towards misdeeds. The same crises rarely happens twice in a row and I hope that she is right not only for her lifetime but for most of ours; if we see considerable deregulation in the US banking system in the next couple of years; the seeds of the next financial crises will point to June 27, 2017. On a related note, one of the reasons I don't think a big downturn is imminent is because there are still too many pessimists making a lot of headlines though some have started to turn.

One day later, on June 28<sup>th</sup> more seeds have been planted as the Federal Reserve announced that all the **34 major banks in the US have passed the Fed "stress tests"**, the first time in the 7 years since these tests have been introduced; perhaps this will be a catalyst for both the economy and sending the stock markets to its next peak. Even while Stock Market indices were declining by about 1% on June 28<sup>th</sup>, major bank stocks in the US such as Citibank, Wells Fargo, JP Morgan and Bank of America were seeing gains of 2% and 3%. Many banks also announced that they would increase significantly the capital they would return to shareholders in the form of dividends. Over all I think this is good news for the US and world economy and if it goes hand in hand with some success on tax reform, infrastructure spending and a moderate

degree of regulatory reform; the GDP growth and other economic indicators should continue to strengthen. However, if the stock market bulls continue to charge ahead too aggressively I think there will be reason for concern.

One of my clients regularly reminds me to read the newsletters from the **financial firm GMO** out of Boston; they have some great writers and analysts and I enjoy reading their material. Here is a link to their **Q1 newsletter**: <https://www.gmo.com/docs/default-source/public-commentary/gmo-quarterly-letter.pdf> and I point you to the second article by Jeremy Grantham. This is a great read for those of you, who like me, enjoy reading well-reasoned and yet understandable economic analysis. For a little historical reference; GMO and Mr. Grantham have been rather pessimistic about stock valuations for the last several years and in this article Mr. Grantham seems to be throwing in the towel as he suggests that instead of reverting to the historical mean, perhaps average Price to Earnings Ratios have made a cosmic shift higher; largely because companies are now more profitable than ever before. While I have absolutely no disagreement with his arguments; if we see several prominent “bears” on stocks converts to becoming optimists, this will likely mark the top of the cycle...Enjoy the read!

**Inflation numbers** in the US remain somewhat lower than expected the last couple of months at less than 2% year over year and yet central banks from the US and around the world are talking about tightening of policy. There seems to be an unsteady balance of Central Bankers now itching to raise rates from their historically very low rates before the true inflationary signs begin to set-in. Energy prices (with oil back in a bear market) remain low, wage growth remains low, commodity prices remain low and debt servicing costs remain low. With all this talk of raising rates and tightening policy, I wonder if it is more talk than action in the near term? The justification to raise rates based on “the data” just does not seem to be there yet; expect more ambiguity from Central Bankers and more volatility in bonds and currency markets.

Changing gears for a moment, I want to highlight the company **Amazon**; whose boxes continue to fill my garage recycling bin week-in and week-out. The local Amazon and UPS delivery people ride a well-worn route to our front steps; and those of millions of other consumers in the US and around the world. I am admittedly late to the Amazon party as Jeff Bezos the founder (and now also owner of the Washington Post and Space tourism company Blue Origins to name a few of his side ventures) is now the 2<sup>nd</sup> wealthiest person in the world with a net worth over \$80 billion. Amazon is of course no longer just the company that delivers books and other products to your doorstep, but they are also a major player in Cloud Computing, Consumer Electronics, Logistics and now perhaps a major player in Grocery stores as they are about to acquire Whole Foods. Yet, Amazon still has 3x less sales than the major retailer Wal-Mart; they have plenty of room to grow. Amazon is a great example of how technology companies will continue to disrupt, for better and worse, industries around the world. I think Amazon will continue to be one of the most exciting companies over the coming decades and will challenge both traditional businesses as well as other technology companies.

Puerto Rico is a US territory not a state; its residents have US Passports but no direct representation in Congress. Puerto Rico has recently had a referendum where the population has voted to ask the US Congress to grant them statehood status; the prospects of which seem rather remote with a Republican controlled congress. Puerto Rico has beautiful beaches and weather and is also where my parents have spent their winters for many years; none of these aspects is what make Puerto Rico worth mentioning in my Newsletter.

**Puerto Rico is bankrupt and that is BIG news.** It has over \$70 Billion in Debt and \$40 Billion in pension liabilities and these debts matter to the US. Interest on Puerto Rico's debt has been Federally tax exempt since 1917 and these debt obligations are in the portfolios of many municipal bond investors (pensions, hedge funds, 401ks and individual accounts) in the US. It was only in the past months that Puerto Rico even had a legal process to enter bankruptcy and it is controlled by Board who is overseen by US District of New York Federal Judge Laura Swain. Puerto Rico's bankruptcy is far larger than Detroit and much closer in magnitude to Argentina. You will hear about Puerto Rico again in the news before too long. Speaking of debt problems in North America, the State of Illinois is about to have its rating cut to "junk" status. Historically low interest rates in the US and around the world have allowed mismanaged entities to avoid their day of reckoning for many years; as rates being to rise we will see more news like this. Risks abound in the Bond Markets as well as the stock market and while we may not see a repeat of the Financial Crises in Janet Yellen's lifetime, you can expect we will see some smaller but sizeable debt crises before the chairwoman breathes her last breath.

The last of my various global topics for this newsletter is also about technology and specifically **privacy and data security**. There were two recent Wall Street Journal articles that caught my eye. One on May 24<sup>th</sup> entitled "Your Data is Way More Exposed Than you Realize" and the other "China's All Seeing Surveillance State is Reading its Citizens' Faces" on June 26<sup>th</sup>. Many companies in the US have data files on just about everyone. Cheap technology, tracking software in your browsers, Facebook and other social media, e-mail, and massive amounts of other data stored publicly (and semi-privately on-line) are being combined for profits. Whether it is advertising on one computer for a term that appeared on another device you use; in the hope of luring you to buy a product or service or a news article placed by an organization that wants to sway your opinion; the longer you spend on-line, the more likely you are to give away as much information about yourself as you are to receive information. Most of us are blissfully unaware or how much data is being collected, analyzed, and used. If you use Google products regularly, there is a Maps timeline where you can see exactly where you are...and have been. The site Stalkscan.com allows users to scan "public" information on Facebook for people who you are not linked to as "friends". FamilytreeNow.com lets you quite easily find out A LOT more information about yourself and others such as probable relatives, past and current addresses, cell phone numbers, birth year etc. that you would expect. There are plenty of other sites with a lot more information. In China, jaywalkers are being recognized and punished using facial recognition software and in one anecdote the same technology is apparently being used to fight toilet paper theft in a public park in China. Oh My! Personal Privacy is eroding much faster than climate change and will impact each of us in many unexpected ways.

Many people are not bothered by the collection of their personal data, taking the approach “I have nothing to hide” so why should I be worried. The Wall Street Journal’s counter argument to that was that you can’t read the future and one of the interviewee’s stated “I never planned to get into a terrible relationship”. If you or your children or other family members are regularly on-line, you need to keep educated about security and privacy. This will be an issue that I will likely write about in the future with more tips. For now, I will suggest: Consider using a VPN (Virtual Private Network) for internet browsing, set your browsers to private (no tracking) mode, keep your operating system and anti-virus software up-to-date, keep backups of your data off-line, subscribe to a credit-monitoring service, check all of your financial accounts regularly, use 2-factor authentication on e-mail and with any other service that provides it and resist sharing data unnecessarily with organizations you do business with. Anecdotally, I received a lot of Happy Birthday messages on June 1<sup>st</sup> [note my real birthdate] this year (from a whole bunch of places that really did not need to know my birthday and who are clearly storing that info).

## **US Taxpayers Overseas – American Citizen’s Abroad (ACA) – Town Halls in Basel and Zurich in September – Residency Based Taxation Initiative**

For those of you are affected by the US tax code and other overseas American issues and who live near Basel or Zurich you may be interested in attending one of the ACA Town Hall meetings. I will be chairing the events in both locations on September 26<sup>th</sup> and 27<sup>th</sup> respectively. The panels will consist of Tax, Legal and Financial Professionals all specialized on working with Americans overseas. For more information about the events and to register please see the links below. The ACA events are open to members and non-members alike and we encourage you to pass on the links to anyone who you know who may be interested:

### **Basel September 26<sup>th</sup>, 2017**

Doors open at 18:30: <https://www.americansabroad.org/events/2/>

### **Zurich September 27<sup>th</sup>, 2017**

Doors open at 18:30: <https://www.americansabroad.org/events/3/>

ACA is still raising money to try and pass legislation in support of Residency Based Taxation to support Overseas Americans. The [fund raising campaign](#) (donations are tax deductible for many American Taxpayers) is about \$9,000 short of its goal but nonetheless enough has been raised so that the ACA legislative proposal is in the process of being “scored” with the results expected in the middle of the summer. Congressional staff are working hard now writing draft tax legislation and ACA is working hard to represent the voices of overseas Americans. The Donation page can be found here <http://acaglobalfoundation.org/donate>. For those of you who support ACA, we thank you. Every small amount counts in our efforts to improve the lives of all overseas Americans and their families, thank you!



## White Lighthouse Information & News

This quarter has been relatively uneventful at White Lighthouse with all of us concentrating on serving our existing clients and welcoming several new clients to the firm. As the firm's growth has been accelerating we are reviewing our processes and will consider adding, where it makes sense, additional people and software. Any changes that will affect our clients will be communicated here though there is nothing imminent.

- White Lighthouse - Switzerland

During the week of March 20<sup>th</sup>, White Lighthouse in Switzerland had three audits: 1) For Swiss Social Security 2) Anti-Money Laundering and 3) Our annual and optional audit against a Code of Conduct for Polyreg, our self-regulatory body. This final audit we believe is the most important for our clients since it is an audit that is similar to the requirements of the fiduciary standard. I am happy to report that all three audits were passed with no issues and no recommended changes to the way we conduct business. While this is not a surprise, as we are very well organized, it always reassuring when the audits are complete.

- Vacation Update

Jonathan will be in Europe (between the Netherlands with family and his office in Switzerland) from July 7<sup>th</sup> until August 16<sup>th</sup> for another summer of combined work and "working vacation" which generally means e-mail answers in the morning and evening. Specifically, his schedule is the following: July 10-13 in Lausanne, August 2-4 in Lausanne, and August 13 and 14<sup>th</sup> in Lausanne. July 15-August 1<sup>st</sup> will be his primary vacation time.

- White Lighthouse Investment Management Inc. & Sarl – Annual ADV Filings

Our ADV documents for 2017 (personal and corporate) as well as our Privacy policy are now available for your review on our client portal and have been submitted to the SEC/FINRA. You can find these documents on-line on the [Sharefile system](#), on the disclosure pages of both our US and Swiss site or if you would like to receive a copy by e-mail or in print, please let me know and we will be happy to send them along. You can also find more information about us and our (US and Swiss firm) firm directly on the SEC website at this link:

[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)

- Market Wrap Up for 2<sup>nd</sup> Quarter 2017

The S&P500 and Dow Jones Industrial Average were up 3% each for the first quarter of 2017 and both are up about 8% year to date. The Canadian market was down 2% for the quarter while the Swiss Market Index (SMI) was up 3%. The FTSE was flat for the quarter while the DAX and CAC40 were both flat for the quarter; though several smaller European markets had double digit growth. The dollar was down 4% against Swiss Franc and had a relatively large move down of 7% against the Euro for the first quarter. **The Euro reached a multi-year high against the dollar at over 1.14; there is some optimism in Europe!** Gold was also flat for the

quarter and remains up 8% for the year. The Shanghai Index was down 1% for the quarter. Despite some volatility to close the quarter, in all it was relatively quiet in the US equity markets with the bigger moves coming in the currency markets and the European periphery.

## Conclusion

I intentionally saved most talk of Washington D.C. politics until the conclusion, feel free to stop reading here and we wish you a great summer! The circus in Washington and in the media, continues to be, well, a circus. The Russian Probe has some elements that are concerning [especially the dismissal of the FBI director] but seems more designed to distract the President and the Congress from their real jobs; I think there are bigger things to be concerned about though expect the Democrats to ride this horse until the next Presidential election.

Three main areas of legislation have some real possibility of implementation and like all change there will be some positive and negative elements. The first area, health care reform, in its current form, aims to fix some of the deficiencies in the affordable care act. As I write this, Republicans seem poised to keep the net investment income tax to make health insurance more affordable for lower income taxpayers; this seems reasonable (except for overseas Americans who have no possibility to receive benefits from this tax). For the rest of the summer many people in Washington are laboring over tax reform legislation and debate on this subject will heat up after the summer recess. Tax reform one way or another is likely to be coming; I plan to write more about this next time as it could be wide ranging and affect not only income tax rates, but also retirement plan incentives and the taxation of Americans and American corporations overseas. The third area is infrastructure spending; this could also be integrated to tax reform, especially as it may be partially funded by the repatriation of corporate earnings from overseas. I am anticipating some major legislative changes by the end of 2017; though that does assume enough members of Congress will have to agree on something!

Politics aside, the world economy continues its path of recovery and relative stability. The relative calmness in the markets is unlikely to last. Central Banks are starting to stir and from the US, Canada, the EU and the UK, talk of tightening has entered firmly into the public lexicon. There is still quite a bit of “unwinding” to do from all the assets purchased by the Federal Reserve and the ECB which is quite likely to go very slowly; as inflation seems under control and growth is nowhere near out of control. I think the next major trigger to volatility is likely to be related to government debt; while the banking system looks more stable in most countries, government liabilities and mismanagement remains a concern.

We wish you all a relaxing summer time and look forward to seeing and speaking with many of you in the coming months.

Thank you and Best wishes,  
Jonathan, Marina, and John

*P.S. The views expressed here are the sole responsibility of Jonathan and may or may not represent the views of others at the firm.*

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## Permanent Reference Information

1. Sharefile: How to access your White-Lighthouse Quarterly Reports & Other Public Information
2. Annual Privacy Policy & Form ADV Brochure Updates
3. US taxpayers – with non-US Financial Accounts – FBARs (Foreign Bank Account Reports)
4. Annual IRA Required Minimum Distributions (RMDs) for US Citizens over age 70 ½
5. Annual IRA Contributions for US Citizens with earned income
6. Tax Reporting

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### 1. Accessing Quarterly Reporting & Other Documents - Sharefile

All Clients of White Lighthouse Investment Management are entitled to have an account on our private server. Your account can be accessed at this link: <https://wlim.sharefile.com>. If you have forgotten your user name or password or would like an additional account for your spouse or other family member, please let us know. As a best practice for the security of your information we strongly recommend that you enable 2-factor authentication with your Sharefile account. It will be required as of 2019.

Your quarterly reports are generally ready by the end of 2<sup>nd</sup> working day of each quarter and will be copied to your private folders. Historical reports are also retained. The completion of the quarterly reporting is announcement but a short e-mail where you will also find the quarterly newsletter attached. Additionally, every client has on-line access and receives paper or electronic account information directly from the custodian bank or brokerage firm where the accounts are established. If you notice any discrepancies or have any questions on our reports, please be in contact as soon as you can, and we will research the questions.

White Lighthouse Investment Management does not hold custody of your assets and receiving reports both from us and your custodian is for your protection.

In addition to quarterly reporting other information available on Sharefile is:

- a. Prior Newsletters
- b. The latest ADV forms filed with FINRA for both Individuals and the Firm
- c. Privacy Policy
- d. Trade Errors and Proxy Voting Policies
- e. Proxy Votes
- f. Reference Material (e.g. how to read our reports)
- g. Clients may also store information in their private folders, especially if this is information they would like me to keep on record.

If there is any other information you would like to see in the Public section of this system, please let us know.

## 2. Annual Privacy Policy & Form ADV Brochure Updates

The SEC (US Securities Regulations from the Securities and Exchange Commission) requires us to circulate, at least annually, our latest Privacy Policy and to inform you that our ADV Part 2 Brochures are available. You may request any of these documents in electronic or paper format. We will leave our Privacy Policy at the end of this reference section in each newsletter and allow this to serve as a regular reminder of our updated ADV forms. These filings change periodically throughout the year and for any material changes we will also announce them in our newsletter.

In the United States, if you would like to read additional disclosure and background information on any investment advisor, broker or firm, you can find more information at this link: [http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/iapd\\_SiteMap.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/iapd_SiteMap.aspx)

## 3. US taxpayers – with non-US Financial Accounts – FBARs (Foreign Bank Account Reports)

October 15<sup>th</sup> was the new (as of 2017) annual deadline for filing of the FBAR reports for US citizens who have non-US financial accounts worth more than \$10,000 at any time during the year. For Overseas Americans, this form seems rather intrusive, but it is mandatory and the fines for failure to file and failure to report income from these accounts are severe. The FBAR form is being replaced by the new form FINCEN 114.

Starting back on July 1, 2013, these forms must be submitted electronically, paper versions of the forms will not be accepted in the future. Please check with your tax preparer to see if you or they will be filing the FBARs for you. Below are some links where you can read more. The first one is ironic. The place that you go to file your forms is headed by “Financial Crimes Enforcement Network”; as though having accounts overseas makes you guilty until proven innocent by filing your forms:

FINCEN link – Where forms can be filed:

[http://bsaefiling.fincen.treas.gov/Enroll\\_Individual.html](http://bsaefiling.fincen.treas.gov/Enroll_Individual.html)

IRS Announcement:

<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Report-of-Foreign-Bank-and-Financial-Accounts-%28FBAR%29>

## 4. Annual IRA Required Minimum Distributions (RMDs) for US Citizens over age 70 ½

Most US taxpayers who have IRA, 401k, 403b or similar accounts will be required to make an annual distribution by December 31<sup>st</sup> from their accounts or face a 50% penalty of the required amount from the IRS. For many of these accounts the broker will calculate the RMD amount for you and remind you about making the distribution. We can help to manage this process for you and arrange for the distributions to be sent out by check, transferred to a bank account, or

transferred to an investment account. We generally make these distributions, unless otherwise requested or needed for income, in the 4<sup>th</sup> quarter. Monthly, quarterly, or on-demand distributions can also be arranged.

RMD amounts are re-calculated each year based on the account value on December 31<sup>st</sup> and IRS tables related to the ages of the account holders. Some accounts (e.g. inherited IRAs) often do not have RMD calculations from the broker since these can have somewhat more complicated distribution formulas. Other accounts such as Roth IRA's are not subject to RMDs.

If you have any questions about Required Minimum Distributions, please let us know.

#### 5. Annual IRA Contributions for US Citizens with earned income

If you are a US tax-payer with earned income in 2018 or 2019 you might be able to contribute to an IRA account. If your employer pension plan is not tax qualified in the US (e.g. most plans outside the US) then regardless of your income, you will be able to make a “deductible” contribution to your IRA account. There are many different types of IRA accounts, Traditional, Roth, SEP etc. The general contribution limit for employees is \$5500 per individual per year and \$6500 if you are over 50 years of age in 2018 and \$6000 per individual per year and \$7000 if you are over 50 years of age in 2019.

You generally have until April 15<sup>th</sup> of the following tax year to contribute, though this deadline can be extended for SEP (generally for self-employed or employees of the self-employed) IRA contributions.

IRA Accounts are a great way to supplement your Retirement savings. For many clients, we help to make regular annual IRA contributions from their brokerage accounts to their IRA accounts. If you would like assistance with this or if you have any questions on whether your current year contributions have been made, please get in contact.

#### 6. Tax Reporting US, Switzerland & All jurisdictions.

At White Lighthouse Investment Management, we encourage all clients to meet all their tax reporting and payment requirements in whichever local, state, or federal jurisdictions they must report and pay tax to. We are not tax advisors. We do not file tax returns for clients and cannot offer legal advice in respect to taxes though we know many competent advisors who can.

What we can do is help you and/or your tax advisor(s) to determine your taxable events for any given time-period using reporting directly from your bank or brokerage firm and/or from our own reporting systems. Don't ever hesitate to ask for our assistance here as our information systems contain a vast amount of information and flexibility in reporting with respect to your accounts.

At White Lighthouse Investment Management, we do have an in depth understanding of US taxes and use this knowledge to help our clients make good decisions. In addition, we understand the complications of cross border rules with respect to US citizens and tax-payers that live overseas, non-Americans living in the US and mixed nationality couples. We also have a good working knowledge of the Swiss taxation system.

Additionally, we can engage in tax planning both inside your investment portfolio and outside. This may have to do with what types of investments to buy or sell which investments belong in which accounts, the timing of events or gift and estate taxation. This type of planning work can be done together with you or in conjunction with other professionals such as tax advisors or estate planning attorneys.

If you have accounts with us in the United States, your most common tax reports (1099s) are generally ready by the middle to end of February. These will include dividends, income, capital gains, and losses and now my management fees that have come out of taxable accounts. Other information that will be reported will be IRA distributions. For IRA contributions, the form 5498 is generally produced by your brokerage firm but this is often done well after your tax return has been filed. If you have contributed don't forget to report it to your tax advisor.

For Swiss resident account holders who have accounts at Swissquote, by default, we started last year to request the bank to produce their official tax report. The bank charges 100 CHF plus VAT for this report. A few clients have opted out of this which may make sense when there are very few taxable events in each year. If you would like to opt out or confirm if you have done so already, please let us know.

Jonathan Lachowitz, CFP®

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### PRIVACY STATEMENT- 2017

White Lighthouse Investment Management, an independent financial planning firm, is committed to safeguarding the confidential information of its clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by White Lighthouse Investment Management. We have never disclosed information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in firm policy, we would be prohibited under the law from doing so without advising you first. As you know, we use financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringement of your rights of privacy. Our policy with respect to personal information about you is listed below.

- We limit access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or lawyer).
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, information about transactions between you and third parties, and information from other sources as needed to provide our services on your behalf.
- For unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, all such information will be destroyed.