Newsletter | March 31, 2019

Dear Clients,

Greetings from New England where the last snow banks are melting, and Spring is in the air. I would like to congratulate all our clients for making it through another rough patch in the global stock markets over the last half year and more importantly, not letting it derail your long-term financial planning and investment goals. We have had the opportunity to speak with many of you recently and I was very encouraged to hear how many of you were simultaneously quite aware of the stock market volatility and patient to give markets time to recover.

As the first quarter of 2019 is ending, we have not quite reached a new high point in global stock markets, though most of the 4^{th} quarter losses from 2018 have been reversed. It is clear that the global economy has slowed down in several areas and if a recession in some sectors is upon us, I believe it will be mild, as economic conditions remain favorable to growth. Interest rates remain very low, inflation is low, unemployment is low, all very accommodative to growth. Though, like always, the economic picture is not perfect: global trade disputes remain unresolved, government, corporate and personal debt levels are rising, politicians and popular movements are aiming for more economic equality [read higher taxes on wage earners and the wealthy] and regulators are increasing the pressure on large companies, especially in the technology sector.

Eventually we will see a more protracted economic slowdown with a more severe drop in financial markets which may last longer than a few months. If history repeats itself, which it often does [at least partially] in terms of the economic cycle, we are likely to have a period of economic and stock market jubilation before the party ends. My feeling is that this prolonged period of growth, a decade after the financial crisis, is likely to continue with one more strong period of growth before it comes to an end. Though, as always, we all need to be prepared for the next downturn. So, like in newsletters past, I encourage all of you, if you have any concerns, to reach out to us to make sure you are prepared, especially if you have upcoming cash needs from your investment portfolio over the next year or two.

In the following newsletter I am very pleased to have valuable and interesting contributions from Marina (US tax planning), John (on-line notary services) and Jeff (ESG Investing). We will also cover a few other topics that we hope are of interest to many of you including: ETIAS travel in Europe, the latest legislative efforts from Washington for American Citizens Abroad, Schwab updates, an interesting Investment Research paper and more.

2018 US Tax Season – What to Expect – By Marina Hernandez, EA, CFP®

Spring is a wonderful time of the year: the days get longer, the weather warmer, trees and flowers bloom, which is not so great for my allergies, but hey, not as bad as another Spring ritual that everyone seems to be allergic to: filing our taxes! This reminds me of the bit about taxes and the inevitable resulting tax angst, by one of my favorite stand-up comedians, Jake Johannsen (click on this link to listen, you will not regret it).

This year, for all of us having to file US tax returns, on top of the normal angst, we must contend with the changes brought about by tax reform, which for most people apply for the first time when they file in April or June. Our tax return will have a different look, as the new "post-card" Form 1040 (which can be up to 6 pages long, depending on your circumstances) does not resemble the old 2-page 1040 Form too much. I must admit I'm not really that impressed by the new form, but that's probably just me. I'm a bit resistant to change, and I tend to prefer forms that have some logic to them and are easy to follow, which apparently is too much to ask of the US government.

But I digress.....going back to the issue of taxes, let's start with a reminder of the tax filing deadlines. Those have not changed. The regular filing deadline is April 15th, 2019. For those of you living abroad, an election can be made on the tax return to automatically extend the deadline to June 17th, 2019 (because June 15th falls on a Saturday). If you need additional time, Form 4868 can be filed to request 6 additional months from April 15th, extending the filing deadline to October 15th, 2019. If you choose to extend, please keep in mind that an extension of time to file the tax return is not an extension to pay the tax. Taxes must be paid by April 15th, irrespective of any extension requests. Penalties and interest apply for late payment of taxes. This has been the case for quite a while and tax reform hasn't changed this one bit.

However, tax reform has changed a few other things that may affect you. Some of these changes will be favorable, others will be neutral, and others yet will be unfavorable, depending on who you are and your personal and family circumstances. I list below some of these changes, focusing on the ones I believe have the greatest odds of being relevant to you.

- Personal exemptions have been eliminated and the standard deduction almost doubled: the $4,050 exemption (in 2018) for each tax flier, their spouse and dependents, is no more. Instead, there is a new larger standard deduction of $12,000 for single filers and those married filing separately, $18,000 for heads of households and $24,000 for married couples filing a joint tax return.
- Progressive tax rates have been reduced, benefiting individual taxpayers in almost all tax brackets. The highest tax rate is now 37%, down from 39.6%
- Itemized deductions have been reduced or suspended through the end of 2025, which will hurt a few of you. The suspended deductions include:
  - The deduction for state and local taxes is now capped at $10,0000, even if your state and local taxes are much higher than this. This negatively impacts those of you with income from high taxed states or who are tax residents of those states. California, New York and New Jersey are the states with the highest income tax rates.
  - Foreign personal taxes (such as wealth taxes) are no longer allowed, which negatively impacts those of you living in countries with a wealth tax or high personal taxes.

- Fees for legal, tax and investment advisory services are suspended at the personal level, but they are still deductible if they relate to business advice. Tax tip: you may be able to deduct part of your investment management fees by paying them from US retirement accounts such as IRAs and 401Ks. There are limitations, so please discuss this with your investment advisor. Make sure any legal, tax and investment advice that relates to business activity is paid by the business and not by you personally to keep it tax deductible.
- Mortgage interest: for mortgages issued as of January 1st, 2018, the deduction is limited principal of up to $750,000, down from $1,100,000 in the past. Old mortgages are grandfathered. Keep this is mind when you re-finance your mortgage, which is not unusual in Switzerland.

- The child tax credit has been doubled to $2,000 per child and the refundable portion has been increased to $1,400. Married taxpayers with incomes of up to $400,000 now qualify for this credit, which makes it available to many more families now. One caveat for Americans living abroad is that if you use the Foreign Earned Income Exclusion (FEIE), you can't receive the Child Tax Credit. Tax tip for Americans abroad: make sure to ask your tax advisor to optimize between using the FEIE and the Foreign Tax Credit to find out which option gives you the best tax result. If you have dependent US Citizen children and you are eligible for the child tax credit, you may want to revoke the FEIE if this reduces your US taxes. If you do this, keep in mind that once revoked, the FEIE cannot be claimed for the next 5 tax years without IRS permission (Private Letter Ruling – expensive!)
- New onerous taxes and reporting requirements have been imposed on certain foreign entities that are controlled by United States individuals or have domestic US companies as one of their owners. Some of these changes include a new tax called GILTI, the expansion of a set of taxes known as Subpart F income, the expansion of reporting requirements on Controlled Foreign Corporations and on certain US entities with foreign owners, and new baskets (categories) for foreign tax credits, which make them harder to be utilized efficiently. These changes will mostly impact US citizens conducting business abroad through foreign companies and foreign nationals investing in certain US companies. Penalties for errors or omissions on these forms and taxes can be significant, so if these changes apply to you, and you haven't spoken with a tax professional yet, make sure you do so soon.
- For those of you with domestic business activity, there is good news. There is a new 20% deduction for income from certain pass-through US entities that conduct business activities within the USA. There are several different limitations to this benefit, but for those who can benefit from it, it can be quite advantageous, as it results in up to 20% of the profit from the US business activity to be received tax free.

- US corporate tax rates were reduced from 35% to 21% with the goal making US corporations more tax competitive when compared to foreign jurisdictions with low corporate taxes.
- If you have not yet made your 2018 IRA contribution and would like to find out if it you are eligible to make one and if it makes sense for you, please let us know. The contribution deadline is April 15th, so there's still time. The contribution limits are $5,500 if you are under 50 and $6,500 if you are 50 or older. Do not forget to let your tax advisor know if you have already made or decide to make an IRA or Roth IRA 2018 contribution, as this needs to be reported in your US tax return and may reduce your US tax balance.

As a final reminder, don't forget that we offer tax return review as part of our financial planning services, so please reach out to us if you would like us to review your tax return before it is filed. If you prepare your own US tax returns, do not hesitate to contact us to discuss how the Tax Cut and Jobs Act may impact you and your family, and for additional tips that may help you reduce your tax burden or avoid making costly unintended errors.

Happy Tax Season!

Socially Responsible Investing – Taking Environmental, Social and Governance (ESG) Factors Into Consideration – By Jeff Haindl CFA, CFP®

Socially responsible investing was not a major topic among investors back in the 1990s when I studied environmental economics at the University of Zurich. This started to change in early 2004, when Kofi Annan, the former UN Secretary General, approached several major financial institutions and invited them to join an initiative to help integrate environmental, social and governance (ESG) factors into capital markets. This initiative was created under the patronage of the U.N. Global Compact, a broader corporate responsibility initiative also launched by Kofi Annan in 2000. Its primary goal was to bring companies together with UN agencies, labor and civil society to support ten principles in the areas of human rights, working conditions, the environment, and anti-corruption. An additional goal was to create a more stable and inclusive global economy. At the end of 2004 and with funding provided by the Swiss Government, the working group released its first report, "Who Cares Wins" which includes recommendations by the financial industry to better integrate environmental, social and governance issues into analysis, asset management and securities brokerage.

The adoption of ESG data in the investment process has been fairly slow but has gained momentum over last couple of years. One of the biggest challenges for investors has been the availability and standardization of company specific ESG data. We have come a long way since 2004 and multiple research houses have developed methodologies and collected the necessary data. Today, most major companies measure ESG factors and make their reports available to the public.

Another challenge for investors has been the costs associated with measuring ESG factors. In the early days of ESG investing it was therefore not surprising that ESG funds often under-performed their traditional peers. Fortunately, several exchange traded fund (ETF) providers, also believed in the benefits of integrating ESG factors into the investment process and have now created dedicated ESG ETFs.

There are different approaches towards ESG investing in the ETF industry but broadly speaking, products can be broken down into three main categories:

- **Broad ESG funds** that use indices which exclude companies in industries such as adult entertainment, alcohol and tobacco, conventional and controversial weapons (including civilian firearms), fossil fuels, gambling, and nuclear power. Certain providers also exclude companies that do not meet certain social criteria such as diversity, labor conditions, human rights, anti-corruption, and environmental standards defined by the Ten Principles of the United Nations Global Compact mentioned above.
- **Thematic ESG funds** that focus on a particular E, S or G issue such as clean energy or gender diversity.
- **Impact ESG funds that** invest in companies that build their business around products and services that aim to drive positive change. With these funds, investors are looking into achieving a sustainable outcome in addition to a financial return.

When we research the ETF universe for the best products, we pay attention to the following financial factors that impact our client portfolios:

- **Costs:** The first ESG ETFs carried a substantially higher management fee than their non-ESG counterparts. This has been changing when Blackrock (owner of iShares ETFs) introduced very competitively priced equity ETFs in the ESG space. This has spurred competition and Vanguard introduced even less expensive ETFs in late 2018 that have started to gain traction in the market.
- **Assets and trading volume:** the broader based ESG ETFs have gathered sizable assets and have started to trade at lower bid-ask spreads. The bid-ask spread is the difference between the highest price that a buyer is willing to pay for an asset and the lowest price that a seller is willing to accept. High bid-ask spreads are ultimately also additional costs for investors and we also try to keep them as low as possible. **ETF provider:** The ETF company is typically not a criterion in our initial ETF screening process. However, it is a factor that plays a big role for recently launched ETFs, as some providers have a better track record at scaling a new product, at managing it tax efficiently and providing enough liquidity.

ESG critics often highlight the risk of inferior financial performance in ESG products. Recent academic studies and our experience have, however, shown that this is no longer the case when using products that are competitively priced. We therefore occasionally use ESG ETFs even in traditional portfolios. One example is ESGE, an Emerging Markets ESG ETF, that some of you might recognize from your reports. The authors of “Who Cares Wins” actually outlined in their report that “because of their importance for sustainable development, emerging markets should receive particular consideration and environmental, social and governance criteria should be adapted to the specific situation in these markets”.

We are mindful that ESG products are only a subset of the huge investment universe and that investors who focus on ESG products exclusively will have a smaller universe to choose from. This has the following consequences:

- ESG ETFs usually carry overall higher costs (higher management fees and bid-ask spreads) than ‘traditional’ ETFs
- A smaller universe also provides fewer alternatives when it comes to tax loss harvesting, which is the practice of replacing a security that has experienced a loss with a similar security. By realizing, or "harvesting" a loss, investors can offset taxes on both gains and income. This is something Marina and I wrote about in an article that you received with the last quarterly letter.
- Limited choices for bonds. While ESG ETFs on the equity side have gained a lot of traction, bond ESG ETFs have not seen the same level of interest. Today, bond ESG ETFs have not met our minimum investment criteria, but we continue to closely monitor this area and hope to see changes in the near future.
- Investors might end up with less diversified portfolios as certain industries are by default excluded from the ESG universe.

In conclusion, we have now reached a point where investors can more efficiently incorporate environmental, social and governance factors in their investment portfolios without incurring significantly higher costs. We expect ESG ETFs to gain further momentum which will both increase the number of investment options and make these products even more attractive. If you would like to have more ESG funds in your portfolio, please do not hesitate to contact us.

On-Line American Notary Service – By John Wanvig, CFP®

Please see John’s well written and practical article on On-line notary services, which is an additional file included with our newsletter this quarter. John explains how the service works and provides several alternatives that enable you to have documents notarized from the comfort of your own home.

White Lighthouse Information and News

Marina was in Switzerland in March and she and Jeff were invited to Nestle in Vevey to talk about financial and tax planning, mainly to a group of employees who are affected by Nestle’s restructuring. In March John was invited to make a presentation to a group of mostly American employees at Roche on a variety of financial and planning topics as they impact American Citizens in Switzerland.

On April 30th, Jonathan will lead a panel discussion on behalf of American Citizens Abroad at Webster University in Geneva. He will be joined by Ken Freshman (US International Tax Professional) and Matthew Berlin (International Estate Planning Attorney). For more information and registration details, please go to this link: https://www.americansabroad.org/events/9/ .

At White Lighthouse, all our Financial Planner Professionals present and write with the goal of educating the audience on a variety of personal investment, tax and financial planning topics. If you are part of an organization whose members may benefit from attending an educational presentation, please feel free to reach out to any of us. Many of our past presentations can be found on the White Lighthouse website presentation page and these can be customized and updated depending on the audiences' needs.

In order to support the continued growth at White Lighthouse, we will welcome Sue Hegarty in April, who will work with Kathy Quintero, our Business Manager, in our business office. Sue worked with Kathy at Mercedes Benz North America for fourteen years in a variety of financial roles.

We would like to congratulate Kathy and Jeff who have just completed their first year at White Lighthouse and thank them, along with Marina and John for all their hard work and dedication to our clients' success.

Various and Sundry Topics: ETIAS, Non-US Investments and Investors at Schwab, Swiss 1000 Franc Notes, World Events – Jonathan

- ETIAS

Do you travel in and through Europe and don't hold a passport from a country in the Schengen Area? Have you heard of ETIAS? If you haven't, you soon will. ETIAS is an acronym for the Europe, Travel and Authorization System, and starting in 2021, citizens of non ETIAS countries who don't need a visa to travel to the Schengen area [E.g. US, UK] will have to apply for an ETIAS authorization before traveling. ETIAS is very similar to the US ESTA program. To apply for an ETIAS authorization you will need a Passport with at least 3 months validity from your arrival date, a debit or credit card to pay the fee and a valid e-mail address where you can receive your approved ETIAS visa waiver travel authorization. You can find more information on the ETIAS website. For our many clients who hold more than one nationality, you will find this link on ETIAS and dual nationality to be interesting.

- Non-US Investments, Non-US Residents and Non-US Investors at Schwab

Charles Schwab and Company is one of the world's largest custodians of financial assets with over $3.5 Trillion in over 12 million accounts. Schwab is one of the main platforms we work with at White Lighthouse. Though no solution is perfect, we find the advantages on that platform to be compelling for many of our clients.

There are some changes on the horizon, especially for clients living in Europe. Schwab gave us a sneak peek at some information that has not yet been publicly announced but should be soon.

Starting shortly, Schwab is expected to allow the trading of UCITS funds in Europe on its platform. This means that for European residents, they would be able to buy and sell European listed ETFs, which is not currently possible. Pershing, another large custodian, already allows this. For US taxpayers, these UCITS funds are unattractive under current tax law (they are considered Passive Foreign Investment Companies, PFICS), which are taxed punitively and carry burdensome reporting requirements. For non-American taxpayers, this may provide some advantages over European platforms, as Schwab is known for their low trading costs and not charging for custody. We are not ready yet to recommend this to our non-American clients, as we want to better understand the fees (especially on foreign exchange) but once we have all the information required, we may contact some of you to see if this is of interest.

In the same TENTATIVE announcement, Schwab may start restricting European residents from buying ETFs in the United States. for individuals who trade their own accounts and who have “retail” accounts at Schwab. Advisor accounts, such as accounts managed by White Lighthouse, should not be affected by this restriction. We understand, after a recent meeting with a Schwab executive in London, that Schwab is still reviewing the legal requirements and is planning to modify this to some extent. The change in policy is very much related to the European MiFID regulations and there is an exception for “qualified” investors. Once Schwab has clarified and announced their policy, we will be in a better position to explain and answer questions on the upcoming changes.

Finally, for those clients who already have accounts at Schwab and are not US taxpayers (Citizens or Green Card Holders), you are already accustomed to having to regularly file a W-8BEN to certify your status as a non-US taxpayer. Schwab has now re-vamped their process to allow for electronic certification and they have published helpful information on this process on their website. Please note that in order to claim reduced tax-withholding rates through a tax treaty, it is imperative to enter your foreign (non-US) tax ID number on the form. Schwab is checking this information carefully. If you have any trouble or questions with your W-8BEN forms, please let us know.

- Selling Fast and Buying Slow: Heuristics and Trading Performance of Institutional Investors

As most of you know, we favor a much more passive (index funds and periodic re-balancing) rather than active (stock picking and market timing) approach to investment management. In January, Bloomberg highlighted a research paper on this subject that came to the conclusion that active managers are reasonably good at buying investments but that their selling decisions add so little value, that random selling would likely give them a better overall performance. For those of you who are curious about the study of investment management, the Bloomberg article is worth the read. If you are passionate about the subject, I recommend the research paper

It is well understood that two of the hardest decisions in investment management are if and when to sell a winning position (Greed: because you are convinced it will keep going up) and if and when to sell a losing position (Fear: Making the loss permanent hurts too much, so you will wait for it just to come back). It is much easier to sell investments funds than individual stocks and the more emotion we can take out of the selling decision, (periodic rebalancing towards your target allocation) the easier it is to maintain a disciplined long-term approach.

- Swiss 1000 Franc Notes

As the world continues to move to more digital solutions for payments, the Swiss Central Bank, on March 13th, released the latest (9th) version of its 1000 Swiss Franc note. Unlike in the EU where many businesses won't accept high value Euro bills (The 500 Euro note will no longer be issued after April 2019), many Swiss business and consumers are still quite comfortable paying in cash for high value items. If you happen to hold old series 1000 Franc notes, please be aware that Series 5 and below are no longer valid and series 6 will lapse on May 1, 2020. Series 7 of the bill was never issued and for the time being there is no indication that the series 8 bills will no longer be legal tender, but this could happen. For those of you storing large values of cash at home or in a safe deposit box, note that banks will only allow a limited exchange (e.g. at UBS: 10,000 CHF at the counter and 25,000 CHF in main offices) of old bills for new bills. More information on the 1000 Franc note and Swiss currency can be found here.

- Retirement Advice from Cicero

Thank you very much to one of our clients, Mr. B for sending this article from the Wall Street Journal "When it Comes to Retirement, I'm with Cicero" where the author, Mr. Michaels, stumbled upon some writings "Cato Maior de Senectute" from 44 B.C. where Cicero indeed takes up the question of how to be successful in retirement.

Many of us in the retirement planning industry help clients who are struggling with the questions of "what should I do?" in retirement and what will define who I am and the value I provide when it is not my profession. Cicero's advice as summarized by the author was to see the intrinsic value in aging and "How wonderful it is for the soul when—after so many struggles with lust, ambition, strife, quarreling and other passions—these battles are at last ended and it can return . . . to live within itself,". So, instead of having to continue with the passion of a career or hobby or the drive to "give back", one should "embrace the opportunity for growth and completeness at the end of a life well lived".

Unfortunately for Cicero, even though his life was well set-up to heed his own advice, he was killed soon after returning to public life and in the mayhem that followed Julius Caesar's assassination. Some reasonable ideas for us to consider as we age: perhaps spending more idle time; reading, walking, traveling and contemplating, and staying away from the toxicity of the latest news and social debates will add tremendous joy and satisfaction as we age. I can see value in not worrying about what our mission and value will be in retirement, in not trying to define that next goal…This sounds good in theory, but we see this can be challenging especially for so many who have had great success in their professional and family lives.

- World Events

I am not going to write a lot about current events in this newsletter but will highlight just a few observations: With the Muller report being completed and Speaker of the House Nancy Pelosi's prior comments, it appears very unlikely that impeachment proceedings against Donald Trump will take place. The political focus over the next twenty months in the US will likely switch to who the Democrats will nominate to challenge President Trump in the next election; prepare to be underwhelmed. Personally, I think that the Democrats best chance for a victory will be to nominate a centrist candidate along and for the current administration to face some misfortune, such as a considerable economic slowdown; incumbent US Presidents tend to have history on their side. President Trump, despite all his flaws, will not be easy to defeat in the next election.

In addition to US politics, Trade policy, especially with China, seems to be making slow progress. In Europe, Brexit continues to cause indigestion; we can only hope for our clients and friends in the UK that a reasonable path forward will soon be found. The global economy seems to have slowed down but is still growing. With monetary policy still very accommodative around the world, hopefully a more sustained and stronger growth will be around the corner.

Tax-Reform American Citizens Abroad (ACA) – Finally a Bill in Congress - UPDATE

On March 13th and 14th I had the pleasure to join Charles Bruce (Legal Counsel for ACA and Chairman American Citizens Abroad Global Foundation), Matt Stross (Tax Counsel, Office of US Congressman, Representative George Holding of North Carolina) and a couple of other tax and legal professionals for a panel discussion on Legislative developments in Congress regarding the taxation of overseas Americans.

As a refresher, on December 20th Congressman George Holding, a Republican from North Carolina, introduced into the 115th Congress, H.R. 7358, a bill entitled "The Tax Fairness for Americans Abroad Act of 2018". The full text of HR 7358, the Tax Fairness for Americans Abroad bill, can be found at the following link:
https://www.americansabroad.org/media/files/files/b3989b0b/tax-fairness-for-americans-abroad-act-h-r-7358.pdf

And ACA's Press Release about the bill can be found at this link:
https://www.americansabroad.org/media/files/page/4f6c21b5/pr-aca-announcing-tax-fairness-for-americans-abroad-act-of-2018-181220.pdf

This is a major milestone that organizations including American Citizens Abroad have been working towards for well over a decade. The goal of the bill is to replace “Citizenship” based taxation with “Residency” based taxation, bringing the United States in line with the rest of the world with respect to the taxation (or not) of its overseas citizens.

During the panel discussion we shared ideas about how the legislation, if passed, will likely impact individuals and organizations with respect to taxation, compliance and managing their financial affairs. Matt Strauss, who has been a key advocate and architect of the legislation outlined what he thought was a reasonable path forward from here whereby he expected the legislation to be further improved and re-introduced in the current Congress and that it is likely that there will be calls for public hearings on the topic [Where ACA will definitely be involved] before a final bill would be drafted and voted upon.

If you are a member of ACA and would like to listen to one of these Webcasts, they are available in the members only section of the website at this link: https://www.americansabroad.org/members-only/ . I would recommend listening to only one of the two events and personally I think the Geneva event was slightly better.

Thank you again to all our clients who are also ACA members and continue to support our work in Washington D.C. and around the world. If you happen to be in Geneva for the next ACA event on April 30th, we look forward to seeing you there!

Market Wrap Up for 1st Quarter 2019

The S&P500 and Dow Jones Industrial Average were up 13% and 11% respectively for first quarter of 2019. The Canadian market was up 12.7% for the quarter. The Swiss Market Index (SMI) was up 12% for the first quarter. The FTSE was up 8% for the quarter while the DAX and CAC40 were up 9% and 13% respectively**.** The dollar up 1.3% against the Swiss Franc and up 2% against the Euro for the quarter. Gold was up 1% for the quarter. The Shanghai Index was up 24% for the quarter but is still down 2% over the last 12 months. The current Federal Funds rate in the US stayed flat at 2.5% and the outlook for raises or decreases in 2019 remains uncertain**.**

Conclusion

We really hope you have enjoyed our latest newsletter and if you have any ideas for future topics, please let any of our team members know. We wish you all a fantastic spring and look forward to talking with many of you again soon.

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

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.

Office Locations:

US Office:
White Lighthouse Investment Management
5 Militia Drive – Suite 205
Lexington, MA 02421
USA
+1 508 471 4431
Fax: +1 508 519 8432

Lausanne Office:
White Lighthouse Investment Management Sarl
Avenue d'Ouchy 29
1006 Lausanne
Switzerland
+41 22 548 1431

Zurich:
Brandschenkestrasse 178
CH 8002 Zurich
Switzerland
+41 44 557 3900

Contact Details:

Jonathan:
lachowitz@white-lighthouse.com
Skype: jolachowitz

Marina:
mhernandez@white-lighthouse.com
Skype: +1 215 352 4494

John:
jwanvig@white-lighthouse.com
Skype: jwanvig

Jeff:
jhaindl@white-lighthouse.com
Skype: jeffhaindl

Kathy:
KQuintero@white-lighthouse.com

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

---

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 2nd 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/IapdMain/iapd_SiteMap.aspx

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

October 15th 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

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 31st 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 4th 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 31st and IRS tables related to the ages of the account holders. Some accounts (e.g. inherited IRAs) often to 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 15th 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.

White Lighthouse
Investment Management

Jonathan Lachowitz, CFP®

5 Militia Drive – Suite 205
Lexington, MA 02421
+1-508-471-4431

PRIVACY STATEMENT- 2019

White Lighthouse Investment Management, an independent financial planning firm, is committed to safeguarding the confidential information of it 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 executed 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.