Newsletter | December 31, 2019

Dear Clients,

We hope you have all been enjoying the holidays and that you are all Happy and Healthy as the new year begins! As I start to compile this last newsletter of the 2010's I can sense it will be a long one, there is so much to write about: World events from Hong Kong to Brexit to Washington D.C., a big up year in the stock markets, tax law changes in the US [with Marina explaining to us a number of important changes for US taxpayers, especially for retirement planning], recession worries from last quarter that were unfounded, financial regulations in Switzerland and much more. We will try to keep this informative, interesting and easy to skip around to the sections that interest you most.

This quarter on the world stage has seen a strong stock market rally that mostly happened well before progress in a number of areas including trade relations between the US and China, more clarity on the government in the UK, but not quite so on how Brexit will happen and stabilizing world GDP growth. The Trump Impeachment show has been in full force, though the most probable outcome, impeachment in the Democratic house which has happened and acquittal in the Senate which is likely to happen has been like watching a car crash in slow motion where you know there are no serious injuries, just a lot of noise and debris. A big yawn for the markets.

At White Lighthouse we welcomed our latest team member Otto Rivera and the many new clients who have recently joined us. We have had a couple of client requests for information to be covered here and an informative tax post by Marina with the latest changes impacting US taxpayers. We also have a guest post from a client, Mr. T. H. who shares his family's experience getting health insurance in the US as a pre-Medicare and post working executive. ACA (The Affordable Care Act) enlightened by an unlikely participant. I have included a section on weight loss, my own…For the many of you have seen me on video or in person recently and asked…how did you lose 40 pounds and who helped you? Your questions answered and more than you want to know is below on page 11. We hope you all enjoy this latest edition of the White Lighthouse Newsletter.

World Events

I like to keep informed about world news from many different sources, mostly written and I always appreciate clients sharing articles they find interesting. Thanks to the dozens of you who have forwarded interesting readings again this quarter! There never seems to be enough time to read or write and so below I share some of what I think are interesting highlights that will shape the future.

It is important to remember that the primary role of the media is to earn profits for shareholders. Profitability comes through selling advertising or subscriptions (digital or otherwise) as well as data about our actions on-line and in the real world. Bad news generates a lot more revenue than good news and it becomes more difficult to differentiate between fact and fiction and if our media is trying to influence our political thinking or not. Additionally, our privacy continues to be eroded by the myriad of devices recording what we do. No matter how intelligent and aware we are, we are still subject to being influenced by the media we consume. If you are concerned about the climate, income and wealth inequality, political disagreements, the direction the world is headed etc., I would like to share with you some positive things to consider, many of which were taken from these two articles: An opinion piece by Johan Norberg in the WSJ entitled the 2010s have been Amazing and on 99 Good news stories you probably did not hear about in 2019.

- In the 20th century, 30 years were added to average life expectancy, this trend has continued through the first two decades of the 21st Century!
- Extreme Poverty fell from 18.2% to 8.6% between 2008 to 2018
- Global Child Mortality rates have declined from 5.6% to 3.9% from 2008 to 2018
- "Rich countries use less aluminium, nickel, copper, steel, stone, cement, sand, wood, paper, fertilizer, water, crop acreage and fossil fuel every year, as Andrew McAfee documents in "More From Less." Consumption of 66 out of 72 resources tracked by the U.S. Geological Survey is now declining"
- Annual deaths from climate-related disasters declined by one-third between 2000-09 and 2010-15, to 0.35 per 100,000 people, according to the International Database of Disasters—a 95% reduction since the 1960s
- Death rates from air pollution declined by almost a fifth world-wide and a quarter in China between 2007 and 2017
- Worldwide terrorist attacks fell by 33 per cent in 2018 compared to 2017, to the lowest level since 2011
- The world is five per cent greener now than it was two decades ago, according to a study by NASA
- In 2019 the number of US adults smoking cigarettes has reached an all-time low of 13.7%
- In 2019 over 2 Billion people voted in over 50 countries, Democracy is on the rise
- The FBI said that the United States' violent crime rate fell again last year and is now half as high as it was in 1991.

This is not to say that all of the world's problems are well on their way to being solved, far from that but not all is doom and gloom and in many senses I think we should be wary of the fear mongering and the encouragement of being discouraged that is peddled by many politicians who gravitate to the farther ends, right and left, of the political spectrum. Despite their shortcomings, Democracy and Capitalism seem to be playing a pretty decent role in continuing to improve the number of healthy years of life expectancy and opportunities for progress for more and more people around the world. There will be set-backs and challenges to overcome, for example US Life expectancy has had some unfortunate recent short-term set-backs due to "disease" of despair such the opioid crises, though hopefully this is not indicative of a longer term trend.

Now of course, we have the headline worries: Protests in Hong Kong, the impeachment of President Trump, trade tensions between the US and China, Climate Change, Income inequality, the 2020 US Presidential Election, Political instability in the Middle East, Brexit, and too many more to list. Pull up your favorite news sources and you can read plenty more on these issues. I would like to highlight a couple which could have significant impacts and lead to an unexpected market shock, my top "worries" for 2020 and beyond; though I am generally an optimist and see regular steady progress and growth on the horizon.

Political Instability in China

While China has risen economically and in political influence over the last few decades, I believe Chinese political instability is one of the biggest threats to global economic stability. The Chinese stock and debt markets concern me as does the demographic bubble of an aging workforce. However, the bigger concern is if the Chinese government will be able to maintain its balance between openness and control of a restless population where the protests in Hong Kong are just the tip of the iceberg. Economic growth can make up for a lot of political flaws and while the Chinese government may take a very long-term view on re-shaping its place in the world, I think a much bigger threat to their stability lies within. If I had to predict the origin of the next major world financial crises, it would be in China with resulting economic, political and population instability. While an authoritarian government can make faster decisions, this may not be enough.

A Rapid Rise in Inflation / Interest Rates

With almost a decade of no global inflation and low or negative interest rates, this may seem to be a strange "concern". The Economist pointed to Chinese savings rates (due to rapidly growing middle class and a lack of a social security system) as the primary driver to a decline in global interest rates on cash. As Baby Boomers continue to retire at 10,000 per day in the US, Europe continues to age and retirees in China stop working and starting spending savings en masse, we could see a trickle turn into a flood and within a decade or so inflation and high interest rates may come roaring back. I continue to look for good forward-looking research on this subject and wonder what will come first: My retirement (over 25 years away I predict) or the return to an inflationary economy.

A move to the far left (or far right) in the US or Major parts of Europe or Asia

In the US, I don't identify as a Republican or a Democrat; they both have enough to dislike about my moderate economic and social views and I have enough to dislike about their extreme views, intolerance and gross incompetence. I would very much like to see politics return to the center of the political spectrum with a focus on results for the majority of the population. On December 13th there was a good Wall Street Journal article about Labour's defeat in the UK and a warning to Democrats, especially the far left, in the United States. In line with the article, I personally think that if Senator's Warren or Sanders were to be at the top of the Democratic ticket, there would be enough centrist voters who would, behind the curtain of the voting booth, vote for Donald Trump. Regardless of your political views, it is hard to argue with the strength of the US economy, much of the credit going to the "system" rather than to any politician or political party. A mostly predictable judiciary, moderate tax rates, free flowing capital, an independent central bank, low interest rates and inflation and relatively low corruption and a lot of hard-working people have led to an incredible period of economic expansion and moderation.

Demographic Shifts & the Impacts on Retirement Assumptions

I was reading this article from the Washington Post entitled "We need a major re-design of Life" that started with what I think is one of the most underappreciated marks of human accomplishment in the 20th century. Average life expectancy increased by 30 years in the span of one century. Combine this with some of the history behind age 65 as the standard "retirement age" and you can see that a re-design of Life Planning may be needed: In 1930, Life expectancy in the US for women was 62 and was 58 for men and the original US Social Security Act of 1935 set the minimum age at which full retirement benefits would be available as 65. It is clear that there has not been much of a change in retirement planning/thinking in government policy and it is an area where the financial industry has struggled to do adequate planning for individuals and families; especially in the face of bonds, the main building blocks of annuities & pensions, yielding low or negative interest rates.

The challenges of a rapidly aging population are many, and they impact societies at a macro level and individuals and their families at a micro level. Few people are prepared to be able to afford the 30 or more years in retirement. Pension funds and government social security programs are not set-up to afford payments that stretch so many decades. This is not to mention the labor force shifts that are needed to fill the positions that retirees are vacating and to provide services for people as they age. Technology will both help and add to these challenges.

At a macro-economic level, the unwinding of savings, the shrinking workforce and the need for more services could all combine to give us a future period of high interest rates and inflation in much the same way past oil shocks have delivered back in the 70s. If you are recently retired or retiring soon, we have to in many cases reasonably assume that living to 95 or beyond will be quite normal. For those of you in their 30's or younger, a whole new paradigm shift is likely to take place in "retirement" and life planning: Education will have to be continuously and more rapidly refreshed in order for many people to stay employable at a high level not to mention long-term care provided professionally or by family members and planning for careers that may span 50 years or longer. "Retirement" or periods of not working, are likely to be broken up throughout one's life as opposed to all coming later in life. A new word or phrase will be needed for mid-life career breaks.

At the individual level we are here to help you plan the financial aspects of your retirement (or career breaks) and if you have concerns that you would like to discuss, please don't hesitate to get in contact. The reality is that many of you will live much longer and healthier than you may have expected…let us help you make the most of this good fortune!

Interesting links from this newsletter:

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The 2010s Have Been Amazing - WSJ | Opinion

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99 Good News Stories You Probably Didn't Hear About in 2019 -Future Crunch

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Britain's Red Alert for Democrats -WSJ | Opinion

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We need a major re-design of Life - Washington Post

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GE to Freeze Pension Plans for About 20,000 US Employees in a Bid to Cut Debt -CNBC

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INSIGHT: IRS, Keep Your Hands Off My Virtual Assets - Bloomberg

Stock Markets 2019 and 2020

As much as things change, they remain the same; trying to profit from stock market timing, especially based on geo-political events, is mostly a fool's errand. A year ago, the S&P500 was down 14% in the 4th quarter and almost 20% from peak to trough, and now, as the end of 2019 the S&P 500 is up about 8% for the quarter and 29% for the year. One main similarity is that we did not have any clients calling or writing in panicking about markets, this is a very good sign; as we should all be invested in the market with a long term perspective and do our best not to be overly influenced by short term events.

While the S&P 500 is up 29% for 2019, it is only up about 11% since September 2018, just 15 months ago. I would argue that this is a relatively normal period in the markets where a 10% decline has happened on average about once per year and a 20% or greater decline, about every 3 years or so. During the last quarter of 2018 every other day seemed to bring us a new article on how expensive the stock market was and so many people were certain we were headed for the next recession; that never happened. Even Yale professor Robert Shiller, perhaps best known for the CAPE (Cyclically Adjusted Price to Earnings ratio) has recently been on record saying that even though the CAPE measure is currently high (30) by historical standards, it could easily go much higher (It was 44 in 1999/2000) and a recession may be many years away. And "Dr. Doom" Nouriel Roubini, name barely has gotten a mention in the press in recent months.

So, what should we make of the recent record highs in the markets and how much should we fear the next recession or market crash? In short, our advice, while customized to each client depending on your circumstances, remains the same: If you need money from your investment accounts in the short term (less than a year or two) it is generally not a good idea to take stock market risk; keep your cash needs in the currency they are needed in. If you want your investments to work for your long-term goals, it is best to be invested in a well-diversified portfolio that takes the appropriate amount of risk for your situation.

I would like to bring out again, one of my favorite charts, which talks about market shocks. These are unexpected "black swan" events that caught investors off guard and led to a rapid decline in stock prices, followed in most cases by a relatively rapid price increase. If we look at the most severe market shock, the Lehman Bankruptcy, we see that it took 121 riveting trading days in 2008 for the markets to bottom out at -46% yet within 285 days, the S&P500 had completely wiped out the post Lehman Bankruptcy crash, less than one year. As complementary information, only two times since WWI have the markets (S&P 500) had to wait over 2 years to hit a new all-time high. While past performance can never be relied on to predict future returns, we can surmise that historically, the best way to avoid losing money in the stock market in a well-diversified index driven portfolio, is to avoid selling in a panic and be in a position to wait for markets to recover.

SHOCKS TO THE SYSTEM: Market Declines and Recoveries Since WWII

	Closing Levels			Bottom			Days to
Market Shock Events	Prior Day	Next Day	% Chg.	Level	Days	% Chg.	Recover
Taper Tantrum: 5/22/13	1669.16	1655.35	(0.8)	1573.09	33	(5.8)	17
U.S. Debt Downgrade: 8/5/11	1199.38	1119.46	(6.7)	1099.33	90	(8.3)	144
Japanese Tsunami: 3/11/11	1304.28	1296.39	(0.6)	1256.88	3	(3.6)	6
Flash Crash: 5/6/10	1165.87	1128.15	(3.2)	1110.88	1	(4.7)	4
Lehman Bankruptcy: 9/15/08	1251.70	1192.7	(4.7)	676.53	121	(46.0)	285
Madrid Bombing: 3/10/04	1140.58	1123.89	(1.5)	1093.95	10	(4.1)	18
U.S. Terrorist Attacks: 9/11/01	1092.54	1038.77	(4.9)	965.80	5	(11.6)	20
Collapse of LTCM: 9/23/98	1066.09	1042.72	(2.2)	959.44	11	(10.0)	9
Iraq's Invasion of Kuwait: 8/2/90	355.52	351.48	(1.1)	295.46	49	(16.9)	82
Crash of 1987: 10/19/87	282.70	224.84	(20.5)	223.92	33	(20.8)	223
Reagan Shooting: 3/30/81	136.30	134.7	(1.2)	134.70	1	(1.2)	4
OPEC Oil Embargo: 10/17/73	111.30	110.05	(1.1)	109.16	6	(1.9)	10
Kennedy Assassination: 11/22/63	71.62	69.61	(2.8)	69.61	1	(2.8)	2
Cuban Missile Crisis: 10/22/62	54.96	53.49	(2.7)	53.49	1	(2.7)	5
Medians			(2.4)		8	(5.2)	14

Source: S&P Capital IQ. Past performance is no guarantee of future results.

If you would like to discuss your portfolio allocation or have any questions, please don't hesitate to be in contact!

White Lighthouse Investment Management (WLIM) Information and News

In November we were joined by another new colleague, Otto Rivera. We have known Otto for almost 6 years, and he was a key resource for White Lighthouse working as an international specialist at the Schwab service center in Orlando, Florida. His work ethic and great positive and caring attitude makes him a very welcome member of the WLIM team. Otto is taking the necessary course work to become a Certified Financial Planner professional and is working closely with the entire team on both financial planning and administrative issues as we continue to grow. Otto, his wife Dolly and their adorable daughter Camilla live close to Orlando.

In October 2019 I started writing for Bloomberg Tax. This is an unpaid position and the topics are at my discretion. The editors were very happy with the first two articles which appeared in October and November. We will post all articles on the White Lighthouse website's articles page. The first article was about the IRS and the definition of a "crypto-currency" and the second article was about the impact of regulations on clients and custodians in the EU, and particularly their ability to buy US listed ETFs, a topic I covered in the previous WLIM newsletter.

The American Citizen's Abroad Town Hall for Geneva in 2020 has now been scheduled for the evening of May 5th at Webster University and Jonathan will again chair the panel. Further details will follow in our next newsletter on topics and panellists.

Tax Corner – Marina Hernandez CFP®, EA

Hello everyone, Happy 2020!! I hope you are all well rested and ready to hit the road running, because we have new tax laws to deal with right at the outset of the new decade.

Apparently, Washington believes the past two years haven't been busy enough on account of tax law changes, and on December 20th, 2019, President Trump signed The SECURE Act into law. We are going to delve a little bit into some of those provisions, focusing on the ones that are most likely to have an impact on you.

What's SECURE about the SECURE Act? The full name of the Act is "**S**etting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement Act" and most of its provisions relate to…..you guessed it…..retirement. There are some non-retirement provisions too, including an expansion of 529 plans, changes to the kiddie tax (we are back to pre-2017 rules) and some new benefits for firefighters and first responders. In this review, however, we will focus on a narrow portion of the retirement provisions, specifically as they relate to IRAs, 401Ks and similar employer-sponsored retirement accounts.

We will start by the section of the Act that falls under its "Revenue Provisions". The goal of Revenue Provisions under US law is to raise revenue for the US Treasury. Increasing revenue for the Treasury does not generally translate to good news for the taxpayer. Who do you suppose the increased revenue is expected to come from? Good guess, you, the taxpayer! This case is no exception.

One of the Revenue Provisions calls for the elimination of the Inherited IRA "stretch". What does this mean? Through December 31st, 2019, when someone inherited a retirement account, they would roll over the balance to an Inherited IRA. They would then be required to take minimum annual distributions, known as RMDs, based on the beneficiaries' life expectancy per tables published by the IRS. This allowed the beneficiaries to spread out the distributions of the Inherited IRA over their expected lifetimes. The ability to do this was referred to as the "stretch".

As of January 1st, 2020, new Inherited IRA beneficiaries will be required to distribute the entire balance of the inherited IRA within 10 years of inheriting the account. This new 10-year full distribution requirement also applies to Inherited Roth IRAs. There are some exceptions to the 10-year rule for certain "Eligible Designated Beneficiaries": surviving spouses, minor children (until they reach age 18), disabled, chronically ill and beneficiaries who are not more than 10 years younger than the decedent. These Eligible Designated Beneficiaries will still be allowed to take RMDs based on their life expectancy. For everyone else, the stretch is lost.

What's the practical impact of this change? Beyond Eligible Designated Beneficiaries as described above, existing Inherited IRAs are grandfathered in, so nothing changes for those of you who already have Inherited IRAs. If you have IRA Trusts that were written to benefit from the old stretch rules, you may want to have them reviewed, updated, and potentially dissolved, as they may no longer provide the expected benefits. For everyone else, distributions from inherited IRAs will be accelerated, losing the ability for tax deferral and likely resulting in higher income tax rates paid on the distributions. The tax impact can be significant when the inherited IRAs are large and the beneficiaries are at high income tax brackets. In many of these cases, changes in income tax and estate plans may be advisable.

On the bright side, there are also some positive changes in the new law. RMDs for IRA owners and other retirement plan participants, such as 401ks and 403bs, are now delayed until age 72, instead of starting at age 70 ½ except for those turning 70 ½ in 2019, who will still be subject to the old rules. Additionally, traditional IRA contributions used to be limited by age and were not allowed after age 70 ½. The age limitation has been repealed, and, under the new rules, workers and spouses of workers contributing under the spousal rules, can continue to make traditional IRA contributions, no matter their age, if they or their spouses have earned income. These two changes are good if you are a saver and intend to keep working in some manner well past 70 years old. The changes will allow you to continue to save for retirement in a tax advantaged way much longer than before.

On a related note, there is one aspect for which age 70 ½ is still relevant for IRAs, and this is with regards to Qualified Charitable Distributions (QCDs). QCDs continue to be allowed starting at age 70 ½.

Those of you who know me well know how much I appreciate legal strategies that reduce taxes. I particularly love QCDs because they reward charitably inclined people with all kinds of potential tax goodies. If you are not familiar with QCDs and are approaching 70 ½ or have parents near that age, you should pay attention to the section that follows.

A QCD is a Required Minimum Distribution (RMD) or a portion of an RMD, that is made directly from the IRA account to a qualified US charity. Instead of the standard path of taking an RMD, depositing the cash from the RMD in the IRA owner's bank account, and from there making contributions to different charities, a 70 ½ or older IRA owner can direct the IRA custodian, such as Schwab, to distribute all or a portion of the RMD, up to a maximum of $100,000 a year, directly to the charity. For this to work, it is critical for the distribution to bypass the IRA owner completely and be issued straight to the charity.

How do QCDs provide tax benefits? QCDs are distributed tax free. QCDs are not reported as income on the IRA owner's tax return, thus reducing Adjusted Gross Income, or AGI. AGI and Modified AGI are important numbers on a tax return because they mark a floor or a threshold over which certain credits are lost, and above which certain sur-taxes begin to apply. AGI is also used to determine the size of certain deductions and the tax rates that apply to certain types of income. Our income tax system is progressive, so people with lower AGIs are usually rewarded with more tax benefits than those with higher AGIs. Anything that can lower AGI, like QCDs, are therefore good for taxpayers.

Here are some examples of potential tax benefits that can be obtained by reducing AGI through QCDs:

1. Reducing the cost of health care:
    a. Providing access to larger subsidies (Premium Tax Credits) through the Health Care Marketplace under the Affordable Care Act when the retiree has dependents who are too young to be covered under Medicare and are not covered through an employer.

   b. Reducing the cost of Medicare by eliminating or reducing IRMAA. IRMAA stands for Income Related Monthly Adjustment Amount, and it is a surcharge that applies on the Medicare premiums of retirees with higher AGIs. IRMAA can substantially increase the cost of Medicare, by up to 340%.
   c. Allowing greater itemized deductions for out-of-pocket health care expenses not reimbursed by insurance. These expenses are deductible to the extent that they exceed 7.5% of AGI. The lower the AGI, the lower the amounts that cannot be deducted.
2. Reducing the taxation of Social Security Benefits: Social Security Benefits are not fully taxable. Depending on AGI, 0%, 50% or 85% of Social Security Benefits are taxable. Reducing AGI thus can reduce the portion of Social Security Benefits subject to income tax.
3. Providing a tax reward for charitable contributions made by taxpayers who don't itemize their deductions. Since the increase of the standard deduction to $27,000 (for married couples over 65 years old) and the suspension of many itemized deductions, many families can no longer deduct their charitable contributions as an itemized deduction. QCDs, by being distributed tax free, result in an income tax reduction even when the standard deduction is used.
4. Other benefits of lower AGI include, but are not limited to:
   a. Reducing or avoiding the Net Investment Income Tax (NIIT)
   b. Reducing or eliminating the taxation of long-term capital gains
   c. Qualifying for education tax credits that would otherwise be phased out
   d. Reducing the marginal and effective income tax rates on taxable income

The changes under the SECURE Act make QCDs even more attractive than they used to be to charitable inclined families with large retirement accounts, particularly if the IRA beneficiaries are in high income brackets.

I know it can be easy to feel overwhelmed by the constant tax law changes. It's hard to keep up! Luckily, you can rely on your White Lighthouse team to do the keeping-up for you; proactively figure out the impact on the changes on your situation; and propose, if necessary, a revised course of action that will allow you to minimize any negative aspects and make the most of any new opportunities proved by the SECURE Act.

QCDs are one of the many tools in a family's toolbox that can be used to improve income tax outcomes and achieve more efficient transfer of assets to the next generation. Have no doubt that we will recommend using this tool to any extent that it can benefit you and your family and help you meet your life and legacy goals.

To another great year working together!

Marina

Swiss Financial Regulations

Effective January 1, 2020 new Swiss Financial Regulations FinSA (Financial Services Act) and FinIA (Financial Institutions Act) have come into force changing how financial services and financial institutions with clients and/or operations in Switzerland are regulated. Many of the old rules will stay in force as well, including the act on Collective Investment Schemes. (CISA). The requirements under these new laws will gradually phase in over the next two years, or perhaps longer. To date, the final rules have not been written and the Swiss regulatory organizations needed to implement the rules have not been authorized. We know there will be some changes to both our Swiss based and US based company and as the requirements become clearer, especially where they may impact the way we work with clients we will communicate them to you.

One change that we are required to communicate to you is the following. All clients of independent Asset Managers will now be considered “qualified investors” under the Collective Investment Schemes Act. Practically speaking this does not change anything in the way we work with you and manage your investment accounts. It does enable White Lighthouse Investment Management to continue to purchase on your behalf non-Swiss registered investment funds (e.g. Index ETFs in the US, UK, and EU).

Once all the regulations have been finalized, we intend to distribute to all clients who are impacted [Clients of our Swiss Company and/or clients who live in Switzerland] a summary of the changes. It is very likely we will have to make some modifications to our client agreements, and we may also be required to ask you to sign that you have received communications from us about the new regulations. Stay tuned!

Weight Loss – 32 years later – Down 40 Pounds in 10 weeks & Holding

I left high school in 1987 as a fit tennis player weighing 188 pounds. After one semester at college, the "Freshman 15" came easy. For 32 years since then I have struggled to return to what I would consider a healthy weight. I considered not being able to lose weight as one of my biggest failures, after all, it seemed to me that calories in versus calories burned was not all that complicated.

On July 25th of this year I weighed 235 pounds and by October 10th I was under 195 pounds, where I have remained for almost 3 months. I was not ill; I did not have surgery and I did not go on any special diet. There were several people who helped me and a lot of small steps over the preceding 18 months that led up to July 25th here is a summary of events, actions and gratitude.

- My family deserves a lot of thanks for putting up with my mood swings and my wife especially for making mor healthy food options available to me at home
- Thom Downing and his wife Tracey, the Owners of FIT in Los Altos, California deserve a huge thanks for taking me on as patient zero, doing remote health consulting. Thank you for your commitment, education and customized approach to fit my lifestyle and perhaps most importantly, for not giving up on me after the first year and a half!
- July 25th, Thanks to Anthony H. for betting me that I could not lose 10 kilograms!
- Amy F told me clearly that same week, Jonathan you need to eat less, she a nutritionist in New York.

Thom and I started working together in October 2017, meeting on-line for weekly or bi-weekly coaching sessions. I learned a lot more than I ever expected about nutrition, health, weight loss, exercise and sleep and in July of 2019, while on summer break, everything came together.

- Daily Calories dropped from ~3500 Calories to ~2250 after the bet on July 25th with Anthony.
- No dietary restrictions though I eat very low quantities of foods with added sugar, bread, pasta and other grains. Lots of fruits, vegetables and protein.
- I drink mostly water and coffee; and yes, there is still room for G&Ts and Red wine.
- The "Daily Calm" with Tamara Levitt, on the App Calm, 10 minutes of guided meditation helped me in the early weeks to accept being hungry and let it pass without eating
- Average steps per day increased from 12,000 to 18,000 (~8 miles /13 km per day) 8 years of Fitbit!
- 7-8 hours of good sleep every night [Using sleep supplement Doc Parsley when needed) & several daily supplements including Vitamin D, C, Omega 3, a multi-vitamin & Magnesium.
- I lost about 4 pounds per week for 10 weeks and remain ~40 lbs (18kgs) lighter
- Bi-Annual review of blood tests

Going forward my goal is stay under 200 pounds for a year and to maintain a healthier lifestyle. Thom and I have graduated to working on strength training and maintaining a healthier well-balanced lifestyle, given the constraints of family life, regular travel and desk work.

I would also like to thank the many of you who have encouraged and noticed my weight loss and improved health, the compliments never get old and everything I do from morning to night seems easier. I have a lot to be thankful for and plan to stay fit for my family, my clients, my friends and myself and hope to make the next 50 years even better and healthier than the first 50!

The Affordable Care Act – One Client's Experience in Colorado

Our clients Mr and Mrs. T. and B. H. were expats living in Switzerland when we met, and they recently moved back to the US and decided to try out early retirement. They agreed to share their experiences knowing that for many people who rely on employer group plans or Medicare, that the ACA was something they experience through the press…Below is their (lightly edited) story:

With hard work, robust planning, wise mentors, and a good bit of luck, my wife and I felt comfortable trying retirement at the age of 50. We retired to Colorado and have one boy in college in Colorado and another in college in Georgia. One of the biggest planning elements was the cost, quality, and flexibility of health insurance. Our emphasis and assumptions were that more money would lead to better insurance. We conservatively budgeted $3,200 per month with a 5% appreciation rate. If this seems like a lot, we thought it was grossly conservative. There's just one problem we were shocked to discover. It's not about having a lot of wealth. At all!

We presumed there were four fundamental ways to obtain high quality health insurance: 1) keep working and enjoy group policies like flexible PPOs, 2) start a small business and purchase small group plans, also like PPOs, 3) buy an expensive individual policy, or 4) qualify for the Affordable Care Act (aka Obamacare). Options 1 and 2 are pretty well understood as most people reading this will have enjoyed health insurance through one or both of these options. Here was the shocker… Option 3 began phasing out a few years after ACA started in 2010. That's right. You can no longer buy and individual policy no matter how much money you have to spend. It may sound unbelievable to you or maybe even a business opportunity, but it's true. Insurance companies just weighed the risk of underwriting a now relatively small customer category for each individual family and decided to stop offering individual policies. That left us with Option 4.

Shocker two was to learn that the ACA only cares about your income, not your wealth. Initially, this made us uneasy as if we were taking advantage of subsidies intended for those who could not afford insurance. After a bit or research and interviewing a few brokers, we were convinced the ACA was developed in a way that A) taking on some low income, high wealth participants is not worth mitigating and B) there is no other option for pre-65 low income, high wealth families. At this point, we're thinking it's crazy that we will get health insurance for less than $500 per month versus the budgeted $3,200. Sounds too good to be true. Hint-Hint.

Each state has their own set-up for the ACA, so we logged into Connect for Health CO, the ACA website for Colorado. At risk of building the case that I'm just a big negative exaggerator, I'm going to tell you it was the worst on-line application process either of us have ever experienced. It was not intuitive, loaded web pages inconsistently, exhibited strange data saving protocols, asked for information before future pages clarified the meaning of that information, and generated several emails throughout the date entry process. We later confirmed it was not just us. Establishing income was also challenging because the Modified Adjusted Gross Income (MAGI) used as a measure of your income for ACA is different from your federal Adjusted Gross Income. For example, all household income is included, tax free muni-bond income is included, and student tuition and fees are deducted.

Never-the-less, we muddled through it and eventually reached a "congratulations" page. This page explained we qualified for a huge subsidy and listed over 30 policies from five or six providers along with key parameters for each (e.g. premium, deductibles, co-pays, and max out-of-pocket). It all looked very nice at this point, so, knowing we could make changes for another 90 days, we selected a policy, made our first month's payment, wiped the sweat from our brow, and cracked a bottle of wine.

The next day, we received a final confirmation email that listed our start date a month later than needed and we began calling our physicians to make sure they were "in-network". We spoke with three Connect for Health CO customer service people that day. They were all very kind but had a severe lack of knowledge relating to the ACA, MAGI, and the portal. We were initially told the wrong date could not be changed and that we would have to go a month without insurance, which surely could not be true. After speaking with three brokers, we later learned they each screen the customer service representatives and hang up on 1-2 of them each time they call in. At this point we are thinking, how are those in need getting through this process? Seriously. The third shocker was working through an iterative process with our physicians to find that only 2 options from a single provider, of the 30 options listed, were accepted in our area because "they pay on time". That's right. Good doctors running good businesses don't like dealing with the ACA policy holders. Further, the in-network list is limited to the state of Colorado so our son in Georgia is not eligible, even though he is in college.

In the end, we needed to fully utilize a broker who knew how to use website workarounds and customer service screening to get things done correctly. It was uncomfortable, and our broker didn't enjoy what his job had become other than helping people like us. In the end, we will pay less than $400 per month and less than $6,000 out-of-pocket for good insurance with a limited number of good physicians, but physicians we know. What's left to be learned is how difficult this ends up being to administer and how things are "approved" for coverage. We are optimistic based on input from friends we've found using the same policy. Having said that, we are missing our employer group policy even though it was more expensive.

It's worth noting we found a few work-around options to construct an individual policy with most having a religious affiliation but have not yet found something that meets our needs. That leads me to advice for those considering early retirement. Brokers are paid by policy providers so meet with several and test their knowledge of the website, ACA, and which plans local physicians like. Second, plan your income accordingly to optimize insurance cost with wealth appreciation. In Colorado, discounts for a family of four start at MAGI less than $100,000. Third, plan to do a lot of work, learn all you can, and be your own advocate as with many things in life.

News from Custodians: Schwab, Pershing, Swissquote Bank, IB…

In October 2019, Charles Schwab and Company announced that on-line equity trades would drop to $0.00 from $4.95 for clients who have enrolled in electronic delivery of trades. Soon thereafter, Schwab's major competitors from Fidelity, TD Ameritrade and E*TRADE all matched Schwab's price and big banks such as Wells Fargo and Bank of America (Merrill Edge) followed suit. Within a couple of months, Schwab announced their intention to buy rival TD Ameritrade. This makes

Schwab one of the largest custodians in the world with over $5 Trillion of assets under custody. As a result of reduced trading fees, those of you with Schwab accounts may see that we are more comfortable making smaller sized trades when it makes sense, especially to invest relatively small cash balances in your accounts.

Several of the large custodians have also announced their intention to offer trading in fractional shares. Schwab has not yet announced when this will take place or if it will apply to the clients of advisors. We did just note that Interactive Brokers has implemented fractional trading, allowing trade values of just $1 as of December 2019.

For those of you who may mail checks or other documents to Schwab, please note that Schwab's Phoenix service center has been closed. If you need to post anything to Schwab, please ask anyone on our team for the address in Orlando or El Paso. We tend to use the address in Orlando because this is where our service team is located.

Charles Schwab & Co., Inc.
P.O. Box 628290
Orlando, FL 32862-8290

Custodians will often contact us directly at the same time they contact you as the client when they require certain information or paperwork to be completed. This may be to complete change of address forms if mail is undeliverable, to renew a form W-8BEN in order to claim reduced taxes under a treaty, to clarify information for compliance purposes etc. Most forms with most custodians can be submitted electronically or by paper. With regulations not subsiding, we don't expect these requests to diminish. We will continue to do our best to follow up with you and with the custodians to make sure everything is in order. If you ever have questions about why you are being asked to sign something, please get in contact and we will explain and thank you for responding to our requests when administrative work needs to be signed!

Market Wrap up for the 4th Quarter 2019

The S&P500 and Dow Jones Industrial Average were up 8.5% and 6% for the fourth quarter of 2019 and ended the year up 29% and 22% respectively. The Canadian market was up 2.4% for the quarter and 19% for the year. The Swiss Market Index (SMI) was up 5.3% for quarter and ended the year up 26%. The FTSE was up 2% for the quarter and was up 12% for the year. The DAX and CAC40 were up 6.6% and 5.3% respectively for the quarter and ended 2019 up 25% and 26% respectively. The dollar decreased by 3% against the Swiss Franc and the Euro for the quarter. Gold was up 2.7% for the quarter and ended the year up 18%. The Shanghai Index was up 5% for the quarter and end 2019 up 22%. The current Federal Funds rate in the US stayed remained stable in the range of 1.5% to 1.75% and the outlook is stable; my guess that any future move, later in 2020 would be more likely to the upside; though this will depend on economic strength and inflation.

Conclusion

In a couple of months White Lighthouse Investment Management will reach its 14th anniversary and I have a few reflections. I am most thankful for all the great clients and colleagues we are fortunate enough to work with. Thank you all for your continued confidence! My biggest miscalculation from 14 years ago was in how much demand there was for our services and so the company has grown much larger than I had anticipated in 2006.

As I look to the future, I believe that continued growth at White Lighthouse and adding great team members will be the best way to continue to serve you well as we all transition into the future. Additionally the pace at which regulations (tax and otherwise) change and our client's lives change (so many of you have moved and changed jobs or retired in the last few years) seems to be accelerating and so we will continue to stay well educated and informed to meet your future planning needs. We aim to keep the high level of service that you have become accustomed to and if there are ways that we can improve, we are always open to suggestions.

Thank you and Best wishes for a Healthy, Successful and Happy 2020,

Jonathan, Marina, John, Jeff, Kathy, Otto and Sue

P.S. The views and grammatical errors 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 username 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 is now required and Sharefile will force weak passwords to be changed.

Your quarterly reports are generally ready before 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 is the 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 72 (formerly 70.5)

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 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 taxpayer with earned income in 2019 or 2020 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 $6000 per individual per year and $7000 if you are over 50 years of age in both 2019 and 2020.

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 taxpayers 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

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Jonathan Lachowitz, CFP®

PRIVACY STATEMENT- 2020

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 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.