

Newsletter | September 30, 2020

Dear Clients,

It is day 9 of my latest quarantine, this time from Lausanne, Switzerland. It is 37 hours until I am officially allowed to resume some sense of freedom of movement. Switzerland is stricter than the US, and here we risk a 10,000 CHF fine for a violation of the quarantine rules. My rather modest conference room where so many of you have visited, has turned into a home gym, dining room, living room, lounge and with a south facing window, occasionally I could be found reading in the afternoon sunshine. The weather has turned, cold rainy and from what I hear, early snow in the mountains. In these times, I am still thankful not to have a T.V. here and with a good internet connection, I am feeling very caught up with family, work, clients, and friends. Ever thankful to my friends for the regular food drops keeping me sustained!

For over fifteen years I was already accustomed to working with many of you remotely with video calls and other technology. While the quality, functionality and choice of services continues to improve, mostly, I find that like many others, I am missing the social interaction we all took for granted in 2019. Once the social distancing and travel restrictions have mostly disappeared, I hope that we can all spend more time going back to meeting in person and I am looking forward to seeing many of you again, in 2021!

As we enter the last quarter of 2020, make no mistake, you are not alone. The anxiety and stress levels on individuals remains heightened even though many of us have adapted to new ways of going about our daily lives. For those of us who are impacted by domestic US challenges (the Presidential election circus, social unrest and the cacophony of the media to name a few), which tend to spill over into many parts of the world, the pressure will continue to mount at least until the election results are confirmed. The stock market is likely to continue to be volatile and our horizons will continue to feel uncertain.

Decision making in times of heightened stress, especially on important matters related to family, personal health, careers, and investments can feel extra stressful. Our role at White Lighthouse, in the broadest sense, is helping you to make good choices. We remain committed to supporting you in any way we can and are grateful for the immense trust you have placed in our hands. We are encouraged to see many of you doing well and despite the times, moving countries, changing jobs, taking good care of your families and making progress in light of an era that will profoundly change our world for many years to come.

In this quarter's newsletter we will once again look at world events, the pandemic, what to expect from the stock market and what's new here at White Lighthouse, including a warm welcome to our new colleague [Arielle Tucker CFP®, EA](#). I remain thankful for the very many comments and suggestions from our clients for this newsletter. Your encouragement is a big motivator each quarter as I search for inspiration on which topics to write about. Please keep writing and calling with ideas, thank you!

Global Events including the US Presidential Election

World events in 2020 [especially in the US] do feel more anxiety inducing than in many other past years. Despite my normally calm demeanour, I clearly recognize that this year is exceptional. In addition to the obvious stresses of the on-going COVID-19 pandemic and the mosaic of uncoordinated government actions and communications, there are so many more things fighting for room in the headlines. Social unrest in the US is causing demonstrations, that are sometimes violent, in nature. Both civilians and police are being threatened, injured, or killed. The lead up to the presidential election and the divisiveness of politics in general is filling the airwaves with mudslinging and vitriol. The death of Supreme Court Justice Ruth Ginsburg will show us that the Senate can move quickly if they are inspired to do so. There seems to be a reasonable chance that the US Supreme Court will take a significant turn to the conservative right with President Trump's nomination of Amy Coney Barrett to replace the more left leaning Justice Ginsburg.

In more normal times, Israel's signing of peace deals with the United Arab Emirates and Bahrain would be getting much more press. One wonders if the US press, including CNN and MSNBC, would have pushed much greater praise on past US Presidents for their involvement in this process if it had not been the current occupant of the White House? Regardless of your politics, this should be a positive step for change and perhaps a more peaceful Middle East; though it is probably not such great news for those who support the Palestinians or the Iranians. The Middle East is in middle of a monumental power shift and as oil becomes less important, we should expect to see more changes. I predict an MBS driven deal between Saudi Arabia and Israel before too many more years pass which like most peace processes, will be held together by stronger and stronger business relations.

The US and China continue to find plenty of places to come into conflict, business relations, the pandemic, human rights, economic and political influence, espionage and the list could go on almost indefinitely. As the impacts of the Pandemic further subside next year, US and China relations and conflict are likely to continue to make headlines. I would not anticipate that a Biden victory would change very much in the US in its attitude towards China. I remain sceptical of valuations and transparency from many of the Chinese stock market listings, not only in China but also some of the Chinese firms listed in the US markets.

If your primary media exposure is in the US, especially in a "battleground" state, you will be inundated with advertising and political commentary from now until November 3rd, the date of the US Presidential election. Wow, this is just 34 days away...perhaps October 31st would be a more appropriate day this year to hold the election (Halloween for those of our non-American readers...); the candidates certainly seem to be scaring the electorate on the right, the left and all across the middle. The rest of the world will also be watching with bated breath, wondering if the Americans will vote for 4 more years of Trump. And, if he loses, will the transition of power be smooth? Whatever happens, it is certainly going to be noisy until January 20, 2021 when the winner of the November election is sworn in as President; hopefully. With changes in the Supreme Court and a lot of uncertainty as to which party will control the Senate, there is a lot of change on the horizon.

One of my favorite news-sources leading up to any election, or major sports event is Nate Silver's [fivethirtyeight.com](https://www.fivethirtyeight.com). Nate Silver is a well-known statistician whose approach to politics and sports statistics is much more level-headed than many of the news outlets. The 538 (the Number of electors in the US Electoral college) website currently has Joe Biden with a 77% chance of winning the election and Donald Trump at 23%. You can check out the [latest election forecast on 538](#). If you want to simulate this with the toss of a coin, a Trump win is about as likely as getting heads two times in a row when flipping a coin twice. The election outcome is far from certain.

Adding to the uncertainty is that [many states, including several "battleground states" will accept mail-in ballots](#) that are post-marked by election day but arrive from a few days to a couple of weeks later. If the election is close, you can also expect requests from one or both parties for recounts. The incumbent is already making noise about contesting the election. Staying or going, President Trump will make sure to get as much airtime as he can; after all any press is good press if you have a business to run.

While the United States feels ripe for a change in leadership, I think that the control of Congress and specifically the Senate is a more important outcome. In the last 50 years, in only 14 years (28% of the time) did the same political party control both houses of Congress and the Presidency. It seems the American electorate appreciates a division of power. If you lean Republican and are worried about the Democrats controlling Congress and the Presidency, think back to President Obama's first term and the concerns about the massive changes that would take place. Even with Democrats controlling both houses of Congress and the Presidency, the only major legislation to pass in 2 years was the Affordable Care Act. There is a lot of fear mongering going on in the media and it will continue until well after the election; the US government was, by design, meant to be difficult to change quickly. This is unlikely to change regardless of the election outcome. And, as change impacts business, the economy and stock market valuations; large companies and small alike seem rather proficient at adapting to remain profitable.

So, with all the uncertainty, is there anything we should "do" considering the election? The first thing is, please vote if you are a US Citizen. Your vote is important. If you are an overseas American and are having trouble voting, the non-partisan organization, the [Overseas Vote Foundation](#) has a lot of resources to help you. This election has a significant potential to be like the 2000 election between Bush and Gore, where there was no clarity in who would become President until well after the election day. In that case though, the uncertainty was a big surprise, here it is expected if the initial results show a Trump loss or a too close to call outcome.

A less than clear transition of power would certainly increase volatility in the markets. If you have upcoming cash needs from your investment account over the next 12 months or so, please contact us to discuss. This of course can be said at any time, so this is just a reminder. Likewise, if you have concerns or questions or a heightened sense of anxiety at any time, all of these should be reasons to reach out to us for a discussion. Our job is help you make good choices and to aid you in sleeping well at night.

What to expect from the world's stock markets? Should you be de-risking before the US Presidential Election? Hint: "No, this is market timing"

One of the most common questions we receive is something along the lines of "I am concerned about [XXXXX], this is causing a lot of uncertainty in the world, should we just sell everything or a significant part of my investments and..." Another variation of this, especially from some clients who have heard my answers to this before is by preceding this question with..."I don't want to try and time the markets but....I am concerned about XXXX, should we sell..."

I do not at all discourage questions like this, even multiple times from the same person. My answer to the question always starts in the same way, and this is generally by me asking more personal questions about what has changed in an individual's circumstances? Do they have cash needs coming up, are they anxious about something, losing their job, health, or something else?

Quite simply market timing is a strategy that has a much lower probability of working well over time for most people. It is generally inferior to a buy, hold and rebalance or a more passive strategy that is the core of how we manage your money. While we cannot control world events or the stock market, we generally do have much greater control in planning our upcoming spending needs.

The current concerns seem less focused on the COVID recovery and more focused on the potential outcomes of the election. Before we get into a few reasons to not try and engage in market timing around the election, let's talk about the aftermath of the last big market downturn in the first part of 2020. At the risk of boring our readers, I will not publish my favorite S&P chart about market shocks, but I will tell you the numbers are in for the COVID market crises to be added to this table:

- February 19, 2020 marked the high in the S&P 500 of 3386.13
- March 23, 2020 marked the bear market low of 2237.40, a 34% decline in 33 days
- August 18, 2020 marked a new high in the S&P 500 at 3389.78, a recovery from high to high of 181 days, far shorter than the longest market shock in the table, the period just following the Lehman Bankruptcy and subsequent market crash.

Of course, the market went on to make new highs later into August this year and then suffered, a rather well deserved in my opinion, correction of about 10 percent in September, which is quite typical of bull market rallies.

So, there you have it, stock markets are volatile, and who would have predicted back in March as the world was shutting down, that the S&P 500 would hit a new high even before the end of the year? Well, I guess most of our readers would have expected this knowing how we generally advise to act (or not) during a crisis, by always being prepared for one. A big congratulations goes out to you for remaining calm and not panicking with the many other things to worry about in 2020.

So, you can guess my feelings on whether you should try to time the markets based on the upcoming election. The quick answer is no, I really do not think this is a good idea. Now, if you have personal reasons for needing more cash or taking less risk, then as you know, we should be talking about this. Remember, uncertainty (like the time before a big election) is almost always worse for stock markets than “bad news”. And, as a reminder, with a really small sample size, the US stock markets have tended to perform better with Democratic Presidents and this [article from Forbes](#) has a nice chart for those who are interested.

For those of you who are American Football and Stock market fans, you may remember the [Super Bowl Indicator](#) too. This superstition held that if a team from the AFC won the Super Bowl then it will be a down year and if a team from the NFC won, it would be an up year. While this indicator has been “right” 40 out of the past 53 years (75%), I would not recommend speculating with your investments on either the outcome of the super bowl or the presidential election. If you want to follow any one statistic, look at the Federal Reserve and interest rates: or interest rate expectations. This is a measure that matters when it comes to valuations.

I will give a little bit of my imperfect prognostication on the market outlook as much as I am reluctant to. Yes, when Apple reached a \$2.3 Trillion valuation back in August along with hefty valuations in other tech stocks, especially Tesla, I found myself thinking back to the tech bubble of 2000 and knowing the jubilation could go on for much longer or end any day. I was relieved to see Apple pull back about 22% into early September, some sanity returned. Apple only dropped to where it was just at the beginning of August, no big deal.

There seems to be a sudden flow of companies, especially technology companies, wanting to go public. Public markets seem to be back in vogue again. And why would they not be? With interest rates close to zero around the world and lots of concerns on real estate (think commercial and big cities), where else is an investor going to make long term investments? Looking at valuations now at the end of September, I am seeing that many of the sectors (see our June 30th newsletter) that suffered the most during the first half of the year, have yet to reach new highs. This is likely to be where a lot of the growth comes in 2021. Once it is clear we are on the path to vaccinating a large number of people and the Presidential election is over (regardless of the winner), I would predict that we will see new highs in the market in 2021 in all of the major stock markets. This is not a bold prediction; markets commonly hit new highs. Most of us, myself included, will be happy to see 2020 in the rear-view mirror. I remain optimistic about the future and that 2020 will be a year for the record books, and one that most of us will prefer to have behind us.

Interesting links from this newsletter:

FiveThirtyEight

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Voting resources for Americans living overseas
- Overseas Vote Foundation



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We Looked at How the Stock Market Performed Under Every US President Since Truman...
- Forbes.com

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Why Four Pivotal Swing States Likely Won't Be Called on Election Night
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UBS Plans Higher Fees to Push Rich Clients Out of Costly Cash
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Global Trade's Dependence on Dollars Lessens Its Benefits
-The Economist

Swiss Banking News

Recently there have been rumours of a merger/takeover of UBS and Credit Suisse. Globally and in the Swiss domestic market, there continues to be consolidation in banking and finance. The biggest impact of tie-up between these two Swiss Banking “giants” would likely be the job losses and shrinking choice in the Swiss domestic market. I would imagine that Swiss regulators may be unhappy with this development, it would certainly be detrimental to the international/expat community in Switzerland who tend to gravitate more to these two choices due to their breadth of service and English speaking staff. On a global scale it is inevitable that one or both banks is unlikely to continue for more than a few years without a major structural change involving a merger or acquisition.

Banks in Switzerland continue to suffer the effects of negative interest rates and increasing competition. For example UBS [announced recently](#) they would start charging more for Swiss Franc cash to their wealthy clients. For all of us who rely on Swiss Banking services, we should expect Swiss banks to continue to increase fees, add new fees, make contract terms more difficult for clients and, in many cases, reduce staff. The ultra-strong franc, expensive costs and negative rates will continue to put pressure on this sector for many years to come.

The Swiss National Bank (SNB), over the summer, was getting increasing pressure from the US Treasury with respect to its policies. It seems that the SNB “allowed” the franc to strengthen about 5% or so in order to try and stave off the wrath of the US Treasury department and avoid the label of a “currency manipulator”. I believe it is the Swiss population who suffer the most from a currency that is too strong. While international travel feels less expensive and so to do foreign goods, this is small consolation for the costs at home which include: extraordinarily high real estate prices,

zero or negative interest rates on cash savings and bonds, increasing costs for many products and services of all types and increasing pressure on the social security and pension system.

The timing of market corrections and financially related crises is much easier to predict in hindsight. Just like it is hard to outlast the “house” in a casino, one should not underestimate the relative power of an independent and relatively unconstrained central bank (e.g. in the US and Switzerland). [For a great article on the Global Trade’s dependence on the US Dollar, see this [article](#) from the Economist’s August 27th edition] The risks related to Swiss Franc strength and its impact from negative rates and on real estate should not be underestimated either, though it is a bit like predicting earthquakes and volcanic eruptions. There are measurements and tools that are indicative, but they are far from perfect and the timing is never clear.

White Lighthouse Investment Management (WLIM) Information

We are excited to welcome [Arielle Tucker](#) CFP® professional and IRS Enrolled Agent to the White Lighthouse Team. Having Arielle on our team gives us the opportunity to provide an even higher level of service to many of our international US taxpayer clients. Arielle comes to us with over a decade of international US tax experience. She has lived and worked in Switzerland for PwC and Westleton Drake in the past and she is now living in Munich, Germany with her husband and children. Arielle has made a running start in joining our team and is already working with many of you. Arielle’s responsibility will be to both work in financial planning as well as US tax matters. Arielle will manage an even stronger relationship with our US tax professional partner firms, including [KLR](#) , where Arielle will have the usage of all of their tax software and research and a strong working relationship with their many international tax professionals.

We would like to bring your attention some additional US tax services that are now listed on our [Web site](#) which we will either be providing in-house or in conjunction with our tax partner firms. For existing clients, we are always doing our best to answer your tax related financial planning questions. We intend to be able to do a more detailed review of many of your returns and in some cases, we may be able to prepare or coordinate the preparation of your returns for an additional fee. If you have any questions, you can reach out to me or directly to Arielle at atucker@white-lighthouse.com. We understand that many of you have been asking us to provide more US tax services and so in response to this, we are currently developing and refining these services and so your questions and input are welcomed.

We are happy to announce the opening of an additional office in Lausanne, Switzerland at Rue du Grand-Chêne 8, Lausanne. White Lighthouse will share the office space with the accounting firm KLR, and the office is conveniently located on the premises of the law firm Bonnard and Lawson. We and many of our clients work closely together with KLR and Bonnard and Lawson, and by being located at the same address we expect to add more value to our many shared clients. For the foreseeable future our Avenue d’Ouchy office will also remain open in Lausanne.

The [White-Lighthouse web-site](#) continues to improve and change on a very regular basis, thank

you Michelle for your tireless work here. We will soon be adding a “What’s new” page that will allow us to give more frequent updates than our quarterly newsletter. We expect this page to be ready any day now.

With Otto’s new qualifications and our expanding capacity, we will soon introduce a Spanish language version of our website. While we already serve many clients in the US and Abroad, Spanish is the most common language after English for international clients who have cross-border planning requirements with the United States. As White Lighthouse continues to serve clients globally, we hope to continue to expand our services. Thank you, Otto!

News from Custodians: Schwab, Pershing, Swissquote Bank

From Swissquote, we are seeing them lower the cash level at which they are charging negative interest on Swiss Franc balances and some fees including manual transfers sent by paper and trading fees on some products are increasing. I expect this trend to continue.

For White Lighthouse, our work with Schwab has never been smoother thanks to Otto. He worked at the Schwab service center in Orlando for over six years, was also an international specialist and he seems to be able to solve almost any issue with speed and accuracy. We see that Schwab continues to invest more in automating their processes as well as the interface with their service team. If you are running into any problems, have questions or want anything updated at Schwab, always feel free to reach out to anyone on our team or directly to Otto at orivera@white-lighthouse.com

Global Travel

Our client base has a high percentage of people who are accustomed to international travel for work, leisure and often because they are living in a country that is other than their birth and/or nationality. Travel by air is still far from normal and quarantines, health forms and/or testing remain a regular requirement, as well as up-to-date information since rules are changing regularly. Personally, I have been fortunate to be able to travel across the Atlantic, as have colleagues, clients and friends, so I wanted to share a few observations in case you are planning to travel soon. Though as always, check the latest requirements before making any travel plans:

1. Masks are required in the airports and airplanes though people routinely take them off to eat and drink.
2. Travellers are often required to fill out a basic health form with questions about symptoms, recent travel, flight and seat information and contact information. Follow-up seems limited.
3. Some countries and US States allow for testing out of quarantine requirements.
4. Switzerland does not allow for testing out of a quarantine requirement but does allow a request for full or partial exemption on a case by case basis at the discretion of the cantonal health authorities. The Swiss quarantine length is currently 10 full days plus the partial day of arrival and [business travel is allowed from the US](#) on an exceptional basis.

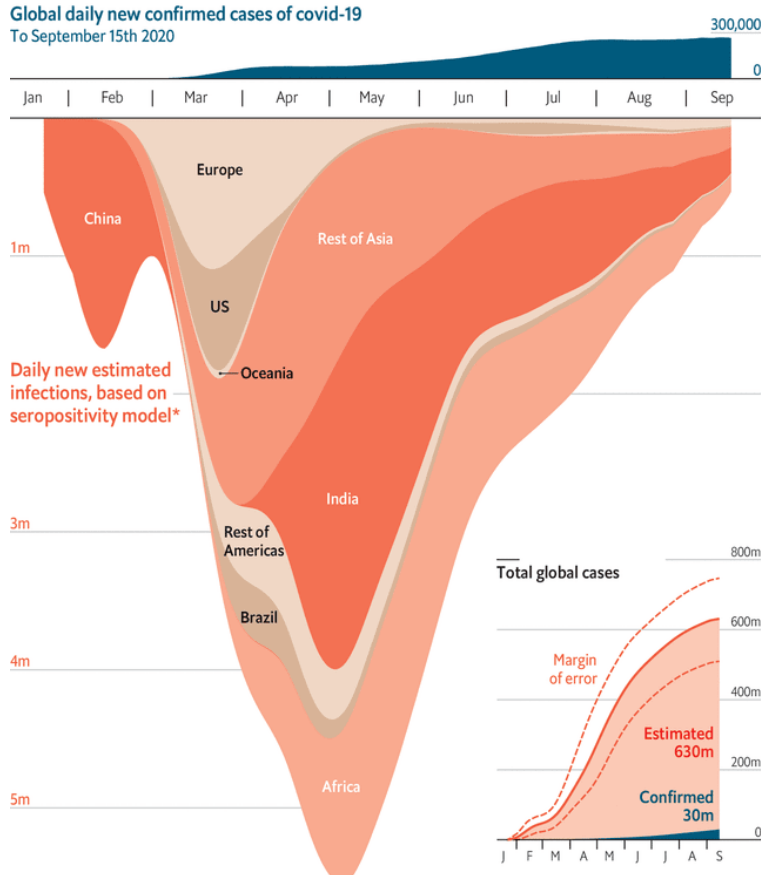
5. Switzerland's fines are serious, up to 10,000 CHF for breaking the quarantine rules and I am hearing of police checks and phone calls in many Cantons. While I personally have an exemption from the Canton of Vaud to leave for work purposes, I have chosen to stay put at my place in Lausanne until the full period is over.
6. While American Citizens are restricted from travel to many locations, there are often exceptions now for both family and business reasons.
7. Most planes have not been close to full and lines at the airports for everything are shorter. Many airport services are open.
8. The rules don't always seem to be logical; the situation remains fluid.

If you have an upcoming trip, especially internationally, plan for disruption and try to find someone who has recently travelled the same or a similar route. Safe travels and before you know it, we will be back to long lines, delays and all the joys of travel that we are missing!

COVID-19 – Where are we going?

As many of our long-term readers know, I believe the Economist remains one of the best sources for news on the planet. The writing and thoughts that go into each article are clear and logical, there is very little in the way of politics clouding the analysis and the breadth of coverage each week leaves the reader well informed. While I prefer reading the paper magazine in a comfortable chair far away from my computer or cell phone, I am thankful for the technological advances that

Global daily new confirmed cases of covid-19
To September 15th 2020



allow us to get the content on demand in written or spoken format. Their recent article "[The covid-19 pandemic is worse than official figures show](#)", with the graphic below actually left me feeling somewhat better than expected.

According to their estimates the reported number of COVID cases (based on 279 serosurveys from 19 countries) and deaths (based on studies of excess mortalities from prior years) appear to be dramatically different from the "official" [Worldometers Coronavirus](#) recorded case counts. If their analysis is close to correct, already about 8% of the world, or over 600 million have been infected with the virus (compared to just over 33 million positive tests) and approximately 2 million people have died (compared to approximately 1 million confirmed deaths). This is a lot of people, though 2 million deaths globally is about the same

*Extrapolation from linear model of seroprevalence based on reported cases and confirmed deaths, letting strength of relationships vary by average country income. Sources: Johns Hopkins CSSE; UN; WHO; 279 random-sample serosurveys in general populations; *The Economist*

number of people who die from all causes in the world every 2 weeks.

If these figures are approximately correct, that would make the mortality rate around .33%, or roughly four times more deadly than the seasonal flu; and still very much skewed towards those people with serious underlying health conditions. [3-11% of Americans get the flu each year, it seems that COVID-19 is considerably more contagious.] While these numbers of infections and deaths are rather large (and very speculative), a deeper dive into the article shows us that who contracts the virus (age, underlying health, access to medical care and associated knowledge and treatment) has a rather large impact. One of the British researchers estimates that a 65-year-old who contracts COVID is approximately 100 times more likely than a 25-year old to have a fatal outcome. The article is much more in depth than what I am covering here, I would encourage you to read more if you are interested.

In a [related article](#) I was reading in the WSJ this weekend (citing a study in The Lancet), a study of 28,000 American dialysis patients revealed that about 9% of the US population had antibodies for the virus causing COVID-19 by the end of July 2020. [There is also a [USA today article](#) on the same subject in case you can't access the WSJ.] More interestingly about 27% of the population in the Northeast and 33% in New York had the antibodies (the first major outbreaks in the US) and the study was able to produce interesting results about various age groups, ethnicities etc. It is notable that as Europe is seeing an increase in positive tests this fall, this so far does not appear to be happening to any great extent in Sweden. I am hesitant to jump to any "herd immunity" conclusions, but it does seem that with the virus that is still spreading regularly and a vaccine coming soon, perhaps the worst is behind us?

I am also left with the thought that making travel restriction decisions on the number of positive tests recorded in the last 14 days in a particular region seems rather incomplete. If policy makers do not consider how much testing is taking place and the percentage of positive results; places that test less will seem "safer". Switzerland for example seems to test far fewer people than many other countries, I think the pressure there to allow testing out of quarantine will be mounting in the coming weeks.

The amount of data and commentary on COVID-19 of course is almost impossible to keep up with; many of us are more concerned with the restrictions governing our movement and actions than the actual COVID statistics. We have all been subject to a variety of changes in rules and social norms with respect to the pandemic. Some rules seem to make more sense than others and none is driven 100% by science or politics. I certainly would not want to be a government official in charge of making policy in these times. Despite the vast increase in understanding of the science behind the virus, there is still a lot to learn and risk outcomes are not symmetrical.

My guess is that many years from now when the data is more fully understood, we may see some of the following: Damage from the full lockdown of countries will have had a far bigger cost to society over the coming years (in terms of health, mortality and economics) than the savings it was trying to achieve. More targeted approaches to isolation (high-risk individuals and those confirmed to have the virus) along with more widespread use of testing and contact tracing is likely to be

more effective at a much lower societal cost. Certainly, better preparedness and coordinated communication both within countries and across national borders would allow for less disruption in travel and trade.

While it may not feel like it, the world is already on its road to “normalcy” following the severe lock downs of earlier this year. Economies are recovering, people at home, work and school are adapting to the ever-changing environment though many government leaders seem to be the ones struggling most with what to do next. Medical professionals are getting better at treating those who have serious symptoms from COVID-19 and I would anticipate that by the next newsletter, we will see one or more vaccines approved in several parts of the world and vaccine programs starting to ramp-up.

Travel, leisure, and schooling are amongst the major areas that have the furthest to go in getting back to normal. Both before mass vaccinations have arrived and after, it is likely that a lot more testing will be taking place. Some countries and some US States have started to allow testing on arrival or testing to enable people to get out of travel related quarantine requirements. This seems to be terribly uncoordinated and for those businesses who depend on people traveling, organized approaches should evolve, and the lowering of travel barriers cannot come soon enough.

There continues to be a lot of divergence for schooling, especially between parts of the US and Europe. Some universities in the US have aggressive testing and contact tracing programs to enable students to return. Others seem petrified at the idea of any students returning to school and are making heavy use of on-line class. In Lexington, MA where we live, on-line or mostly on-line (9 out of 10 school days) schooling is the requirement for most students including my 3 oldest children; our youngest has been able to return to his greatly modified pre-school class. I do not expect a more normal school of travel experience until the second half of 2021.

There is always going to be a balance between the needs and wants of society and the individual. It will be easy in the future for us to criticize a lot of what is happening this year and next. More than anything perhaps we will realize how much we appreciate our freedom and health and when either or both are threatened, it causes a high degree of anxiety. Also, hopefully world leaders will increase preparedness for the next pandemic.

What is perhaps less appreciated is the extent to which randomness impacts each of us and how we may be over-influenced by events or information that we are exposed to; the topic of a great book I just read and a nice segue into my next topic.

What I am reading

Thanks to an old friend of mine (from 30 years ago), a doctor in Brazil, she recently sent me the book [“The Drunkards Walk”](#) How Randomness Rules our lives, thinking that I would love the topic. She was right. How could I not love this book as it nicely weaves probability and statistics and decision making and relates to the Nobel prize winning work of Daniel Kahneman and Amos Tversky in Behavioural Finance. The book also gives an interesting recounting of the history of

the many great minds of the last centuries who developed much of the mathematical thinking on probability and statistics that we take for granted today.

While I think the book's title is somewhat misleading, if you would like to get a better understanding of the statistical biases that we as humans are subject to in our decision making and how this awareness can help you to make better analysis and choices, I would recommend the read. Rather than write more about the book, I am going to share two fun example "problems" from the book to see if I can further pique your interest.

1. Which is greater: The number of six-letter English words have n as their fifth letter or number of six letter words ending in "ing". Why?
2. Suppose the contestant on a game show is given the choice of three doors. Behind one door is a car; behind the other 2 doors, a goat. After the contestant picks a door, the host who knows which is behind all the doors, opens one of the unchosen doors, which reveals a goat. The host then says to the contestant, "Do you want to switch to the other unopened door?" Is it to the contestant's advantage to make the switch? if yes, why?

For a summary of the answers, see the section after the conclusion of this newsletter (page 15) or for a more in-depth look, go to chapters 2 and 3 in the book. The second question above is one of my favorites and one I had the pain and pleasure to solve with some colleagues about twenty years ago. The book enlightened me to some great history behind this question including the game show *Let's Make a Deal* with Monty Hall and the "guru" Marilyn vos Savant. Ms. Savant has, according to the Guinness World Records, the highest recorded IQ (228) and she had a column in *Parade Magazine* called "Ask Marilyn". A fascinating story!

Some other books that I am enjoying during this quarantine period are: "Making Sense" by Sam Harris. This is a book version with edited conversations of some of his more popular podcasts (since 2014) with the same title. I am enjoying both the book and the recent podcasts. The topics and speakers are incredibly interesting. If I had a parallel life to live, I would spend a lot of time on similar topics, reading, writing and researching...alas I do enjoy what I am doing now so much that I would not think of changing!

As the father of 4 children, 3 boys and a teenage girl between the ages of 5-16, I am reading "How to Talk so Kids will Listen & Listen So Kids will talk", another client book recommendation. I continue to learn and be thankful for book recommendations from friends and clients! I am also primed to read "The Nurture Assumption" Why Children Turn Out the Way They Do and "Ungifted" The Truth About Talent, Practice Creativity, and the Many Paths to Greatness. I expect both books to give further insight and humility to me both as a parent and business owner.

Many of you continue to share your ideas and thoughts about different financial and non-financial topics, books, and pod-cast ideas as well as articles that you are reading. Thank you so much to all of you and I encourage you to continue to send your reading suggestions as well as any topics you would like covered in the newsletter.

Market Wrap up for the 3rd Quarter of 2020

The S&P500 and Dow Jones Industrial Average were up 7.8% and 7.1% for the third quarter of 2020 and are up 4% and down 3% respectively year to date. The Canadian market was up 4% for Q3 but down 6% for the year. The Swiss Market Index (SMI) was up 1.4% for the quarter and is down 4% for the year. The FTSE was down 5% and the DAX and CAC40 were up 3.5% and down 3% respectively for the quarter with the 3 indexes down 22%, 4% and 20% for the year. The dollar decreased by 3% against the Swiss Franc and decreased by 42% against the Euro for the quarter. Gold was up 5% for the quarter and is up 25% year to date. The Shanghai Index was up 7% for the quarter and is up 6% year to date. The current Federal Funds remains at close to 0%.

Conclusion

Thank you all for your patience in reading these lengthy quarterly newsletters. Your regular comments and appreciation are an inspiration to continue writing each quarter. Thank you all so much for your input and suggestions for topics. We remain very appreciative to every client for the great trust you place in us for managing your investments, giving you advice, and sharing many of your very personal challenges and private information. In return we aim to provide a high level of service and competence and always are appreciative of suggestions for improvements. We know that 2020 has continued to present challenges and that there will be more ahead. Hang in there, by the end of the year, we will be much closer to seeing what a return to a more normal life in a post-COVID-19 world will look like. We remain hopeful that travel restrictions will ease, that we will see many more of you in person and that social distancing will soon become a distant memory. Stay healthy and in good spirits!

Best wishes from

Jonathan and the White Lighthouse Team

Brief Explanations of Word Problems from “The Drunkard’s Walk” Chapters 2 and 3.

1. Which is greater: The number of six-letter English words have n as their fifth letter or number of six letter words ending in “ing”. Why?

6-letter words ending “ing” are much easier to think of than words with the fifth letter as n as so our tendency is to choose this as the answer, that would be incorrect. The group of six-letter words having n as their fifth letter includes all six-letter words ending in ing.

This is a demonstration of availability bias which greatly distorts our perception of past events or events we can recall.

2. Suppose the contestant on a game show is given the choice of three doors. Behind one door is a car: behind the others, goats. After the contestant picks a door, the host, who knows what’s behind all the doors, opens one of the unchosen doors, which reveals a goat. The host then says to the contestant, “Do you want to switch to the other unopened door?” Is it to the contestant’s advantage to make the switch? If yes, why?

The correct answer is that it is to the contestant’s advantage to switch, and by doing so, they will be correct $\frac{2}{3}$ of the time, rather than having a presumed $\frac{1}{2}$ chance of being right by staying with their original choice or switching, which is the common mistake. The book explains in detail the reason why, here I will briefly explain.

In the initial step, there are three choices, so the contestant’s choice of the first door has a $\frac{1}{3}$ chance of being correct.

It makes sense to break the second step into two possibilities. In the first possibility, the $\frac{1}{3}$ of the time where the contestant choose the correct door, the host has a choice of which losing door to open. In this case, the host chooses one of the two remaining losing doors. If the contestant switches doors in this case, they will then lose.

In the second possibility, which happens $\frac{2}{3}$ of the time, the contestant has chosen the incorrect door. In these cases, the host has no choice but to choose the other incorrect door. And then, by switching doors, the contestant will, therefore win by switching to the correct door.

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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 72
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 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/lapdMain/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 and for individuals who turned 70.5 in 2019 or earlier)

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.

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

White Lighthouse Investment Management, Inc.
Business Continuity Plan 2020 – Client Copy

White Lighthouse Investment Management, Inc. has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us – If after a significant business disruption you cannot contact us as you usually do by phone, email or Skype, you should call our office manager Kathleen Quintero 201-394-9067 or go to our website at <https://www.white-lighthouse.com/who-we-are> . and contact another member of the team. If you cannot access us through either of those means, please contact your custodian or use your on-line log in to access your accounts.

Our Business Continuity Plan – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm’s books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; critical supplier and counter-party impact; regulatory reporting; and assuring our customers access to their funds and securities if we are unable to continue our business.

Varying Disruptions – Significant business disruptions can vary in their scope, such as only our firm, a single location of our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. Since our firm is a “virtual firm” and our employees are all in different locations, the likelihood of this type of disruption effecting our whole business in minimal. If the significant business disruption is so severe that it prevents us from remaining in business, our clients can contact the custodian directly by phone, access their account online or if available use their checking and debit card capabilities to access funds.

For more information – If you have questions about our business continuity planning, you can contact us at 508-471-4431 or email: lachowitz@white-lighthouse.com or kquintero@white-lighthouse.com

Customer Relationship Summary

White Lighthouse Investment Management is registered with the Securities and Exchange Commission (SEC) as an investment adviser. Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. Free and simple tools are available to enable individuals to research firms and financial professionals at investor.gov/crs. This site also provides educational materials about broker-dealers, investment advisers, and investing and we recommend that you visit this site as part of your decision-making process on choosing a financial services provider. We are happy to answer any questions that you may have about our firm, pricing and services.

<p>What investment services and advice can you provide me?</p>	<p>We offer investment advisory, financial planning and comprehensive wealth management services to retail investors. Our specialty is serving international clients and global families including overseas Americans, non-Americans living in the United States and clients who require a global perspective.</p> <p>In order to provide investment advice, we conduct a discovery process to understand the clients' income and net worth, their goals, risk tolerance and other factors that inform the investment policy that guides the design and management of clients' portfolios. We create diversified portfolios with a custom designed asset allocation mostly composed of low-to moderate cost, high quality, liquid investments, mostly in the form of exchange traded funds from companies like Vanguard, BlackRock (iShares) and others though we may use or retain individual securities, mutual funds and bonds. We recommend the opening of securities brokerage and retirement accounts through independent custodians and use their trading platforms to manage investments. We do not work with annuities, insurance products and do not facilitate alternative investments like hedge funds, private equity and direct real estate holdings.</p> <p>We monitor our client accounts and investments every three months at a minimum and provide more frequent monitoring as needed or in agreement and coordination with the client. Our clients have the option to give our firm discretion to buy and sell securities on their behalf according to a mutually agreed asset allocation in the client's best interest. This authority can be given by the client at the start of the relationship and it will be active until a time where the client decides to withdraw it and notifies us. If the client decides not to give our firm discretion to buy and sell securities on their behalf, they need to understand that it is them who make the ultimate decision regarding the purchase and sale of investments.</p> <p>We provide financial planning services such as tax, retirement and estate planning, with a focus on US cross-border issues, either on project basis for clients who we do not manage assets, or on an ongoing basis for investment management clients and wealth management clients. Examples of specialized financial planning services include outbound and inbound US planning due to international relocations, business planning for professionals and owners with operations in multiple countries; rental real estate planning in and outside the USA; expatriation(surrendering US citizenship or green cards) and naturalization planning; estate and tax planning for beneficiaries of foreign trusts or complex structures and tax compliance review, including IRS international compliance programs.</p> <p>We have a minimum annual fee of \$7,500 for new clients though the minimum may be higher or lower based on service level or special circumstances.</p> <p>For additional information, please see our website at www.white-lighthouse.com and Form ADV 2a.</p>	<p>Conversation Starters: <i>Given my situation, should I choose an investment advisory service? Why or why not?</i></p> <p><i>How will you choose investments for me?</i></p> <p><i>What is your relevant experience, including your licenses, education and other qualifications?</i></p> <p><i>What do these qualifications mean?</i></p>
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<p>What fees will I pay?</p>	<p>For on-going investment management services, clients will pay (quarterly in arrears after the end of each calendar quarter) a percentage of assets under management and/or a fixed fee. In some cases, the client will only pay a fixed fee. For Project work, clients will only pay a fixed fee or an hourly fee.</p> <p>If you are charged a percentage of assets under management, the more assets that are in your account, the higher your fee will be and the firm and individual advisors may therefore have an incentive to encourage you to increase the amount of assets in your accounts under our management. All White Lighthouse fees are stated in the contract for services. There are other costs to clients associated in working with us that could include custodian fees, trading fees, interest, wire or asset transfer fees, tax reporting fees and product level fees such as the fees charged inside of an exchange traded fund or mutual fund</p> <p>More details on our Fees can be found on our ADV 1 Section 5E, ADV 2a Pages 4-6 and on our web site www.white-lighthouse.com/pricing</p> <p>You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.</p>	<p>Conversation Starters: <i>Help me understand how fees and costs might affect my investments. If I give you \$10,000.00 to invest, how much will go to fees and costs and how much will be invested for me?</i></p>
<p>What are your legal obligations to me when acting as my investment adviser?</p> <p>How else does your firm make money and what conflicts of interest do you have?</p>	<p>When we act as your investment adviser, we must act in your best interest and not put our interest ahead of yours.</p> <p>At the same time, the way we make money is charging fees based on a percentage of the amount of assets under our management. This creates some conflicts with your interests. You should understand and ask us about these conflicts because they may affect the recommendations or advice, we provide you. Here is an example to help you understand what this means: If we recommend you to move money or financial securities into an account that we manage the more the account will be worth and the higher your fee will be. More specifically, if we make a recommendation to rollover your employer retirement plan into an IRA account managed by our firm your fees paid to us will increase since we will be managing more assets.</p> <p>Our firm does not receive compensation based on recommendations of products or any other advice or services. The firm does not have or offer any kind of proprietary products.</p>	<p>Conversation Starters: <i>How might your conflicts of interest affect me, and how will you address them?</i></p>
<p>How do your Financial Professionals make money?</p>	<p>Our financial professionals are compensated through a salary and/or direct revenue earned by the firm from the clients the advisors service and may receive standard benefits such as health insurance, retirement fund contributions and expense reimbursement for normal and customary business expenses. Advisors therefore earn a higher salary directly based on the amount of investments they advise on or manage. When doing project work, our advisors may earn more money based on the time spent on a project.</p> <p>Our advisors do not earn any compensation based on products sold, sales commissions. Neither the firm nor the individual advisors receive compensation based on recommendations of products or any other advice or services.</p>	
<p>Do you or your financial professionals have legal or disciplinary history?</p>	<p>No, none of our financial professionals have any legal or disciplinary history.</p> <p>Visit investor.gov/crs for a free and simple search tool to research us and our financial professionals.</p>	<p>Conversation Starters: <i>As a financial professional, do you or anyone on your team have disciplinary history? For what type of conduct could an advisor get a record for discipline?</i></p>
<p>Additional Information</p>	<p>For additional information about our services, visit our website: http://www.white-lighthouse.com/</p> <p>If you would like additional, up-to-date information or a copy of this relationship summary, please call +1 508 471 4431 or e-mail Kathleen Quintero at kquintero@white-lighthouse.com</p>	<p>Conversation Starters: <i>Who is my primary contact person? Is he or she a representative of an investment adviser? Who can I talk to if I have concerns about how this person is treating me?</i></p>