Newsletter | December 31, 2020

Dear Clients,

Welcome 2021!

We hope you have been enjoying the holidays at the end of a year we will never forget. Having heard from many of you over the last several weeks, we know that despite the challenges that 2020 has thrown at us, you have displayed a tremendous amount of perseverance, optimism and gratitude for relative good fortune during these challenging times. We hope that you are all weathering the latest version of relative lock down wherever you are and hope for all of us, that this is the last round! While the pandemic is still raging in Europe, the US and elsewhere, it seems to me like we are on the cusp of starting the 21st century version of the roaring 20s. The suffering brought on by both the pandemic and governments' reaction to the pandemic will likely be answered by an explosion of creativity and activity across the globe, but we likely have a few more months to go.

Vaccinations have started en masse around the globe, with expectations that hundreds of millions of people will be inoculated in the next few months. Washington D.C. will see a highly anticipated transition in the Presidency and likely a divided Congress (as long as the Republicans retain at least one of the two Georgia senate seats next week). The consequences of Britain's leaving the EU on January 31, 2020, start to come into effect as of January 1, 2021, uncertainty should start to be replaced by real news, good or bad.

Stock market levels, in normal times, are reckoned to "look out" about 6 months ahead of the real economy. A year ago, pre-pandemic, if we had predicted double digit gains in the S&P 500 for 2020, this would have felt optimistic as there was already a lot of talk of asset bubbles. A year later, many people feel rather amazed that stock markets are reaching new high levels, with the S&P closing the year at 3756 up 16% in 2020. In fact, one of the favorite measures of financial journalists, to try and show how frothy markets are (and how low future returns might be), Shiller's CAPE (Cyclically adjusted Price to Earnings Ratio), has just had a makeover. It seems that Nobel prize winning economist Robert Shiller has re-discovered the impact of interest rates (after a decade of low and mostly declining interest rates) on relative valuations (stocks compared to their alternatives).

George Bernard Shaw quipped "If all economists were laid end to end, they'd never reach a conclusion" – Economics is more seriously defined as "the study of how people make choices under conditions of scarcity". Having studied economics over three decades ago, and still remembering the frustrations of economic models that did not make sense to me, I continue to be drawn to the branch of work called Behavioural Economics and have taken the relative quiet of the holiday period to re-read "Thinking Fast and Slow" by Daniel Kahneman. One of the more interesting quotes in the book is "Intuition is nothing more and nothing less than recognition". When an individual has mastered a discipline, (e.g., sport, medicine, music, math, or financial planning), normally after years of study and practice, they can make accomplishments in that field look easy or intuitive. Though, as the book goes on to explain, quite ironically, even statisticians are quite "normal" compared to the rest of the population in making predictable errors due to the many cognitive biases that the book explores.

For all the hype that today's journalists bring to our devices, at White Lighthouse one of our primary roles as financial planners and investments advisors is in helping our clients make decisions in the face of uncertainty about the future. In order to do this well, I believe all of our team needs to bring empathy, experience, responsiveness and a deep understanding of both what is known (e.g. tax laws, history, an individual's circumstances) versus what is unknown (all future events) to provide our services well. I would like to take a moment to thank my entire team, Kathy, John, Otto, Arielle, Sue and Michelle for providing outstanding services to our clients during our busiest year ever. Thank you all so much!!

Interesting Articles and Media from the last quarter

In addition to re-reading "Thinking Fast and Slow" I have been come across some noteworthy articles and even enjoyed the docu-movie the "Social Dilemma". As many of our clients and friends work in this industry, I would agree with the sentiment that many have expressed, that nothing is particularly surprising in what has been on display in the Social Dilemma, I think it is a great reminder of the issues that we (and our children) face in an increasingly "connected" world. For those of you who have not heard about it, the Social Dilemma can be found on Netflix. It details the increasing influence of social media, the "damage" it is causing to society and individuals and some postulation on how things may develop in the future.

One theme I have mentioned about "risks" to technology companies, is the increasing aggressions that are likely to come from government. The last few weeks alone have seen some big announcement here. The EU recently announced proposed legislation, the Digital Services Act and The Digital Markets Act which are clearly targeting the power of Google, Facebook, Amazon and Apple. The laws in current form would only target one European company, SAP. This article from dw.com outlines the potential impact of the legislation, it is significant in its potential to levy fines, control mergers and acquisitions, and the overall cost of compliance and transparency. On the other side of the Atlantic, US attorney generals in about 40 US states have launched anti-trust suits against Google, Facebook and other technology companies as outlined here by the WSJ. Increased regulatory scrutiny will cause more volatility in stock prices of technology companies, but ultimately all of these companies still have the potential for significant growth and the resources to adapt as needed. In the longer term, competition is likely to be a more significant threat than legislation, though the legislation will likely open the door making it easier for competitors of all of the internet giants, to have an easier path forward.

An article from the December 10th edition of the Economist was entitled "Retail investors often learn the wrong lessons from success, A study of Indian IPOs suggest investors confuse luck with skill". I postulate that the same could be said of "active money managers". I am quite certain with decades of study and experience in this industry, that professional money managers suffer from the same cognitive biases that all other humans do too, though perhaps with less humility.

The article and study it's based on, looked at the Indian IPO market, where many retail investors were allocated highly sought after shares through a random lottery. It appears that success definitely breeds over confidence and a higher amount of trading activity and but also that failure [measured in terms of financial losses] tends to result in under-confidence and less trading activity.

For us at White Lighthouse of course an article like this enhances our own confirmation bias that using primarily passive index funds with a low frequency trading approach is best for our clients. We have yet to find an investment approach that gives better risk adjusted returns. We believe that the value we provide in investment management is further enhanced by an approach that includes financial planning, empathy, helping you make good decisions and a focus on education.

This article in the New York times, passed on by a client, will be appreciated by many of you "When you have enough, It's time to help Others". The author, Paul Brown, a journalist who has written about financial planning for several decades, writes about coming to a gradual understanding that after a lifetime of making the "right" financial choices, he, during the pandemic, has come to understand that he can focus more on helping others, enjoying the feeling of more control over his time and to worry less about money. The article ends with a small vignette about John Bogle (the Vanguard legend) and Joseph Heller (author of Catch-22"):

> *"At a party given by a billionaire on Shelter Island, Kurt Vonnegut informs his pal, Joseph Heller, that their host, a hedge fund manager, had made more money in a single day than Heller had earned from his wildly popular novel 'Catch-22' over its whole history.*
>
> *"Heller responds, 'Yes, but I have something that he will never have … enough.'"*

The final article I will write about here, and a topic I referenced earlier, was the Economists' coverage of "What explains investors' enthusiasm for risky assets? with multiple references to Robert Shiller's CAPE measure and its 2020 sequel, "the excess CAPE yield" which incorporates interest rates. My strongest retort to a colleague who sent me a similar article, was what took Shiller so long? Interest rates and relative valuation have always been known to be important. Is Shiller changing his tune because the CAPE is not working so well any longer? The article in the Economist goes on to dissect the market performance and the different speeds of stock market valuation (tech companies rebounding back in the summer) versus many more affected industries, slowly starting to rebound this November as well as stocks now being relatively more attractive on a risk/reward measure than alternatives such as bonds and cash. More confirmation bias from our previous newsletters which may make us look a bit bad if we have a long and protracted reversal in stock prices. This is something that is always possible, but also looks relatively unlikely given low interest rates, fiscal and monetary policy and hopefully a renewed exuberance in the world economy in the coming years.

Global Events likely to impact markets in 2021

Was the Presidential election in the US less than two months ago? It seems much longer. With people so focused on the latest COVID surges, approvals and rollouts of vaccines and the latest trends of shopping and modest ways to celebrate while socially distancing, the stresses that the Trump presidency brought to so many people are starting already to fade into history. In just three weeks, President Biden will take office and wow has the world changed since his last day of being vice President on January 20, 2017. I feel like I have aged more than 10 years since then!

As 2021 is beginning, there are several big themes that I see progressing from uncertainty to more certainty all of which will impact the global economy: The COVID Pandemic, the US Presidency & the Balance in Congress, Brexit, Global Technology Companies versus Big Government and China's relationship with the West.

With millions of people already receiving vaccines though many of us still in some state of lock down and living with a lot of restrictions, hopefully we are in the beginning of the end of the pandemic. If we think of other events that have had such global impacts over the last few decades, (e.g., September 11, The Global Financial Crises), some of the effects of the COVID-19 Pandemic will be with us for many years to come. Most large companies have adapted reasonably well already though many small businesses, individuals, and certain sectors (e.g., tourism and travel) continue to suffer. Schooling and working from home may not start to return to normal until after the summer and the hardest hit industries are likely to take several more years to recover to their 2019 levels. The post-Covid-19 world will emerge gradually as case counts go down, vaccinations go up and more knowledge on treatment and prevention is gained. Politicians and business leaders will move at different speeds and gradually feel more at ease reversing the many disjointed policies that continue to impact people's daily lives. Ultimately, there will likely be a surge in people traveling for leisure (we all need a vacation!!). One of the biggest unknows will be which pandemic policies will have the most lasting impacts: How people shop, work, travel and go about their daily lives? As uncertainty wanes, economic activity in most sectors should increase.

It looks like the fears of whether President Trump will peacefully leave office on January 21st are likely to have been overblown. Despite the President's many attempts in the courts to challenge or reverse election results, the electoral college on December 14th confirmed President elect Biden's victory. In three weeks, President Biden will be inaugurated, President Trump will still be contesting the results, and the world will eagerly await the first 100 days of the new presidency to get a sense of how the world will change. One of the biggest unknows, which I still think is even more important than the presidential election, is how the Senate will ultimately divide. On January 5th Georgia will hold run-off elections for both of its Senate seats. While both races are close, America tends to like a divided government and I would guess that the Republicans will likely win one or both seats (they just need to win one) and retain control of the Senate. The Senate result will have a big impact on how successful President Biden will be in working with Congress to implement any substantial change.

For those of you who recall the 8 years where President Obama was in office, he only had both houses of Congress with a Democratic Majority for the first 2 years. It took all his efforts to pass one major reform in 2 years, health care. Many of you are worried about the potential impact on taxes and here is my best guess: Major tax reform is unlikely to be President Biden's signature issue and most of his "plan" is unlikely to pass, especially if the Republicans retain control in the Senate. The latest tax reform in Congress (where major tax reform seems to take place every 10 years), the Tax Cuts and Jobs Act of 2017, has several provisions that will sunset at the end of 2025, raising taxes automatically in 2026, to levels that are more consistent with President Biden plan. President Biden's tax plan is targeting taxpayers who earn over $400,000 per year, companies as well as estates over $3.5 million. Will he be successful, and will it impact your wealth? It is hard to tell. Government around the world will be looking to increase taxes, especially after the pandemic, and the easiest target is us (those of us who are working and earning income. If you are in the top 1-2% of income or wealth, we must realize that we are the target of tax increases.) We will certainly be following this issue closely and where possible we will be there to recommend any tax planning opportunities that we see.

Global Technology Companies versus Big Government, as discussed in the previous section is a theme that will likely continue for the coming years, on several fronts. The major themes are likely to be the relative power of companies versus government, the relative power of large companies versus small (anti-competitive practice), Data Privacy and how and where services will be taxed. Technology is likely to be the growth engine of global stock markets, impacting more and more industries, a place we will all want to be invested. However, the growth will not be without risk. Which of these large technology companies look most at risk of a permanent adjustment to their valuation or who could grow their valuation the most: Google, Microsoft Amazon, Apple, Facebook, Tesla, Alibaba, Tencent? It is hard to say.

On December 24th, with the impacts of Brexit just days away from being realized, the EU and UK have come to a tentative trade deal. The deal still needs to be ratified by the UK's Parliament as well as the European Parliament. It seems likely to pass. The 1246 page document (nope, I did not read it, did not even start it…). The Trade deal will offer more clarity on several issues related to Dispute resolution, competitive practice, fishing rights and travel but there is still a lot of uncertainty around many topics that will impact cross border product standards, standards for employees and their qualifications as well as for the financial services. Assuming this deal is ratified, it will be a big step in the right direction to bringing more clarity for individuals and businesses, but the true impacts will only gradually become evident over the coming years.

I think that China's Relationship with the US, the EU, and the rest of the Western World will be a considerable economic issue for the foreseeable future. Trades of goods and services between the most populous country and the rest of the world will be at the forefront of issues, but so too will military and defence, as well as human rights issues both internal to China and abroad. While I think that China represents an "interesting" (read risky) place for international business to expand, how much of this growth in economic wealth will be shared outside of China is a bigger question. The legal and financial reporting systems of established and free markets in the West offer a much more predictable playing field for companies and investors. Two recent items caught my attention in this area.

On December 2nd the US Congress passed a law that could force foreign companies to be delisted from US stock markets if they did not comply with US oversights with respect to financial audits. This was clearly aimed at Chinese companies. Then, the WSJ reported on December 20th that in a November meeting, Jack Ma, one of the most successful Chinese entrepreneurs and founder of Alibaba, was willing to give up significant ownership of his finance-technology conglomerate, Ant Financial, to the Chinese government. In the Western world, it appears that most companies have significant influence over government…in China, it is clear that the Communist Party will not allow its business leaders to be a big threat to the one-party rule.

With the Pandemic (hopefully) impacts starting to wind down, President Trump leaving office and more clarity on Brexit, it will be interesting to see what new issues the world and the news media will focus on in 2021. Let us all hope for more positive news and a return to the roaring 20s, or at least a more "normal" period!!

Interesting links from this newsletter:

Click to read

The Digital Services Act Package
- European Commission

Click to read

EU Unveils Landmark Law Curbing Power of Tech Giants
- DW.com

Click to read

These Are the US Antitrust Cases Facing Google, Facebook and Others
- Wall Street Journal

Click to read

Retail Investors Often Learn the Wrong Lessons from Success
- The Economist

Click to read

When You Have Enough, It's Time to Help Others
- The New York Times

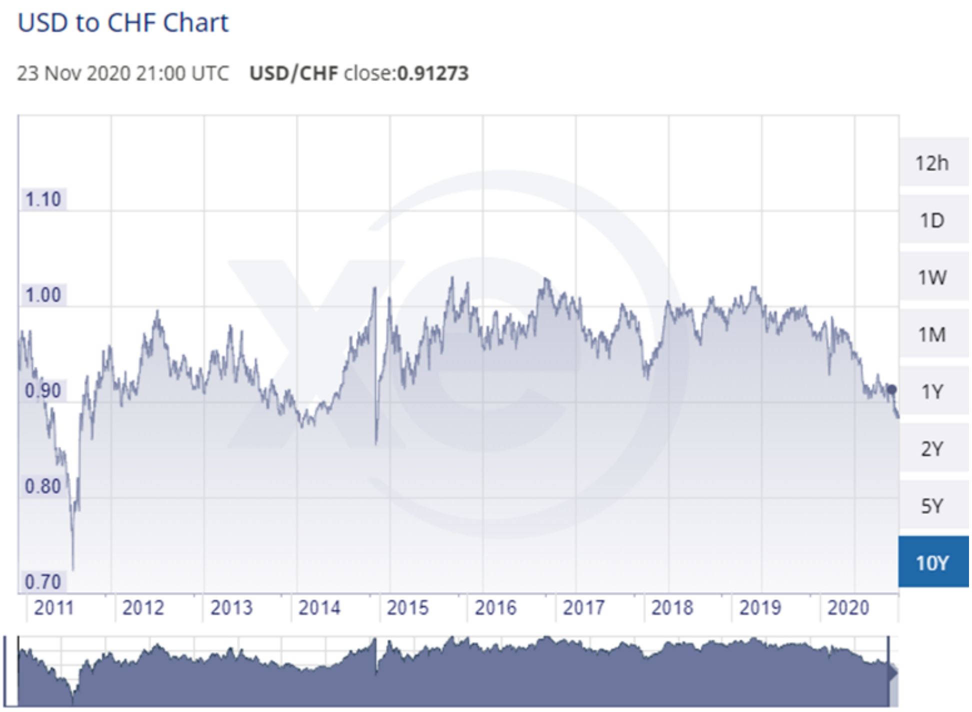
Click to read

What Explains Investors' Enthusiasm for Risky Assets?
-The Economist

Swiss National Bank – Swiss Franc Strength (not really dollar weakness)

The relative strength of the Swiss Franc compared to the US Dollar and to the Euro is important metric watched my many of our clients who live and work in Switzerland or who plan to move there in retirement. After stock market timing questions, our opinions about the future exchange rate are one of the most common market numbers we are asked to prognosticate. Alas, currency rates, like any market, are influenced by many factors both technical (relative interest rates and government debt) and emotional (fear and greed).

Currency markets are relatively large, much larger in fact than stock markets, with over $6.6 trillion trading daily as of 2019. Markets are the great aggregator of information and so the latest exchange rate available is the best information we have on the fair relative value of one currency versus another.



The strong Swiss Franc is great if you are paid in francs and spend lots of money traveling (when that used to be a thing) and buying goods and services in another country. However, the ultra-strong franc tends to punish Swiss citizens in many ways: Savers face 0% or lower interest rates, Bond holders face the same thing, no real return. The cost of any service or good requiring Swiss labor costs is higher, Swiss real estate prices appear to be in the stratosphere making true ownership (where the bank does not hold a large mortgage for the "owner") difficult and expensive. Salary increases tend to be very low, unemployment seems to be on the rise especially among the 55+ age bracket, and pension fund returns are also lagging due to antiquated rules.

The Swiss National Bank, facing many of the same challenges, at least has the flexibility to do what pension funds do not, and it has been able to invest a large part of its assets in global (especially US equities) one of the few investment classes that has been outperforming the Swiss Franc's appreciation.

In July 2020, there was a whiff of a rumour in the press that the US Treasury was going to be labelling Switzerland a "currency manipulator" what that actually means in practice is hard to tell, but the SNB certainly sprang into action, allowing the Swiss Franc to appreciate to close to 1 USD to about .88 Swiss Francs, a level only seen historically in periods of serve crises and uncertainty. Articles in the Swiss Press (le news) and US Press (Bloomberg) are postulating about what may happen next.

As far as the potential impacts on our clients, there are two main areas we can help on, once easier than the other.

1. Like with all spending, any money that you expect to need to spend in Swiss Francs (or any currency) in the relative short term (less than two years), you should strongly consider keeping this money in the currency you want to spend it in and not risk its value by investing in other than cash or very short-term government bonds.
2. The second, is what, will the impacts be on the Swiss economy and specifically, jobs, real estate, banking and pension funds, if the strength of the Franc continues unabated. This point is much harder to advise on with any degree of certainty and can impact individuals very differently. I believe that at some point in the future, Switzerland will face a period of heightened economic challenges and uncertainty, much like most countries/economies have faced in the past (Switzerland included). Switzerland, as a relatively wealthy country has many resources to deal with this, but for some companies, local governments, and individuals, the financial impact could be significant. The areas of risk will likely be the following:
    a. Increased unemployment.
    b. Increased vacancy rates leading to lower real estate prices.
    c. Cost inflation without a commensurate salary inflation for most workers
    d. Lower returns in pension funds
    e. Higher costs for many services, especially in the financial sector
    f. Higher tax rates

I am not meaning to sound alarmist here, but the reality is that all these trends are already in process, the outstanding question is how far will they go and when will they ultimately reverse? We already incorporate an understanding of these issues when advising clients on their specific situation and if you have any concerns, please don't hesitate to get in contact to see if you should consider any changes to your current planning.

White Lighthouse Investment Management (WLIM) Information

Within a few months, White Lighthouse will be marking 15 years since its founding in Lausanne, Switzerland in 2006. 2020 has been admittedly the busiest year on record for our company. With responsibility for advising over 250 families in over a dozen countries and two dozen US States, we are planning for continued growth while maintaining our high level of quality advice and responsiveness. We plan to expand our team and will introduce you to any new colleagues here in our newsletter and on the company website. During this quarter we will start interviewing candidates for an additional cross-border financial planner / investment advisor position. We thank so many of our clients who have been referring family, friends and colleagues to us! We are doing our best to keep up with demand and all consider ourselves fortunate to be so busy!

In November, thanks to John Wanvig and several other team members, we have updated our communications about how we can incorporate a sustainable approach to managing your investments. This is an evolving area where the industry continues to provide additional low-cost index funds within different ESG sectors. If you would like to add more ESG funds to your portfolio, please read more here and get in contact.

Michelle Barnhardt who has been working with us part time as an independent contractor, will join the White Lighthouse team full time starting in February. Michelle will be based in New York, having recently lived in Brussels and North Carolina and she will continue to support us in all matters digital. Michelle already works closely with the entire team and we are excited to have her joining us full time!

Thank you very much to Otto Rivera and Michelle for translating the entire White Lighthouse website into Spanish. We have been serving an increasing number of clients whose first language is Spanish. With all of the different variations in Spanish and knowing many of our clients are fluent in many languages, we welcome any suggestions for improvement here. While I am fluent in French (spoken) and have a working understanding of several other languages, I will stick to English in our newsletters...when it comes to the written word, I am firmly a multi-lingual illiterate.

In December 2020, an in-depth article I wrote on US Social Security benefits for overseas Americans, was featured on Kitces.com, one of the prominent financial planning education sites for professionals in the US. The article, as preferred by their editors, is a detailed piece approaching the style used for academic journals. If you, as our clients, have social security questions, save time and write us a message with your questions unless you enjoy a long-detailed read. For some more practical advice on Social Security, please see our next section which came out of some recent contact both myself and my colleagues at American Citizens Abroad have had with some senior staff in the US Social Security Administration.

Are you filing a DA-1 with your Swiss Taxes? - By Arielle Tucker CFP®, EA

If you are a Swiss taxpayer, you will want to read this section, you may be able to reclaim a Swiss tax refund that you and your preparer in Switzerland did not realize!

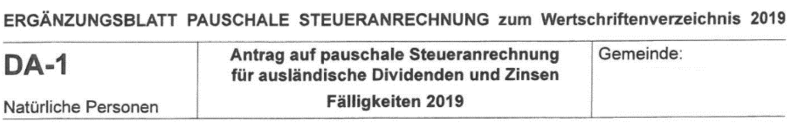
The Swiss DA-1 is the most used form to recover US withholding tax for Swiss residents. In practice the DA-1 can be filed for tax withholding from any country that has a tax treaty with Switzerland, you can find the full list HERE. For the US, the recoverable withholding tax is up to 15%. If you or your Swiss tax advisor failed to file the DA-1 you will pay around 30% tax in Switzerland on your foreign dividends, and as an American you will also be subject to your US ordinary or qualified tax rate, which ranges from 15%-37%. The US has an additional Net Investment Income Tax of 3.8%, which many of our clients also pay. That is a lot of tax on one dividend dollar, which is why the US and Switzerland have a double tax agreement to prevent this from happening.

DA-1 for Swiss residents: US Citizens versus US Nonresident Aliens (NRA)

1. As a US citizen you are not subject to withholding taxes on your US dividends, you are instead required to file an annual US tax return to compute your US taxes owed.
2. If you are not a US citizen, and are a Swiss resident, the US (through your custodian in the US or Switzerland) will automatically withhold a 30% tax rate on your US dividends. There is another US-Swiss tax treaty benefit that will reduce the US withholding to 15%, but you need to file form W-8BEN with your custodian to claim this reduction under the treaty.

Is there a DA-1 on your return?

If you scan through your Swiss tax return, simply look for the DA-1, depending on your canton, the first part of the form may look like the snippet below:


ERGÄNZUNGSBLATT PAUSCHALE STEUERANRECHNUNG zum Wertschriftenverzeichnis 2019

DA-1 Natürliche Personen	Antrag auf pauschale Steueranrechnung für ausländische Dividenden und Zinsen Fälligkeiten 2019	Gemeinde:

Unfortunately, we have seen more incorrectly filed DA-1s, than correct ones.

If you do not see this form, simply ask your preparer why it was not included. If you see a number or account listed on your DA-1 that seems incorrect, it would also be prudent to ask your preparer for more information. One common mistake is over counting US dividends on a Swiss tax return. From a US perspective there are ordinary and qualified dividends reported on a form 1099. On the Swiss side there are only dividends, and they are all taxed at your Swiss ordinary income tax rate. Many Swiss preparers will combine the total amount of ordinary and qualified dividends and enter that amount. On a standard 1099-DIV there is a box indicating ordinary dividends and a box indicating qualified dividends. If the ordinary dividend total is $1,000, and the qualified dividend total is $700, you only received $1,000 in total dividends ($700 qualified and $300 ordinary), not $1,700 of dividends.

Should you refile your Swiss return to include Form DA-1?

It depends. You would want to file form DA-1 if any of the following situations apply to you:

1. You have a build-up of passive Foreign Tax Credits on your US Tax return
2. Your live in a high tax canton, and your tax rate in Switzerland is higher than your US rate
3. You are an NRA (Non-Resident Alien under the US classification of taxpayers, essentially not a citizen or permanent resident of the US) subject to mandatory US withholding and do not file a US tax return

If your Swiss tax return has not been finalized, you can go back up to 3 years and file the DA-1, there is no need to amend the whole tax return. You may receive up to a 15% refund.

For Americans who reside in Switzerland with higher incomes and additional US tax bill it may not make sense to file the DA-1. If you reduce your Swiss taxes, it will only increase your US tax bill, through reduced foreign tax credits. Once you have a US tax liability in the US you are on the tax seesaw. A decrease in Swiss taxes paid will only increase your US tax liability.

Next Steps

Please contact me (atucker@white-lighthouse.com) with any individual questions or if you would like to set-up a time to talk. You may want to inquire with your US tax advisor too to understand the impact of reducing your foreign tax credits on passive income. If it makes sense to file a DA-1, it may require educating your Swiss tax preparer (and the Cantonal tax office employees). The DA-1 form includes wording that indicates it only picks up **withholding**. As a US citizen you will not have withholding, but you are still subject to US taxation and can still potentially benefit from a DA-1 filing. You need to remind your preparer to look at Article 10 of the US-Swiss tax treaty, which supersedes the wording on the DA-1 form and allows for a refund of up to 15%. Our clients have successfully heard back from the tax authorities (and Swiss tax professionals who have researched the treaty language and Swiss tax law with us) in the Cantons of Zurich, Bern, Basel and Vaud that this is accepted.

US Social Security Updates – Overseas Issues

For overseas American taxpayers (current and former) receiving services from the US government presents additional challenges. Working with the US Social Security Administration (SSA) is no different. While the SSA website can be the gateway to a lot of information, especially about your benefits, one of the bigger challenges living overseas is just getting a profile set-up. And, even if you have an account, the website is off-line, by design for about 6-9 hours per day corresponding to the US morning (apparently due to their reliance on some main frame computers that are about as old as I am).

We have continued to hear about challenges that our clients in the US (with no prior credit record) or who have lived outside the US for a long time, have had in setting up an account on-line and/or getting a recent social security statement.

To create an on-line account with the SSA, historically you have needed an active US credit record and you needed to be logging-in from a US IP address. The second part is relatively easy to deal with by using a VPN if you are outside the US, the first one, is much more difficult and lengthier if you don't have an active US credit record. The reason for this methodology, is the Social Security administration, like a few other organizations, uses in-depth historical information generated by the US credit reporting agencies to identify individuals while trying to prevent identity theft. We were informed in December, (pre-press release) that there is a new identification process using the service id.me. If you want to attempt the account creation using this process, you can find the link at the SSA site here: https://www.ssa.gov/myaccount/ . We had a very persistent (5 hours) client successfully use this process last month.

If you don't have the time or patience to attempt this set-up, you can request a recent statement from Social Security by mail using the form SSA-7004. We are being informed that these are generally dealt with very quickly, though the mail around the world is still being impacted by the pandemic.

In a recent newsletter, American Citizens Abroad forward the news that The Social Security Administration has informed ACA that they have updated their website to provide the most recent information on Forms SSA-7161 and SSA-7162. These forms, informally known as "proof of life" are generally requested by the SSA for overseas Beneficiaries of US Social Security, by mail to continue paying benefits. This is the SSA's attempt to only pay benefits to valid and living beneficiaries. For 2020, the SSA has suspended mailing these forms, and will not suspend benefits paid if forms are not returned. The SSA will return to requiring these firms, presumably later in 2021.

For overseas Americans who need to contact the Social Security Administration here are a few more resources though services are not the same as they used to be due to both the pandemic and budget cuts.

1. The Federal Benefit Unit in Frankfort (serving Switzerland)
2. The Federal Benefit Unit in Paris (also serving Switzerland)
3. The Federal Benefits Unit in London

If you have a more complex social security issue that requires an in person visit to see an FBU representative, these are still not possible to our knowledge and hopefully will resume by the spring or summer.

Misc. News from Custodians: Schwab, Pershing, Swissquote Bank

We are light on any concrete news on the primary custodians our clients use for their accounts, but we do note the following:

The Schwab platform (both technical and phone support) is showing impacts from not only the pandemic but also the integration with TD Ameritrade and presumably a drive to cut costs. While we try to compensate for most service issue deficiencies at the custodians, by persisting with their processes and service teams, we want to hear feedback from our clients if they are having any difficulties with the custodians. Schwab has mailed out trade confirmations and other documents (that are normally delivered electronically) due to some technical problems, which we hope they will resolve soon. Signing up for electronic delivery of documents we think is the best approach for most people. Thankfully costs to use their platform remain extraordinarily low (free trading and custody) and combined with the low-cost ETFs we use, have a noticeable positive impact for our clients.

In Switzerland, Swissquote also seems to struggle in maintaining their service level and fees. The banking industry in general suffers from negative interest rates and a high overall cost structure. Swissquote we expect will gradually look to raise prices (like most other banks in Switzerland). Their prices remain very reasonable compared to most banking and custody solutions in Switzerland and we continue to urge them to improve their services.

Swiss 3rd Pillar Accounts – A new player in the Swiss market - VIAC

Do you have a Swiss 3rd Pillar account? Do you know what you are invested in and what fees you really pay? Are you reporting this properly on your US tax return? Historically we have thought in most cases, Swiss 3rd Pillar accounts don't make sense, especially for most American taxpayers in Switzerland because:

1. Contributions often lower Swiss taxes causing an increase by the same amount in US taxes.
2. The account is treated as an ordinary investment account on a US tax return.
3. Investments had relatively high fees (mostly hidden)
4. Investments were in "PFICS" causing extra expense in US taxes and reporting
5. Accounts had relatively few investment choices, and were over concentrated on Swiss cash, bonds, equities, and real estate allocations. So, not diversified enough outside of Switzerland.

For those of you with existing 3rd pillar accounts or contemplating a new one, we continue to hear good things about a relatively new 3rd pillar provider, VIAC. Why we like what we see:

1. Fees are transparent.
2. The platform /interface is all digital, with efficient response times reported from their support desk.
3. Investment strategies are more diverse allowing for up to 97% exposure to equities.
4. Most investment choices are Index ETFs
5. They have ESG investment portfolios

With the exception of US tax reporting issues, VIAC, compared to most competitors in Switzerland promotes a platform that seems very aligned with our values. I have recently reached out to one of their founders to see if there is any interest in developing a US tax friendly set of investment choices. We will report on any developments here in the future.

You can find some independent reporting about VIAC on the web site thepoorswiss.com and compare their choices to other providers at moneyland.ch

Market Wrap up for the 4th Quarter of 2020

Index	Quarter	Year to date
S&P 500	↑ 10.5%	↑ 16%
Dow Jones	↑ 9.2%	↑ 7%
Canadian Market	↑ 7.6%	↑ 2%
Swiss Market Index (SMI)	↑ 4.8%	↑ 1%
FTSE	↑ 9.2%	↓ 14%
DAX	↑ 7%	↑ 4%
CAC40	↑ 13.5%	↓ 7%
Shanghai Index	↑ 7.3%	↑ 14%
$USD against CHF	↓ 4.1%	↓ 9%
$USD against €Euro	↓ 4.1%	↓ 9%
Federal Funds currently remains 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

White Lighthouse
Investment Management

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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

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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 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.

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.

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.

What investment services and advice can you provide me?	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. 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. 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. 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. 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. For additional information, please see our website at www.white-lighthouse.com and Form ADV 2a.	***Conversation Starters:*** *Given my situation, should I choose an investment advisory service? Why or why not?* *How will you choose investments for me?* *What is your relevant experience, including your licenses, education and other qualifications?* *What do these qualifications mean?*

What fees will I pay?	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. 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 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 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.	***Conversation Starters:*** *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?*
What are your legal obligations to me when acting as my investment adviser? **How else does your firm make money and what conflicts of interest do you have?**	When we act as your investment adviser, we must act in your best interest and not put our interest ahead of yours. 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. 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.	***Conversation Starters:*** *How might your conflicts of interest affect me, and how will you address them?*
How do your Financial Professionals make money?	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. 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.	
Do you or your financial professionals have legal or disciplinary history?	No, none of our financial professionals have any legal or disciplinary history. Visit investor.gov/crs for a free and simple search tool to research us and our financial professionals.	***Conversation Starters:*** *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?*
Additional Information	For additional information about our services, visit our website: http://www.white-lighthouse.com/ 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	***Conversation Starters:*** *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?*