

Dear Clients,

I would like to start this newsletter with a warm welcome to our many new clients who have joined us in the last several months and a very big thank you to all of our clients for the trust you bestow on our entire team. As of this month, White Lighthouse has been in business for fifteen years delivering financial planning and investment management services. Incorporating the values from our founding, Work Hard, Integrity, Trust and Education, the symbolism of the Lighthouse as a beacon of strength, service and safety and the dedication of all our team members. As we continue to grow it is critically important to me that we continue to improve and maintain our high touch and professional service. We are always open to suggestions and we encourage you to contact any member of our team if you have ideas on how we can perform our services at a higher level. Thank you!

During this past quarter we are happy that Michelle Barnhardt, located in New York has agreed to join us on a full-time basis after working with us part time for over year. Michelle's role is primarily behind the scenes working with technical and database management as well as marketing and administrative support. As of June 1st we will also be welcoming a new team member, John York who is a CPA based in Germany with many years of international tax and financial analysis experience. John will start his CFP® studies this year and we will introduce him more thoroughly in our next newsletter.

As the first quarter of 2021 comes to a close, there are certainly the “green shoots” of cautious optimism after over a year of pandemic related impacts. In the US and the UK, undoubtedly because of the relative rates of vaccination, the mood has shifted in the last couple of weeks and the hope is that in Europe and much of the rest of the world, this optimism is not too far behind. As vaccination rates continue to increase, restrictions lift, jobs return and economic activity increases, the world will start to pick up with a landscape that is not quite the same as early 2020 when the pandemic was just starting. Analysts, journalists, historians, and governments will start to pull together lessons learned from the pandemic. Meanwhile, I do anticipate a historical repeat of the “roaring 20s”, at least economically as freedom of movement returns. Low interest rates, loose monetary policy, pent up demand, and a collective desire to socialize freely will likely lead to some strange and interesting price inflation and supply/demand imbalances. This is most likely to occur in restaurants, the travel sector, as well as entertainment, as the slow trickle of people traveling turns into a torrent. Strangely, I cannot wait to stand in-line again in an airport!

Stock Markets & Sectors

Very few weeks go by when I don't get the question if I think the “stock market” or some other asset class is over or under valued. It could be the Swiss Franc, Real Estate, Bitcoin, Tech Stocks, Gold or just about anything else that regularly appears in the press. There are of course many ways to estimate the value of anything, it is just easier to do so historically than guessing a value in the future. My favorite definition of value that applies quite neatly is:

“The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.”

While our investment philosophy is soundly grounded in index investing (“boring” as my stock picking kids would remind me), not trying to time the markets and not trying to pick winning and losing stocks and sectors, this does not mean that we don’t follow closely what goes on in the financial world. [Modern Portfolio Theory](#) (MPT), Markowitz’s Nobel prize winning work on portfolio construction is at the heart of how we manage money, adjusting risk for each of our clients based on their unique situation. One of the weaknesses of MPT is that the statistical analysis of past correlations may not hold true in the future and “new” investment classes may evolve.

In our June 2020 Newsletter, in response to the rapid rise in some of the major stock indexes and many client questions, we prepared an analysis that showed the weighing and performance of the different sectors in the S&P500 which clearly showed* (see 2nd chart) below that Technology stocks were the main driver of the early recovery of the stock index values. Below you can see the performance of the 12 sectors over various periods of the last 12 months. In the last 3 months, Information Technology was ranked 9 out of 12 in terms of performance and over the last 12 months, IT only ranks 5th, (note that Amazon is in Consumer Discretionary, the 2nd best performing sector).

US S&P 500 Performance as of March 26 ,2021

Sector	Performance 12 months	Performance 6 months	Performance 3 months	Performance 1 month	Performance YTD	Weighting
S&P 500	51.10%	20.50%	7.30%	4.30%	5.80%	100%
Communication Services	8.00%	4.40%	1.30%	0.00%	1.10%	10.10%
Consumer Discretionary	70.10%	16.30%	5.80%	3.00%	4.10%	12.65%
Consumer Staples	28.80%	9.80%	3.00%	8.40%	1.80%	6.05%
Energy	67.80%	68.40%	33.20%	5.80%	33.90%	2.75%
Financials	59.10%	48.20%	19.10%	6.80%	17.10%	11.83%
Health Care	36.50%	14.90%	5.10%	3.70%	3.30%	12.93%
Industrials	63.20%	31.00%	12.10%	8.10%	11.50%	9.63%
Information Technology	62.00%	17.80%	2.90%	1.60%	2.00%	25.31%
Materials	76.50%	31.10%	12.20%	9.00%	11.10%	3.03%
Real Estate	31.30%	19.70%	11.10%	6.60%	9.70%	3.03%
Utilities	14.50%	9.40%	4.20%	9.30%	1.80%	2.69%

*Chart first published in WLIM June 30, 2020 Newsletter

Year to Date June 26, 2020 Performance		
Sector	Performance	Weighting
S&P 500	-6.90%	100%
Consumer Discretionary	3.40%	10.53%
Consumer Staples	-9.50%	7.13%
Energy	-39.20%	2.92%
Financials	-26.50%	10.44%
Health Care	-4.30%	15.23%
Information Technology	10.80%	26.21%
Materials	-11%	2.53%
Industrials	-18.60%	7.96%
Real Estate	-12.80%	2.84%
Communication Services	-4.20%	10.97%
Utilities	-14.60%	3.24%

*Performance 6/26/2020, Weighting 5/31/2020
 Performance Source Yardeni Research
 Weighting Source - Fidelity Research

The key element of how your investment portfolio balances risk versus return expectations is your total allocation to stocks and each of you, due to our index approach, has exposure to all of the sectors in the S&P 500 and more, including international stocks and smaller companies too.

So, to the question that many of you have asked recently, are “stock markets” overvalued because they have gone up so much recently? In the last 12 months the S&P 500 is up 54%; but in the last 15 months, 18 months, and 24 months, respectively, the S&P 500 is up 23%, 33.5% and 40%, respectively. When viewed from a two-year horizon, stock market returns are running higher than historical averages, but not massively so. The primary reason would appear to be historically low interest rates, making stocks considerably more attractive than alternatives such as bonds and cash. Another couple of reasons are likely to be the high levels of cash and conversely the long-term trend of noticeably fewer [[In the mid 1990’s there were over 7000 US listed stocks down to a little over 3500 in 2020](#)]. On top of this, inflation has stayed stubbornly low for over a decade now too and the S&P 500 has a [Price-to-Earnings Ratio of over 40](#), which is quite high by historical standards.

However, several of these trends seem to be reversing...so back to our question, overvalued or not? In aggregate I would say that the markets are somewhat high by historical measures but probably not in “bubble” territory. Then, as to whether to do anything about it, really depends on each client situation. As always, if you expect to spend/withdraw a considerable amount of money from your investment portfolio in the “short-term” 1-2 years or less, then please let us know and we should be looking to lower risk, as always with a short-term horizon.

Currencies, Inflation, Interest Rates, and Expectations

Currencies have some funny characteristics that make them appear stable one day and fickle the next. Cash in any currency is generally not a great long-term store of value, in fact it quite predictably loses purchasing power (related to inflation and interest rates) in any positive inflation environment. Holding cash in one currency that you expect to spend in another is a lot more speculative.

Many of our clients transact in multiple currencies, especially the US dollar, Swiss Franc, Euro and Sterling as well as others and follow these rates quite closely. For those of you tracking the dollar versus the Swiss franc you will note that dollar has increased by about 7% since the beginning of the year and is at its highest level against the Euro and the Franc since July 2020.

The driver of this move is related to interest rate and inflation expectations, not actual moves. The US Federal Funds rate is just marginally above zero, where it has been for a year and Jerome Powell, the Chairman of the US Federal Reserve recently announced again that the Fed was likely to keep rates at close to zero through the end of 2022; I would say that the markets disagree with him. Recent dollar strength seems to be an early sign that inflation is returning in the US, faster than in other parts of the world and that this strength is likely to accelerate.

I am guessing that the markets are probably more correct than the Chairman and that we will probably see inflation starting to flare up as the pandemic subsides and that the Fed will likely raise rates or talk about raising them well before the end of 2022. If the imbalance between the economic recovery in the US versus Europe continues, expect the dollar strength to continue...this is my best guess as well.

One more note on currencies and investing in the stock market. Many people (including too many finance professionals) think that if they buy a stock in a particular currency that they are somehow “hedged” considerably against that currency. This is not correct. Global Stock Markets are largely dollar correlated with the Euro being the other major currency. [If you buy Nestle, Novartis and Roche in Swiss Francs, please remember that these companies do the majority of their business outside Switzerland and in Dollars or Euros too.] Global stock markets, over long periods of time, tend to be a solid investment when measured in any currency; for shorter term cash needs, the currency that you spend it will be the safer store of value.

Please call us if you need help in deciding when to exchange large amounts of one currency to the another or if you have general currency questions related to your long-term planning.

Global Events and Anecdotes

As always there are so many interesting things going on in the world, and being mindful of the length of the newsletter, I am going to pass on politics, geo-political concerns and write briefly about a few interesting trends. While no official end has been named for the Pandemic, observing the actions in the US (with still some voices of concern), a large part of the US population seems to have declared, “we’ve got this”: travel is picking up, vaccination rates are accelerating and it

seems likely the US will be over-supplied with vaccines by the end of the 2nd quarter. Meanwhile in Europe, so many of our clients and friends are expressing frustration at continued lockdown measures the relative inefficiency, lack of cooperation and seemingly laissez-faire approach of some governments. On both sides of the Atlantic, this will play out in terms of economic growth and opportunities impacting the next decade as well as shaping the political landscape.

Large Technology companies are likely to face increasing regulatory scrutiny as data, information and privacy all converge. The tug between governments and industry as well as the ever-increasing need for funding of government liabilities will be a likely response for politicians wanting to show action in the post pandemic world. There will be a number of long and drawn-out battles on how to increase taxes on technology firms, lessen certain oligopolistic tendencies and reign in their powers over data and information flow. These concerns as well as the recent run-up in valuations seem to be already factoring into the slowing in share price growth in the sector.

Bitcoin and crypto-currency in general seems to be another recurring theme. A recent [article](#) quoting Ray Dalio's concerns about crypto-currencies echoes many of my same concerns. Anything where there is a collective believe in value can act as a currency as has been shown over the history of mankind. Coins, Coconuts, Tulips, Livestock, Gold and Paper currencies are among the many forms of "money" of which various crypto currencies are the latest innovation. Money tends to get replaced when a new form of money creates advantages over a prior form and enough people readily accept the replacement.

The technology behind crypto currency is clear; the blockchain has certain information advantages over the current flow of both physical and electronic money. Many of the disadvantages of, for example, bitcoin are: The value is not backed by a taxing authority (government who can tax companies and residents/citizens), there is a limited supply, there is little long-term competitive advantage over other crypt-currencies and most importantly, governments could easily control or outlaw their usage. If there is a bubble anywhere in "asset" pricing today, I would guess that it is in the crypto currency world. My reluctance to "invest" here is not out of a lack of understanding of the technology, which I think itself is sound, but out of a belief, like Mr. Dalio, that there is a reasonable probability that its advantages will be regulated away and perhaps that traditional currencies will incorporate blockchain technology.

Additionally, Bitcoin alone has a carbon footprint the size of New Zealand and used a staggering ~.5% of the world's electricity output per year. While we will continue to monitor crypto currencies, we don't have any plans to add this as an "asset class" in our client portfolios. For our many clients who are sensitive to the impact on the environment, crypto currency would not seem to align with these values. If you are thinking of "investing" in bitcoin, or another crypto currency, our same advice applies as in the past. Do not invest more than you can afford to lose; this is highly speculative. The potential to earn or lose a lot in a short period of time is considerably higher than a globally diversified investment portfolio.

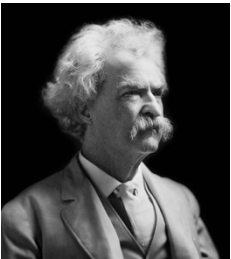
One area of day-to-day improvement many of us are starting to see, in the US, where other parts of the world have been way ahead, is in the area of digital payments. The US still processes many billions of paper-checks every year though this number has been declining for years. In an [article](#)

last week The Economist recently highlighted that with the success of companies like [Stripe](#), [Square](#) and [PayPal](#), the US is seeing a more rapid shift to digital payments. The slow adoption in the US has partially to do with the credit card and payment oligopoly of the likes of Mastercard, Visa and American Express. The battle to control the flow of payments will be between the older banks and credit card companies, the start-up tech firms as well as the big technology retailers such as Amazon, Apple, Walmart and their many counterparts around the world. It is likely that most if not all of our future “banking” needs will be served by firms other than today’s banks.

The IRS and other taxing authorities will be getting in on the action too as firms like e-bay and other digital sellers will now have to report their customers activities at much lower thresholds. The size of the market for payments as well as the data incorporated in the flow of money is of interest to business and government alike, expect a lot of changes in this area in the future, hopefully making payments locally and across the world less costly, easier and more secure.

A final anecdote, Car Rental Pricing. Car rental companies have been running out of cars and/or charging up to \$300 a day or more for “basic” rental cars in the US in recent weeks. As the travel and entertainment industry starts to recover, bargain prices will be replaced by supply shortages as the most impacted sectors start to recover. Coming soon, expect to see near-term price increases and shortage of availability in airline tickets, hotel rooms, and restaurants as demand starts to pick-up and supply is slow to adjust.

Taxes, Taxes and More Taxes:



“A tax is a fine for doing well, a fine is a tax for doing wrong.”

- Mark Twain

I sometimes jokingly refer to many of our clients and ourselves as the bottom half of the one percent...not the private jet and yacht crowd; smart, hard-working, well-educated, generous, and feeling not quite wealthy enough to retire early, and ever aware of how much in taxes various governments are claiming on our income, wealth, and labours.

Having the privilege of working with so many great and successful people, gives us interesting insights into financial planning, decisions, and the impact of taxation both financially and psychologically.

Most of us do not want to pay more taxes than we are obliged to, don’t want to be intentionally taking risky positions on our tax returns (staying comfortably out of trouble) and do want to feel like we are being treated fairly. These days, having accumulated wealth (normally as retirement savings) or earning a respectable salary can appear to put a target on our backs. Along with all the “political” issues and the dangers of stepping out-of-line, especially on-line, the media makes many of us feel as though we are under regular societal threat. Tax policy and tax proposals are

often used by politicians and the media to show how politically correct they are in wanting to take from the “rich” and make things more “equal”.

Every time there is a major election and change of party in the US, the regular stream of tax proposals seems to make its way to the media...causing a lot of angst to the people who are the potential targets...which is essentially all of us...or most people in the top ~10% of income and/or wealth.

Compounding the decades of government debt to finance spending; has been the massive amount of additional debt to deal with the Global Pandemic and the dramatically underfunded retirement systems of the Western World as life expectancies mostly continue to increase. Below Arielle has outlined for our US taxpaying clients some of the possible tax changes on the horizon.

What does President Biden’s Tax agenda mean for you? - Arielle Tucker

When President Biden announced he was running for President in 2019, financial planning and tax professionals immediately started planning for the implications of his tax agenda. With Democrats in control of the Senate, the President has a much higher chance of fulfilling his campaign promise to raise taxes on corporations and high-income households. To better illustrate some of the changes the Biden Administration is proposing, let’s summarize some of the changes made under the previous Administration’s Tax Cuts and Jobs Act (TCJA 2017):

- Individual income tax rates were lowered across the board and the highest tax bracket went from 39.6% to 37%. Individual tax cuts are set to expire in 2025.
- The highest corporate tax rate was lowered from 35% to 21%, which was made permanent under TCJA. Passthrough companies can receive a 20% deduction on qualified income.
- Many itemized deductions were removed, and the standard deduction nearly doubled. The result was that over 90% of tax filers claimed the standard deduction, compared to 70% before TCJA. Common itemized deductions people claimed before the TCJA included charitable deductions, tax preparation fees, mortgage interest, state and local taxes, and many more.
- The estate tax exclusion doubled from \$5.4M to \$11.4M, where the exemption for married couples now sits at \$22.8M. This exemption is set to expire in 2026, after which it will revert to the 2017 levels. **Important to note:** *the IRS clarified that individuals taking advantage of the increased gift exclusion amount in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount is scheduled to drop. So, if your estate is above \$5.4M then there are some planning opportunities.*

Looking at the congressional revenue act that was signed into law by President Trump, we know that most of the reform included sunset provisions, meaning they were set to revert back to pre-2018 code, the most notable exception being corporate tax reform which was made permanent.

Now let us compare TCJA to what President Biden has proposed. Bear in mind that a proposal is not yet law, and if passed, will look different once it goes through Congress. ([Schoolhouse Rock: America – I’m Just a Bill](#)) We can expect:

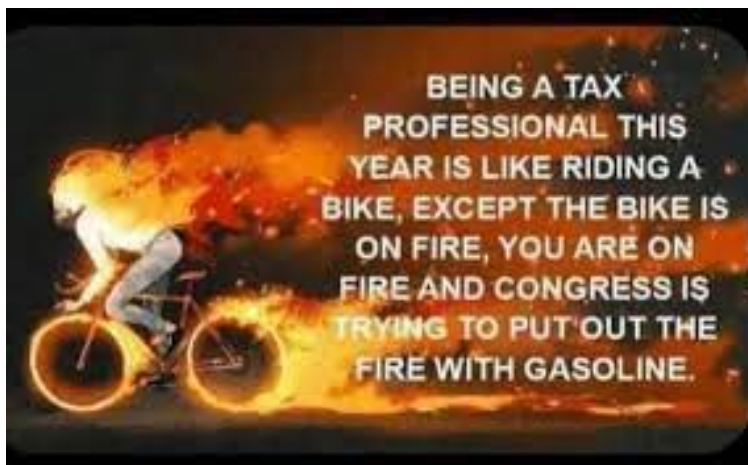
- A return of rates to TCJA levels for taxpayers with more than \$400,000 of taxable income. That would mean reverting to a top tax rate of 39.6% versus the current top 37% rate.
- Expansion of targeted tax cuts, including increasing the child tax credits, proposed tax credits for caregivers, renters, and first-time home buyers.
- Increased rates on long-term gains and dividends for people with taxable income above \$1M. This rate could be as high as 39.6%, versus the current top rate of 23.8%
- Removal of the step-up in basis at the time of death for wealthy individuals.
- Shifting estate and gift taxes back to 2009 levels of \$3.5M per person - a 70% decrease from current levels.
- Expanded social security taxes to employees and self-employed individuals earning above \$400,000.
- A limit on the value of itemized deductions. A complex proposal that would limit high income taxpayers to 28% savings per itemized dollar.
- An increase of the corporate tax rate from 21% to 28%, and the imposition of a minimum tax on companies.

Many of the proposals echo those of the Obama Administration and revert things to the way they were before the Tax Cuts and Jobs Act of 2017. As with Obama’s administration it is important to remember that many of these proposals will be adjusted and many never make it through the legislative process.

Before panicking about the proposed tax legislation, take a moment to remember when the Roth IRA was established by the Taxpayer Relief Act of 1997. The Roth IRA allows US taxpayers to pre-pay their taxes, it is a wonderful program for anyone who can correctly gamble their tax rate today will be lower than in retirement. The government saw this as a great fundraiser. In 1998 a single individual with earnings over \$128,1000 was in the 36% tax bracket. The same single individual in 2021 would be in the 24% tax bracket with room to spare. Tax rates have decreased over time, so individuals who rushed to take advantage of a Roth conversion may have overpaid.

It all comes down to your current situation and future plans. Are you in retirement, or are you retiring soon? Do you have assets over \$11.4M? There are opportunities for tax planning, but take the time to be thoughtful, speak with your White Lighthouse team. If you have immediate concerns or questions regarding the proposed legislations please do not hesitate to reach out to me, Arielle Tucker, CFP® & EA at atucker@white-lighthouse.com.

As you work with your tax professional this year, please remember that this has been a hard year for tax professionals. One tax professional summarized her year to me with this meme:



So please remember to be kind to your tax professional. The rules and deadlines have continued to change, even as the IRS has opened for the 2020 tax season.

Interesting links from this newsletter:



[Click to read](#)

Chasing Right Stocks To Buy Is Critical with Fewer Choices But Big Winners – investors.com



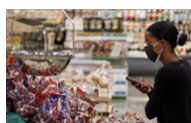
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Ray Dalio: The government 'outlawing bitcoin is a good probability' – CNBC Make It



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America used to be behind on digital payments. Not anymore. - The Economist



Residence-Based Taxation Coalition



[Click to read](#)

SEC Adopts Modernized Marketing Rule for Investment Advisers – US Securities and Exchange Commission

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

Bankers at the SNB, as well as Swiss exporters, must be somewhat relieved over the past couple of months. In a rather significant reversal, the US dollar is up over 7% from its recent (January 6, 2021) low point against the Swiss Franc to reach approximately .94, a level not seen since late July of 2020. Predicting exchange rates is about as difficult as predicting the weather here in New

England but as always, I am happy to express my opinion with the usual caveats about predicting the future, (which is impossible to do with any real degree of certainty).

If we believe that the US Economy will expand, perhaps rapidly, in the coming months and years, it is highly likely that prices will increase, and inflation will ensue. An improving and more stable economy and outlook alone will give the Federal Reserve confidence to increase interest rates; if there is a sustained high level of inflation, a more rapid increase in interest rates would likely happen.

As the interest rate differential (or more accurately, expected differential, as markets and investors tend to be forward looking) between the US Dollar and the Swiss Franc increases, the value of US Dollar cash will increase and so the dollar is likely to rise. How far? Well, the USD has not been much above 1.03 CHF to the USD in the past decade (about a 9.5% increase from here (1 USD = .94 CHF) in the USD). I would not be surprised to see parity between the USD and CHF again sometime this year if US inflation takes off.

Many of our clients are sensitive to currency risk in their day-to-day cash needs, paying for their home or investing for the future. With our imperfect view of the future but a sound understanding of helping our clients make good choices, please don't hesitate to contact us about any currency or exchange rate questions that you have. Depending on your personal situation, we will try and help you choose the right course of action when it comes to planning for exchange rate impacts now and into the future.

White Lighthouse Investment Management (WLIM) Information

During the first quarter of 2021, our annual ADV filings for White Lighthouse and each of our advisors, was made with the Securities and Exchange Commission SEC. All firms that are regulated by the SEC are required to make annual and often quarterly filings and information on investment advisors can be found under the [Investment Advisor Public Disclosure website](#). For the convenience of our clients and anyone else who is interested, we publish all of our latest documents on our [Disclosure Page](#).

At the end of 2020, the SEC [announced](#) a long awaited (by investment advisors) change that now allows advisors to publish testimonials written by clients and others about their services. In the past we have had many clients ask us if they could provide a general written recommendation and historically, we have always had to decline due to SEC regulations. We have studied the rules in depth and have developed a draft form (as this is still carefully regulated) and are working with a couple of clients and Michelle on our Team to get these posted in the coming weeks on our website. So much of our growth has come from the kind word of encouragement that our clients have offered on our behalf, and for this we remain very thankful! Now, we have the ability to make this more easily available so as our website continues to evolve, we anticipate having a testimonials page published soon.

As mentioned earlier in the newsletter, the White Lighthouse team is continuing to expand, and I expect that we will be adding a couple more colleagues in the next year. As the firm grows, we

continue to review the best way to provide our services as well as to ensure that we have appropriate back-up in place when team members are off from work. I am thankful to have such a professional and highly motivated team, making it easier for me to delegate...and at the encouragement of so many of you, I fully intend to start taking more regular vacations! However, the high quality of our services remains of paramount importance so as always, please reach out to me directly or to anyone on our team if we have not met your expectations on any of our services. Thank you!!

Residence-Based Taxation Coalition

In January 2021, [White Lighthouse](#) joined [American Citizens Abroad](#) (ACA) and several other organizations to form the [Residence-Based Taxation Coalition](#). The goal is simply to work towards encouraging the US Congress to enact residence-based taxation (RBT) for Americans living and working overseas.

The Coalition will aim to build on prior work with Congress, the Joint Committee on Taxation, The Senate Finance Committee and the Treasury. The Coalition will pick up where The Tax Fairness for Americans Abroad Act (TFAA) left off. TFAA was introduced into Congress by Representative Holding in December of 2018. We remain dedicated and hopeful that relief from many of the tax compliance challenges faced by overseas US taxpayers will be found. ACA provided fund raising for in-depth research in the past as well as considerable education efforts with members of Congress and others in Washington D.C. Going forward, we hope the RBT Coalition will be able to revive Congressional interest in the issues and that legislative relief will be found to aid many overseas Americans' tax and compliance nightmares.

Market Wrap up for the 1st Quarter of 2021

Index	Quarter	Last months 12
S&P 500	↑ 5.8%	↑ 53.7%
Dow Jones	↑ 7.8%	↑ 50.5%
Canadian Market	↑ 7.3%	↑ 40.3%
Swiss Market Index (SMI)	↑ 3.2%	↑ 18.6%
FTSE	↑ 3.9%	↑ 18.3%
DAX	↑ 9.4%	↑ 51.1%
CAC40	↑ 9.3%	↑ 38%
Shanghai Index	↓ 1%	↑ 25%
\$USD against CHF	↑ 6.8%	↓ 1.8%
\$USD against €Euro	↑ 2.5%	↑ 4.4%
Federal Funds currently remains close to 0%		

Conclusion

Thank you taking the time again this quarter to read through our newsletter. I am extraordinarily grateful for all the positive feedback and constructive criticism that we receive each quarter after our newsletter comes out. Admittedly it is not always easy to come up with topics or a perspective that has not already been written about by many other journalists, and so as always, we welcome your feedback, input, and suggestions for future topics.

We hope that you all have a wonderful spring and that you remain healthy. With a little good fortune, we hope to start seeing many of you again in person before too much more time goes by!

Our very best wishes from
Jonathan and the White Lighthouse Team

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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 2020 or 2021 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 2020 and 2021.

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- 2021

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 2021 – 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 is 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>