

**Newsletter | December 31, 2021**

Dear Clients,

We hope that all of you and your families are safe and healthy during the holiday season. We know that several of you have tested positive for COVID though currently we have not heard of any of our clients, or their close family, being hospitalized due to COVID. Like almost everyone I have spoken to lately, none of us can believe that we are already 2 years into the Pandemic and that 2021 has ended so quickly. While many of us have had COVID and/or been double or triple vaccinated, the latest soaring numbers in the US and Europe have many people more than a little concerned about “when will this end” and “what’s coming next”.

I wish I had the answers; though I must imagine that based on the history of pandemics, there is a reasonable chance that we are close to getting to the endemic stage, though it will be some time after that where our day to day lives will not have at least some hints of changes to our day to day lives. To me, the end of the “pandemic” will likely be when masks are no longer required on flights.

Having been in Boston, Florida and Switzerland within the past few weeks, different locations will feel different. Florida, once you leave the airport, feels like the pandemic has past...in addition to the very few masks, vaccines, boosters, tests, monoclonal antibodies and the like all seem in plentiful supply. In Boston, a couple of weeks ago I experienced big shortages of PCR tests and boosters and ultimately received my 3<sup>rd</sup> shot in Florida and my PCR test in New Hampshire...drive through, with the result in under an hour. Switzerland definitely feels different (more open than last year at this time) if you have been vaccinated; though I personally find it hard to believe that the hospital system is in “crisis” when only ~300 COVID patients are in intensive care beds in the whole country.

With all this talk of COVID, one can be forgiven for being less aware that there are so many other things going on in the world now. Someone clearly forgot to tell stock market investors that the world is in a crisis with the S&P 500 over 40% up from its level just before the pandemic and well over 100% higher than the low of March 23, 2020, when the low of the markets was reached...wow that seems like a lifetime ago.

Some elements of the post pandemic economy are already starting to emerge. Employees are scarce due to an even higher level of baby-boomers and others leaving the work force, decreased immigration and many people choosing, for a variety of reasons not to return to the work force. Businesses are closing because they cannot find enough employees. Service levels are changing to adapt to lower employee availability. [At Hertz I get to choose any car in the “Presidential” lot, which was great...there was only one jalopy left when I got there and a dozen people just after me who had no car available at that time of their arrival]. While global supply chains are starting to recover, there will be more scarcity with us for a while.

In the remaining section of the Newsletter, I will talk about what's going on in the stock market (lots of questions came in about this in the last 4 weeks) and world economy, some US Tax information, a look at world events including inflation, technology, greenwashing, as well as, the usual updates on WLIM, Compliance and market performance.

I would like to thank you all for enthusiastically commenting about the WLIM newsletter. To those of you who are new to WLIM, I apologize in advance that the newsletters are long (no time to make them short as they are written in the last couple of days of the quarter for distribution on the first day of the following quarter). If there are any topics that you would like to see us cover, please get in touch. And please note that all of our old newsletters are available in the "Public" folder of your sharefile log-in. We hope you find at least some of the following notes enjoyable!

### **What's Going on in the Stock Markets & Economic Outlook for 2022?**

Ok, I will admit, I am not a fan of Cathie Wood. I don't know her personally (and have nothing against her) but just like I struggle to find a reason behind the Kardashians, I can only put this down to media driven frenzy where enough people find the subject "entertaining". Cathie Wood is the founder of Ark Investment and has shot to fame by creating investment funds that have taken rather high levels of risk in many companies that have yet to turn a profit. This corner of the stock market where she has a cult on-line following feels like DotCom Bubble 2.0. The Funds have names such as "ARK Innovation, ARK Genomic Revolution, ARK Space Exploration etc.". The company tag line is "Growth Meets Low Correlation" .... hmmm, perhaps a few of these underlying companies will become large and profitable but certainly many will disappear. If you are tempted to invest here, our advice, like all very speculative investments is to risk no more than you can afford to lose.

In early December, as the S&P 500 was hitting yet another all-time high, this [article](#) at CNBC noted that the flagship ARK fund ARKK (Ark Innovation fund) had all but 2 of its components in a bear market (down by 20% or more from their recent highs). Tesla was one of the two companies and at the time was ONLY down 17%. [A note below on Tesla].

There has certainly been a lot of talk about the level of the stock markets as a whole, and indeed some caution is in order. One of the biggest drivers of asset valuations is the Fed funds rate. It has been very low, at about 0%, for a long time, and this is clearly one key element that has led to the relatively large increases in stock prices, real estate, crypto-currencies and now the price of goods and services as inflation is at its highest level in decades. When compared to the yields on bonds and cash, as well as the tremendous amount of liquidity that governments pumped into the system, it is no surprise that riskier assets have increased in value.

So, what is going on, why is the S&P 500 reaching new highs, but many companies share prices are in a bear market as are Bitcoin (down almost 30% from its recent high)? Whenever there are changes on interest rate expectations (The Fed is clearly winding down its bond purchase program, a likely pre-cursor to two or three ¼ point interest rate increases in 2022), this adds

volatility to the markets. Riskier assets (e.g., companies that have little or no profits, companies that have a lot of debt) tend to decline the most as interest rates rise; and so, what is going on seems to make sense. Investors are favouring profitable companies and getting concerned over more speculative ones. Apple, Microsoft, Amazon, Google, and Facebook still make up over 20% of the S&P 500 and all are very profitable whereas the crypto currency market looks much more like an on-line casino where the majority of transactions are in crypto derivatives.

As most of you know, we don't use market timing, frequent trading between sectors or any sort of emotional or panicked approach to investing. Asset price bubbles are notoriously difficult to see when you are in them; we know they happen just like bear markets. After a crash, we look back and say "of course" this was a bubble. However, the next 20% or larger downturn may not come until the markets go up another 10-30%. We also know that markets are volatile and that while we cannot control the ups and downs of the markets, at an individual level, we generally have a much easier time predicting spending and moderating risk. What's going on today does not warrant any global change in strategy; market conditions are not a reason to change strategy.

If your personal situation is likely to change over the next couple of years; if you expect to need cash from your investments at a higher level than you do today, think your job has become much riskier or anything else is concerning, please do let us know and we can guide you to the right decision(s) for your situation. If you are new to WLIM and want to read more about market declines and market tops, please do peruse our old newsletters or ask someone on our team where you can find this information.

*A note on Tesla though similar arguments can be made with many companies who seem to have some great products but are struggling to make profits: While I would be afraid to bet against Tesla and most other companies, I don't understand their valuation...they would have to sell every car, 100% of the world market and make roughly \$10k in profits per car...for the next 5-10 years, to justify their Trillion-dollar valuation. Not to mention the car companies such as VW, GM, Mercedes, Toyota etc., they also have a lot of competition on the software side, not the least of which are Google and Apple, two companies that make a lot of money...now with battery technology especially from competitors in China and the monumental task of installing enough charging capacity to keep up with the expected increase in electric vehicles on the road....I just don't see where enough profits will come from. After all, the real value of any company is the value of its future profits.*

## **US Taxpayers Corner**

Before going into speculative mode for what may change in the US tax code with the normal dysfunction in Congress, let's start off with some useful information. Have you ever wondered how you can get a copy of your tax transcript and access other useful information about your

“status” with the IRS on-line? Well, the IRS is slowly arriving in the 21<sup>st</sup> century and setting up an account on-line is possible. If you are based in the US, this is relatively straight forward, the verification process is, as it should be, designed to minimize the wrong people accessing your accounts; though this has made access difficult for overseas Americans where many of the verification data and methods don’t sync well with the IRS site.

Kristen Howze of KLR has [documented](#) for the overseas American community how it is possible, with perseverance, to verify yourself and get set-up as an overseas American. Thanks to Kristen for this most useful information.

We have been watching the legislative process closely in Washington D.C. to see if any changes would come through but as all of you know, the “Build Back Better” legislation that passed the house was killed, at least temporarily by Senator Joe Manchin of West Virginia. Even though the legislation will not pass in 2021, the Democrats, in preparation for the mid-term elections in November 2022, will still try to pass something. In fact, I would say that they desperately need to try and pass some significant legislation; their razor thin majority in Congress is likely to disappear after the upcoming election. Below are some of the key elements that would have hypothetically changed, and many will still be batted around in Congress...but for now, no changes have been made:

- Top Marginal and Capital Gains rates stay the same at 37%, and 20% respectively.
- The estate exemption will be \$12,060,000 for tax year 2022, Annual gift exclusion is \$16,000
- For 2022 the Child Tax Credit stays at \$3,600 (age 0-5), \$3,000 (6-17) fully refundable and payable in monthly instalments. (Subject to Income Phaseouts)
- Salt Cap (State Local Tax Deductions) will be increased to \$80k for the next 10 years, this will benefit clients in high tax states like California and New York. (Subject to Income Phaseouts)
- 5% surtax for Trust and estates above \$200k and 3% for \$500k
- Same-Sex Marriages may be able to file amended returns for past years if they were legally married in their state of residence but could not file jointly because of the Defense of Marriage Act that was later overturned by the SCOTUS
- Roth Conversions from after tax money (Backdoor Roth) may be prohibited entirely beginning in 2022.
- This year’s Special Charitable deduction for non-Itemizers does not reduce AGI as it is deducted in the same fashion as the QBI

There were some very insightful articles on taxation and the proposals that were written in the past quarter, here are a few that you may find interesting:

1. [The Pandora Papers' Secret: Everyone Already Knows This Stuff](#) There was another big leak, the Pandora Papers, of stolen information from individuals who have “offshore” entities with the usual calls to “tax the rich”. The “problem” as I see is that most people who use trusts, companies and other entities are doing so legally. The risks from getting caught doing something illegal are mostly not for people who are earning their income legitimately. In 16 years of the wealth management industry, we still have not had a client or prospective client want to cross the line into what can get them in trouble.
2. [The Democrats' Tax-the-Rich Ruse](#) This is an interesting comparative article looking at how progressive or regressive the tax systems are in the US and several “high tax” countries in Europe. It turns out the top 10% of American Earners paid 45% of taxes but in places like France, Germany and Sweden, the top 10% of earners only paid 28%, 31% and 27% respectively. The US tax code is already relatively progressive in taxing high income earners (as many of you already know). Quite frankly it is difficult to trust policy makers on both sides of the aisle when it comes to tax and spending policy; as each legislative cycle goes by, I continue to think there must be a better way!
3. [Biden's Real Tax Target Isn't the Superrich](#) This article I found to be right on target. Too many of the tax proposals continue to focus on taxing the “working rich”. While it may not feel that way, if you (single or couple) earn more than about \$400,000 per year you are considered “the working rich” by many politicians in many countries and what is almost certain is:

The working rich will be the policy targets for the coming years to pay for tax increases, shore up retirement systems and pay down government debts. Most people don't mind paying “their fair share” but getting consensus on what is fair is the challenge. We will of course keep up with tax changes in the main countries where we have clients, (especially the US, Switzerland, and the UK) and continue to inform you on an individual or collective basis if and when action is recommended regarding tax planning. Please never hesitate to get in contact with anyone on our team if this is an area of concern for you.

## **Inflation, Geo-Politics and Retirement Planning**

Up until a few weeks ago it seemed that fears of inflation were edging out the Pandemic as one of the top worries in the press. These fears have not gone away. For over a decade, policy makers around the world have been fretting about deflation and earlier this year, the Fed Chairman Powell made the now “mistaken” call that inflation was going to be “transitory”. Despite some uncertainty about his re-confirmation (he was recently nominated by the Biden Administration and confirmed by the Senate for another 4-year term) as the Chair of the Federal Reserve, he has been drawing a lot of criticism lately.

My concerns as stated in previous newsletters is that ultra-loose monetary policy (mostly low interest rates and massive bond buying) would stay for too long, which is a contributing factor to inflation. Though monetary policy combined with large supply chain disruptions and a dearth of workers has indeed led to inflation running hotter than normal. How much should you be worried?

It turns out that Stock ownership is one of the better hedges against rising prices. Why? Well, when prices go up, many companies increase profits, thereby increasing the value of their share prices. Gold, as we discussed in the previous newsletter, has not been all that great as an inflation hedge over the last 4 decades or so. The other reason is that for most of our client base, and most people in general, inflation headline numbers don't mean our actual costs of living goes up by the same amount. For example, housing makes up 30-40% of most standard inflation gauges. If inflation in 2021 was 5% and your rent or mortgage payments don't go up, then 1.5% to 2% of the 5% does not impact you...on the other hand if you are a first-time renter or homebuyer, then yes, this is a bigger impact.

Another main reason inflation should not be a major concern to most of us is that we have the ability to moderate our discretionary spending and we can take the time to look for less expensive substitutes. My oldest child Julian just passed his driving license test and one of the lessons (from Dad) was that he had to pay half of the cost of filling the fuel tank on the car he uses; and prices vary widely. Yeah Dad, there is an [app](#) for that. Whether it is food, clothing, transport or so many other goods, spending some time to shop-around can often soften the impact of higher prices.

The old adage that the cure for high prices is high prices, will likely hold true, once again, though it will take some time for supply chains and the labor market to return to their pre-pandemic state. I will go out on a limb and say that 2-4 years out, policy makers will be worrying about deflation again, mostly because of software and general technology improvements in all sectors. Between now and then, I would expect at least one bear market; as interest rates rise, less profitable companies and those with significant debts will likely lead to some periods of heightened volatility.

When historians look at the first quarter of the 21<sup>st</sup> century, events like the Pandemic, the Financial Crisis, the dotcom bust, September 11<sup>th</sup> and the Trump Administration will all feature prominently. What will also feature prominently is the changing balance of power in the world. Behind the headlines and moving at a pace much slower than the 24-hour news cycle is a world in flux. The shifting influences of the United States, China, the EU, The Middle East, Democracy, Climate Change, Energy Policies, Global Institutions, Technology and more are all intertwined. The world our children will inherit is looking considerably different than the one that we came to age in. Why does any of this matter with respect to our investments?

I expect that once the pandemic subsides for real, people, governments and news media will start to assess the new lay of the land. The likelihood of conflict (could be economic, could be military) will increase: Between China and the US (and its allies in Asia), rising tensions are almost a foregone conclusion. In the EU and within Nato, the bigger flash points are likely to be internal; though Russia seems intent on drumming up external conflict, perhaps also to mask some of their big internal challenges. The retreat of the US from its formal international role will likely change

to a more targeted approach, though internal political challenges are there too. As geopolitical tensions flare in a post pandemic world, this will be another source of volatility in stock markets. Companies may find themselves cut off from certain consumer markets, having to quickly find new sources of supply or deciding to build their own supply chains in markets deemed more “friendly”.

From a day-to-day standpoint, inflation, economic policy and geo-politics are not worth getting overly excited about. When we know in advance to expect market volatility, we get more accustomed to seeing the ups and downs in our investment accounts. It is very easy to get anchored to a certain numeric value of our investments when markets are high and to feel bad when account values go down. As always if you have any concerns, please never hesitate to set-up a call to discuss, it is often a sign of other concerns which we may be able to help you address.

Retirement Planning is the odd one out in this catch-all section but I found this [Wall Street Journal article](#) by David Eckert to be very well written and something that many of you who are pondering retirement may find interesting. Professor Eckert has studied all about retirement and aging for over 4 decades and in this article, he shares some of his expectations and surprises as he transitioned from full time work into retirement at the start of the pandemic. While we at WLIM can easily help you prepare for the financial challenges in preparation for stopping full time employment, by far the more important elements for a successful adaptation are going to be how one chooses to structure or not their time and outlook on life.

I am reminded of a conversation that I had with one of our early clients well over a decade ago when she remarked that a friend was “failing” in retirement. What I believe she meant is that this friend, who was forced to retire from full time employment due to company policy, continued to make the former employer, workplace and colleagues the center of their lives almost as though the engagement with the employer was a *raison d'être*.

We now have decades of experience with dozens of people making very successful transitions, often with very unexpected twists and turns. While there is no magic formula to making things work, the challenges of having more financial freedom and less structure are often quickly overcome. If this is at all a concern to you, I would be happy to set up a time to talk to share some of the elements that people have found to make the transition successful. I can guarantee that making money and taxes the center of decision making is not the key; these items are there to support decision making not to drive it.

### **Swiss Compliance – Clients in Switzerland and clients of WLIM Sarl**

I would like to thank all of you who have helped us to complete several of our steps in maintaining compliance with changing legislation in Switzerland. We were able to get over 250 signatures and documents distributed and check off another big item on our compliance to-do list. From a Swiss standpoint, we and all other financial firms required to do so in Switzerland will be applying for our licenses from FINMA in 2022 and hope that this process (which has been going on for over 5 years) will evolve into normal business processes by the end of the year.

### Interesting links from this newsletter:

**ID.me**  
[Click to read](#)

Kristen Howze's article, "Perseverance Required - Signing Up For the IRS/ID.me Account"

THE WALL STREET JOURNAL  
**WSJ**  
[Click to read](#)

The Pandora Papers' Secret: Everyone Already Knows This Stuff - The Wall Street Journal

THE WALL STREET JOURNAL  
**WSJ**  
[Click to read](#)

The Democrats' Tax-the-Rich Ruse – The Wall Street Journal

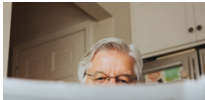
THE WALL STREET JOURNAL  
**WSJ**  
[Click to read](#)

Biden's Real Tax Target Isn't the Superrich - The Wall Street Journal



[Click to read](#)

6 Gas Apps to Save You Money at the Pump - US News & World Report



[Click to read](#)

I Spent 44 Years Studying Retirement. Then I Retired. - The Wall Street Journal

### White Lighthouse Investment Management (WLIM) Information

I would like to thank the entire White Lighthouse team for their dedication to excellent professionalism, responsiveness and great attitudes. Working as a remote team with clients and colleagues across multiple time zones can be challenging in the best of times. I appreciate everyone's efforts greatly and virtually every week I am receiving compliments from our clients about your work, the highest compliments we can receive, thank you all so much!!

A big congratulations to [John York](#) CFP® (USA). John, in addition to being a CPA, has now completed the requirements and passed the gruelling process to complete the CFP® exam this past November. In addition to working with clients in the financial planning process, John is also spending time assisting American Citizens Abroad, doing US tax analysis and research for clients, improving our excel models and running the office US Football pool!

I would also like say a special thank you to [Michelle Barnhardt](#) of our team. Most of our clients don't work with Michelle directly though occasionally see her name on e-mails from WLIM. Michelle does a tremendous job managing our website and organizing and automating many aspects of our back office. Her professionalism helps to keep us all efficient in our client work as well as our ever-growing mountain of compliance tasks. Michelle has managed to do this so well despite the challenges of being a primary caregiver almost 24/7 at home. Michelle you are a star!

A special note of appreciation also goes to [Kristen Howze](#) of the accounting firm KLR. Kristen goes well beyond the role of any tax preparation firm in paying attention to the important financial planning aspects surrounding tax compliance. If you missed it in our US tax corner, Kristen recently wrote an [article](#) on how US taxpayers overseas are now able to set-up an on-line account with the IRS. The verification process is not easy, but it is possible. Thanks Kristen! We have had a couple of clients test it out, successfully!



We always appreciate receiving messages from our clients, especially with questions and updates on their lives, families and careers. There is some administrative information that is also very important for us to receive when it changes: Specifically, if you change your home address, change your e-mail address(es) or phone number(s), please reach out to Otto Rivera at [orivera@white-lighthouse.com](mailto:orivera@white-lighthouse.com) or Heather Carbone [hcarbone@white-lighthouse.com](mailto:hcarbone@white-lighthouse.com) to update your information in our files. Thank you!!

### Market Wrap up for the 4<sup>th</sup> Quarter of 2021:

Index	Quarter	Last months	12
S&P 500	↑ 9.6%	↑ 26.9%	
Dow Jones	↑ 6.9%	↑ 18.7%	
Canadian Market	↑ 5.4%	↑ 21.8%	
Swiss Market Index (SMI)	↑ 9.6%	↑ 20.3%	
FTSE	↑ 4.0%	↑ 14.3%	
DAX	↑ 3.9%	↑ 15.8%	
CAC40	↑ 8.8%	↑ 28.9%	
Shanghai Index	↑ 2.0%	↑ 4.8%	
\$USD against CHF	↓ -2.2%	↑ 3.0%	
\$USD against €Euro	↑ 1.8%	↑ 6.8%	
Federal Funds currently remains close to 0%			

### Travel / COVID / Misc. Switzerland

During the best of times, international travel can be stressful. During the pandemic, for those of us fortunate enough to be able to travel, the new challenges of keeping up with ever changing regulations adds additional stress. International travel, especially between the US and Europe is an important part of many of our clients' lives, with well over 50% of you or a close family member living outside your country of birth.

Many clients do indeed check in with us if we know information about the latest travel rules and while certainly not an exhaustive list, below is some relatively recent information that many of you may find useful.

If you are traveling internationally into Switzerland, this [travel check link](#) is extremely useful. By answering a series of questions, you can get definitive information about traveling into (or transiting through) Switzerland from outside the country. For example if you are a US Citizen who has not been vaccinated, you cannot travel to Switzerland but if you have been vaccinated you only need to do a PCR test (72 hours before arrival into Switzerland) and fill out an [on-line entry form](#). If you are coming from the UK, into Switzerland as of today this is still possible even though travel into France, Germany and Italy is currently not allowed.

If you are traveling into the US from anywhere in Europe, you will need to be vaccinated and do a PCR or antigen test the day of or the day before your flight departs to the US. The CDC has more information on their [web-site](#) though this is not always so clear.

If you are vaccinated and planning to visit Switzerland soon and are not a Swiss national or Swiss resident, then you will want this link on how to get the [Swiss Covid certificate](#). The app is easy to use and if you want to enter restaurants and many other places, you will need to get this app and your vaccination certificate. Masks are required at most times in most indoor public places.

If you are not a European citizen and are planning to visit Europe in 2022 or beyond, you will want to know about the new ETIAS (European Travel Information and Authorization System) program (similar to ESTA for many non-Americans entering the US). While this is not activated yet, it is planned for the end of 2022. At this [link](#) you can find out a lot more information and register to be informed when it becomes operational. The local.ch has written a [very good article](#) about the changes too. It appears to me, though it is not crystal clear, that if you live [have a permanent residence or work permit with the right to reside] in a Schengen country but are only a citizen of a non-Schengen country, that you will not need to apply for an ETIAS but will be required to travel with both your passport and residency permit.

And, finally, if you are driving this winter and are new to Switzerland, the “rules” on winter tires are unclear. This [article](#) in the local.ch explains the details. Winter tires are not mandatory in the winter, though certain roads will require chains or snow tires. Don’t think though that you are fine in all other cases to drive without winter tires, as the article states “The Swiss Road Traffic Act (Art. 29) says that all drivers on Swiss roads have a responsibility to ensure their vehicles are in a roadworthy condition.” Drive safely and enjoy the winter weather!

## **Conclusion**

As we begin 2022, we would like to once again, thank all our clients for your kindness, your gratitude, your patronage and referring us to so many of your family and friends. At White Lighthouse, in addition to professionalism and ethics, I have always aimed to build a culture of our role is being to help our clients makes good choices, answer your questions, save time and lower stress. We regularly receive excellent feedback on all our team members, and we remain always open to suggestions for improvement too!

All of us at White Lighthouse wish you and your families a Happy and very Healthy 2022!!

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

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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 2<sup>nd</sup> 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](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 15<sup>th</sup> 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](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 31<sup>st</sup> 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 4<sup>th</sup> 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 31<sup>st</sup> 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 15<sup>th</sup> 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®

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### PRIVACY STATEMENT- 2022

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 2022 – 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](mailto:lachowitz@white-lighthouse.com) or [kquintero@white-lighthouse.com](mailto: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](http://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><b>What investment services and advice can you provide me?</b></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 <a href="http://www.white-lighthouse.com">www.white-lighthouse.com</a> and <a href="#">Form ADV 2a</a>.</p>	<p><b>Conversation Starters:</b> <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><b>What fees will I pay?</b></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 <a href="http://www.white-lighthouse.com/pricing">www.white-lighthouse.com/pricing</a></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><b>Conversation Starters:</b>  <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><b>What are your legal obligations to me when acting as my investment adviser?</b></p> <p><b>How else does your firm make money and what conflicts of interest do you have?</b></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><b>Conversation Starters:</b>  <i>How might your conflicts of interest affect me, and how will you address them?</i></p>
<p><b>How do your Financial Professionals make money?</b></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><b>Do you or your financial professionals have legal or disciplinary history?</b></p>	<p>No, none of our financial professionals have any legal or disciplinary history.</p> <p>Visit <a href="http://investor.gov/crs">http://investor.gov/crs</a> for a free and simple search tool to research us and our financial professionals.</p>	<p><b>Conversation Starters:</b>  <i>As a financial professional, do you or anyone on your team have disciplinary history?</i>  <i>For what type of conduct could an advisor get a record for discipline?</i></p>
<p><b>Additional Information</b></p>	<p>For additional information about our services, visit our website: <a href="http://www.white-lighthouse.com/">http://www.white-lighthouse.com/</a></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 <a href="mailto:kquintero@white-lighthouse.com">kquintero@white-lighthouse.com</a></p>	<p><b>Conversation Starters:</b>  <i>Who is my primary contact person?</i>  <i>Is he or she a representative of an investment adviser?</i>  <i>Who can I talk to if I have concerns about how this person is treating me?</i></p>