Newsletter | June 30, 2022

Dear Clients,

We hope that you are all doing well as summer begins here in the Northern Hemisphere though we recognize that for many of you there is a heightened degree of anxiety, we hear and see this in a lot of places and with a lot of people. While the initial impacts of the pandemic are subsiding in many parts of the world, in their wake instead of the relief and joy that many have anticipated, it seems that the world is facing a whole new set of big challenges before we have had time to recover.

Instead of COVID statistics, the news headlines are focused on inflation, rising interest rates, falling stock markets, war, food shortages, political upheaval, rising gas prices, airport delays and cancelations, supply chain snarls and, still lingering, are rising COVID infections, continued strict measures in China, and more and more talk of a possible recession. As if this is not enough, we are being told that the US stock markets have had the worst start of a year in over 50 years. Wow, this sounds bad – is it really?

Health of ourselves and our loved ones is of course of primary importance and so too is the financial security of a job and/or savings, investments, and pensions. While some expenses are certainly going up, good jobs remain plentiful, COVID's impact on the health of the population and health care systems is waning and if you are a long-term investor, your accounts have been set back to the level of about the beginning of last year, which is after a relatively long period of solid growth.

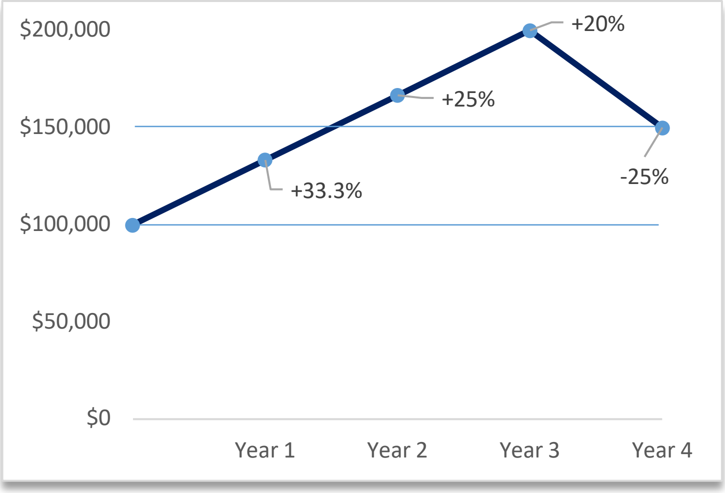
At White Lighthouse, our role is to help our clients make good decisions centered around personal financial planning and investment management. Alongside of that, we aim to help reduce stress around money, investments, taxes, and many other important areas. While we often talk and write about market declines and always want you to be prepared for a 20% downturn or more (these do happen about once every three years or so), we recognize that even if you are prepared, this can still cause anxiety. In our many client conversations, of course people recognize what is going on in the stock markets and their investment accounts, and most of you are taking this in your stride the same as in prior downturns. As always, the team at White Lighthouse is here to help you whenever you need advice or just want to talk about the state of the world and how this may impact you.

In the newsletter below I am going to cover a lot of topics, many of them are related to the world economy directly or indirectly and I will do my best to present this in a balanced view. For those of you who are new to White Lighthouse (all prior newsletters are available on our client portal), my biases tend to be that I am contrarian first and optimistic, with a healthy dose of realism. I don't fit nicely into any political definition other than a great disdain for the extremes.

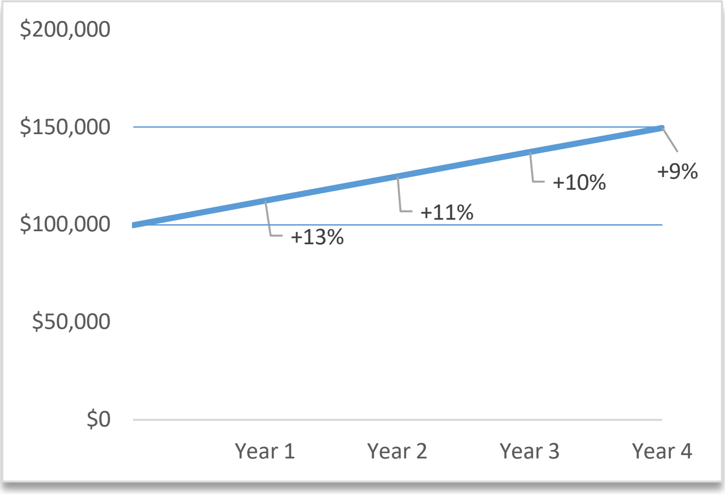
One of the primary goals of the newsletter is to be informative. I try and make sense of what is going on in the world and to answer perhaps the most common question I receive is.... What do you think about "________________" where the blank tends to be some big happening in the world and how this will impact the economy, the stock market and ultimately us, as individuals. I am not afraid to have an opinion and know very clearly that in talking about the future, nobody really knows what tomorrow will bring, though a healthy understanding of the economy as well as probability and statistics can point us towards some likely outcomes.

One final thought on investment gains and losses before diving into the details of the newsletter. Let's look at a hypothetical four-year time frame of an investment account that starts at a value of $100,000.

In scenario 1, years one, two and three bring returns of $33.3k each, bringing the account value to $200,000 and then in year 4, there is a 25% decline taking the account value down to $150,000.



In scenario 2, each of the 4 years brings a return of $12.5k per year, and so by the end of year 4, we also have $150,000.



Of course, investment returns are never this predictable. We know that the result is the same after 4 years, a 50% return on investment from $100,000 to $150,000. However, most people will feel much better in scenario 2 than in scenario 1. In the first scenario there will be a large sense of loss. Even though many of us will say this is just a "paper" loss and logically we know the outcome is the same, the feeling of loss is also very real. As humans, we are not naturally great at statistics (even when we understand them).

The psychology of money, investment risk, gains, losses, expectations, and the whole field of behavioural finance is fascinating, evolving and at the same time very personal for each of us. The approach we take to investment management and advisory is very personal and rooted in best practices in an uncertain world. We are hopefully keeping you prepared for uncertainty and, we are there to help you try and make good choices based on today's information and tomorrow's uncertainty.

We hope that you enjoy the newsletter below and as always, please reach out to anyone on our team with personal questions or suggestions on any topics you may like to see in future newsletters.

The Stock Markets

The S&P 500 ended the second quarter down 20.6% year to date and the Nasdaq ended the quarter down 29.5% year to date. From recent peak to trough, the S&P 500 dropped almost 25% and the Nasdaq dropped about 35%, both clearly in a technical bear market, defined as a 20% or more drop from a recent high point. Some individual companies have dropped 50-70% in value or more, these are some steep drops.

There are a lot of factors that go into stock market valuations. Though, what you are buying is the future earnings of companies, discounted back to today, making company earnings and the "discount rate" which is derived from the Fed Funds rate two of the most important components of valuations. Investors use the information that they know (history) combined with their best guess about the future. This information is not only about company earnings though, but it is also significantly influenced by the US Federal Funds rate (which is used as an input to determine the discount rate) as well as the sentiment of investors on many topics including the world economy, political stability, tax policy as well as other comparative investments (e.g. bonds, cash, gold, etc.).

The primary driver of the rather heightened stock market volatility today is the uncertainty about how high the Federal Funds rate will go and ultimately how much it will impact inflation and then corporate profitability. The last several years this has been close to 0%, and now with high levels of inflation, investors are concerned about how high the rate will go. Once this becomes clearer, volatility in the stock markets [the VIX is the most common measure of this volatility and can be followed on most major financial web sites] will subside and stock markets will likely be able to return to sustainable and less volatile growth. Look for the VIX falling below 20 and approaching 15-18 or so and if it remains there for several weeks, this will be a good sign that investors have calmed down and feel more confident and certain about the future.

The Federal Reserve – Interest Rates

The Federal Reserve's primary mandates are to promote the sometimes-competing goals of maximum employment, stable prices, and moderate long term interest rates. In our previous newsletter (available in the public folder of our client portal), I discussed the "dot plot" and so will not repeat a description of this forward-looking interest rate chart here other than to say that as of the last Fed meeting in June, Fed governors expected, according to the dot-plot, that interest rates will rise to about 3.1% in 2023. The Fed funds rate started the year at .25% with increases of .25%, .5% and then a “surprise” .75% increase in March, May and June respectively taking the current rate to 1.5% to 1.75% today. Chairman Jerome Powell has very recently been taking a tougher posture on inflation, so the market expects a quick move from 1.75% to 2-5 to 3% in the coming month or two. Bloomberg reported just last week though that the traders in the markets are already anticipating the next Fed funds rate decrease, yes decrease, of .25% less than a year from now, anticipating that once inflation is under control, the Fed will do what they can to prevent a recession.

The Federal Funds rate has been one of, if not the most important economic statistic to drive asset valuations of the last ¾ of a century, though the last decade there has been a strategic shift at the Fed with the implementation of the dot-plot in 2012. So now, it is not so much the actual Fed Funds rate that matters as much as what it is expected to be in the near future. By advertising this into the near future, the Fed hopes to minimize unpleasant surprises to the market. While this is considered useful information, the Fed still attracts their share of criticism in being slow to react to changing trends and the markets certainly are experiencing their share of Fed induced surprises adding to recent volatility. If you are interested in a more detailed description of Monetary Policy, of which the Fed Funds rate is just one component, this high level article from The Balance will tell you more about the Fed’s policy tools.

Inflation

So, if markets are volatile because of the Fed funds rate uncertainty, why do we suddenly have this uncertainty and when will it subside? After several decades of relative price stability and low inflation rates around the world, the spike of inflation in 2022 caught many people by surprise. A whole generation of finance professionals and consumers alike, in developed economies at least, has a very vague memory of inflation ever being a problem.

Inflation, defined simply, is the decline of purchasing power of a given currency over time due to price increases. Inflation tends to happen due to an increase in the supply of money leading to increased demands for goods and services, 'Economics 101'. Too much money chasing too few goods and services. Inflation in 2022 has caused a confluence of factors building slowly over the last several years which are primarily ultra-loose monetary policy, lower interest rates, (most recently implemented to try and prevent a COVID induced recession), high levels of employment (lots of savings and income for consumers to spend), post COVID supply chain challenges and more recently supply shocks to oil, natural gas and food, related to the war between Russia and Ukraine.

It is often repeated on Wall Street that the best cure for high prices, is indeed high prices, as this tends to shrink demand. The Fed is trying to accelerate this process with interest rate increases, but there is only so much they can do. The Fed cannot control the amount of oil pumped, the configuration of supply chains and many other inter-related factors. Once it appears inflation is moderating and under control, relatively, this will give more certainty to interest rates and thereby lead to less market volatility.

Corporate Earnings

So, in the last few sections we have discussed the key items around the discount rate in company valuations, how about company earnings. In 2021, the S&P500 earnings were up over 50%, an enormous increase. One of the big questions on investors' minds is, "Can these earnings be sustained?" Every day for the last several months financial pundits have been predicting an “earnings recession” saying that company earnings levels will have to come down. This quite frankly remains a tug of war. During the big market downturn of 2020, investors expected COVID-induced shutdowns would lead to a huge decrease in company earnings. Alas, when it became clear that was not the case, the stock markets quickly rallied off their lows. This time, we are in a much slower moving cycle on how inflation, interest rates, and company profitability will be impacted and so this slow-moving cycle is why it feels like it is taking a long time to get to market stability.

So, here comes one of my favorite articles (sorry it is behind a paywall) , as a contrarian, of the last few months. The Bloomberg article of June 23rd is entitled "Analysts Are Very Sure of Profit Estimates Everyone Else Hates”. The article starts, “If there’s anything approaching a consensus opinion in the market pundit class, it’s that estimates for S&P 500 earnings are too high. Some newly unearthed data suggests that may not be true.” The article goes on to state that analysts have actually increased their expectations of profit growth of S&P 500 companies to an average of 10.6% for 2022, up from 10% a month ago and 8.7% at the start of 2022.

How is the possible? There are thousands of analysts covering hundreds of companies, can they all be that wrong? While a recession is certainly possible and revisions of company earnings may come (they happen all the time both up and down), many companies are benefiting from higher prices, they have a strong degree of control over certain marginal costs (e.g., labor) and the underlying economy is strong with unemployment staying at a very low level.

Over the coming weeks, we will start to see companies reporting their quarterly earnings and giving outlooks for the rest of the year. Expectations from investors are that the results will be bad, so a positive upside surprise, which affirms analyst expectations, could be a major component leading stock markets higher. This, of course, is not a foregone conclusion, but something we will be following closely in the news. Managers tend to be good at making money for companies and on average beating estimates…This earnings season and forward guidance on investor calls will be one of the most closely watched in a long time…This summer’s news cycle will not be quiet.

Everything Else Impacting the Global Economy: Ukraine and Russia, China, “post” COVID hangover, Oil and Energy, Food, The US Housing Market

While interest rates, inflation, and corporate earnings remain the key drivers of stock market valuations, the sentiment driving this year’s market downturn is being exacerbated by several other key factors.

The war between Russia and Ukraine has entered its fifth month and despite the valiant efforts of the Ukrainians, supported by ever-increasing amounts of weaponry from their allies, Russia continues to capture territory in Eastern Ukraine with a high cost to both sides. A week ago, the European council granted Ukraine candidacy status to join the European Union. If this leads to future membership, the economic impact will certainly help Ukraine to rebuild. However, before that can happen, almost certainly, a negotiated peace must take place. At this stage it is hard to see what that will look like. Will the Ukrainians be willing to give up territory in exchange for peace? For how long? Will the West continue to try and isolate the Russian economy, and will this even be effective with China, India and others not joining in trying to isolate the Russian economy?

The war has certainly had a major impact on energy and food prices as well as trade flows. Supply chains are adjusting dramatically. Oil has been coming down in price during June and is about 20% higher than the start of the Ukraine war but down by 10% from its recent peak. US production is increasing, OPEC production is increasing, and it is likely that even Iranian and Venezuelan oil will increase flows as Western sanctions are likely to subside due to inflation concerns. Russian oil exports seem mainly to be increasing and shifting to different parts of the world. There are a lot of reasons why oil prices could come back down, significantly, by the end of the year. Interestingly, Warren Buffet's Berkshire Hathaway has been significantly increasing their investments in Petroleum companies too; despite the push towards clean energy, oil companies will certainly be around for many more decades.

Grain exports from Ukraine have been blocked on the Black Sea, adding to food price inflation around the world. Bloomberg reported earlier this month that palm oil, wheat, corn and soy have all fallen significantly. Corn is at its lowest price since March, soy has fallen to its February low point, wheat has fallen to its lowest point since April and palm oil has erased all its gains in 2022. Prices tend to fall more slowly than they increase, but it appears that food price inflation is also set to be easing in the coming months as commodity prices are well-off their recent highs. Good weather and large harvests in several parts of the world are also having a positive impact. The decrease in the commodities prices for foods should also help to alleviate recent inflationary pressure, with food and energy being two of the largest and most noticeable sectors impacting consumer inflation.

With interest rate expectations going up significantly, the average 30-year fixed mortgage in the US has reached almost 6%, more than double what it was at the beginning of 2021. Mortgage rate increases were a major contributing factor to the financial crisis, though this time is quite different in that a far higher percentage of homeowners have fixed rather than variable rate mortgages.

Where this is likely to have an impact though is the pricing of real estate. Some markets in the US have seen massive price increases and already now the amount of sales activity has dropped off considerably. The housing sector is of course of vital importance to the economy. Price declines in the US are likely to be shallower and shorter lived than the last housing downturn; there is still a considerable undersupply of single-family homes. If you are looking to buy in the US in the next year or so you may benefit from a price reduction and less competition with high interest rates, though I would expect that within in year or so, it will already be time to refinance when rates will likely start to fall back again.

US News

In case you have only been reading about inflation, interest rates and the stock market in the domestic US news, there is a lot more going on. Some of these changes will have more impact on you and your families than others; now as COVID is subsiding it seems there has been a pent-up demand for all branches of government to get things done. Sometimes gridlock in government is good…other times less so.

Let's start with the practical. The Secure Act 2.0 is working its way through Congress and is likely to be enacted soon; this will impact your retirement planning in several ways if you are a current or former US taxpayer. While the law has not changed yet, here are some things that are very likely to change:

1. The age of required minimum distributions, now 73, would go up to 74 in 2029 and 75 in 2032. Longer tax deferred growth!
2. More part-time workers in the US would become eligible for 401k plans
3. 401k Catch up contributions may rise to $10,000 for participants in their early 60s (exact age to be determined).
4. Employer 401k Matching funds would be able to be used towards paying down Student Loans.
5. A new national database would be created to help people find "lost" retirement accounts.
6. Expand 403(b) plans design features to make them more comparable to 401(k) plans

Once the Secure Act 2.0 is finalized and passed into law, we will continue to inform you of the implications this may have to your retirement planning.

Legislation like Secure 2.0 is easy to remain hidden with all the other headline grabbing issues. In the wake of yet another mass shooting at a primary school, the US Congress for the first time in decades passed a bipartisan law on gun control. The legislation will impose tougher background checks for younger buyers and increased spending on mental health treatment; though many would say the legislation has not gone far enough. On June 24th, The Supreme Court overturned Roe vs Wade, removing the US Constitutional right to abortion, leaving the US states to deal with abortion rights on an individual basis. A patchwork approach to abortion across all 50 states seems like a rather poor way to regulate this very important issue; perhaps Congress instead of the Supreme Court leaving it to each state would be a more appropriate place to legislate. To capture the will of more people and dial down the intense partisanship across the country, it would be nice to see both main parties embrace the center where the quiet majority of the population still reside.

In June of 2021, the House of Representatives passed a resolution to form a committee to investigate the January 6th attack on the Capital, which was a direct result of former President Trump's attempt to overturn the 2020 US Presidential election. The events leading up to January 6, 2021, were certainly one of the biggest threats to the stability of the United States democracy, and peaceful transfer of power, in almost 250 years of democracy. After the hearings are concluded, it will be very interesting to see if the Attorney General decides to indict former President Trump or any other players. With the US mid-term elections coming up in November, marking the halfway point of the Biden Presidency, US political risk is indeed increasing.

For those of you looking for a "political" angle from me on any of these issues, I am going to pass. While I like to read intensely on many issues and I have clear opinions, personally I don't identify closely with any political party and the extremes on all sides are indeed worrying. Like many of you, I wonder if our governments can find a way to work more collaboratively on issues, attract more qualified people and focus more helping to improve society. The corporate sector in the US remains highly influential. Companies large and small in the US continue to wade further into political and social issues. Will this trend be able to simultaneously help to solve social issues while also improving shareholder and stakeholder outcomes?

The US capital markets remain the largest in the world, home to hundreds of the world's largest and most profitable and influential companies. What happens in the US tends to have an outsized impact on the world. I remain hopeful that the noisy democracy will ultimately lead to better outcomes. I encourage everyone to remain engaged with their government at the least by voting and beyond that working and volunteering on issues that you find important.

The Swiss National Bank - Interest Rates, USD to CHF Exchange Rates and Swiss News

On June 16th, for the first time in 15 years, the Swiss National Bank (SNB) has raised interest rates from -0.75% to -.25% in a surprise move, just after the Federal Reserve raised rates by 75 basis points. In hindsight, I guess we should not be too surprised. The SNB would love to have rates that are no longer negative and with the US slated to raise rates again, we should expect Swiss rates to creep past 0% to the positive side later this year.

I have been postulating that ever since the Swiss de-pegged the Franc from The Euro in 2015 that they have been pegging approximately the range of .92 to .98 to the US dollar. They have also been very active investors in the world's equity markets, including the US and it seems they sold a tremendous amount of US stocks on June 16th too as part of their comfort of strengthening the Franc from about parity back to around .95 to .97.

We are always reluctant to try and time any markets, though many of us do (or try) when we are having to exchange currencies. While it is impossible to tell, I would anticipate that the SNB will continue its policy of range pegging to the USD, so if/when you see rates over .98 or so, it is a good time to buy CHF if you are selling dollars…At least for the time being it seems that way.

Other impacts of the change in rates in Switzerland will be both good and bad for consumers. If you like to keep a lot of Swiss Franc cash, the negative interest rates that banks charge should continue to drop and then disappear as rates go to 0% and then higher at the SNB. On the negative side, increasing rates tend to make mortgages more expensive and drive the cost of housing down. We have seen sharp rises (albeit from very low bases) in mortgage rates in both the US and Switzerland. I would anticipate that this will continue for at least another 6 to 12 months.

If you are a high earner (with an income over 12,350 CHF per month) in Switzerland, some good news on the tax front. Starting in 2023 the "solidarity surcharge" will go down and so both you and your employer will pay 0.50% less on wages above 12,350 CHF per month.

In early June, a new law in Switzerland means that hotels in Switzerland will be able to undercut prices that they have when they are listed on travel platforms such as Hotels.com and Booking.com. These sites in most places, in their contract, don't allow hotels to do this so that they can maximize traffic and commissions through their sites. So, when booking a hotel in Switzerland for yourself or friends and family going forward, you can soon expect to save money by booking directly on some hotel's own websites.

Cryptocurrency

We still get a noticeable number of questions about "investing" in cryptocurrency and with the latest market turbulence, this seems a good time to share, again, my thoughts. At White Lighthouse, we do not make cryptocurrency investments for clients, and we have no plans to add this as an "asset class." For any client who would like to buy cryptocurrency with the hope of selling it to someone else at a higher price, we strongly recommend that you buy only an amount that you are willing and able to comfortably lose, much the same with any highly speculative endeavour.

Using Bitcoin as a proxy for the crypto market, if you had bought this at its peak, you would be down about 70% at the moment though if you had bought it at under $10,000, you would have more than doubled your value. This WSJ article does a good job of describing the current state of the crypto market and explain the recent "meltdown". Crypto, and Bitcoin specifically, does not seem to be living up to the inflation hedge and non-correlated asset class that many of the crypto evangelicals have been touting; it is not ironically all that decentralized either with more and more power in the market accumulating to just a few firms.

I think blockchain technology is indeed interesting and will have many useful commercial applications, but as a replacement of traditional money, I think it has too many weaknesses. As I have previously stated in this newsletter, if governments adapt similar features to their currencies and, of course, retain the taxing authority of companies and individuals, the ability to legislate and regulate and if crypto trading resembles more of a casino than a true marketplace, it will never grow beyond a niche tool for exchange of value.

The Bank of International Settlements in Basel just recently published a report suggesting how digital versions of today's real currencies could adopt many of the best features of the crypto world, while leaving many of their weaknesses behind. Central banks and government institutions do seem much better equipped than the crypto world to achieve the stability, efficiency, integrity, and accountability that is needed in the global financial system.

It is unlikely that all cryptocurrencies will disappear (many certainly will) but for them to achieve parity with the world's major currencies seems unlikely. If you enjoy buying, holding, and selling crypto – have fun! Just don't risk your retirement savings doing so!

Interesting links from this newsletter:

Cboe Volatility Index (VIX) - investopedia.com

Click to read

Monetary Policy Tools and How they Work - The Balance

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Bloomberg

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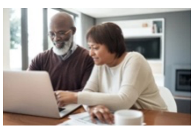
Analysts Are Very Sure of Profit Estimates Everyone Else Hates - Bloomberg



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Congress Considers 'SECURE act 2.0' with a New Round of Retirement Plan Fixes - SHRM

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US House Select Committee on the January 6 Attack - Wikipedia

THE LOCAL ch

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High Earners in Switzerland to Get Tax Cut from 2023 - TheLocal.ch

White Lighthouse Investment Management (WLIM) Information

Congratulations to Otto Rivera who has passed the rigorous CFP® exam, his final step in achieving the Certified Financial Planner™ certification. We are all very proud of Otto, who has been taking courses and studying very hard in preparation for the exam. White Lighthouse now has 5 CFP® professionals on our team.

Effective July 1st, 2022, we are subject to yet another new regulation that will affect any clients who would like to transfer US retirement assets to our management; this includes IRAs, 401ks and any similar type of US retirement plan. This time instead of the SEC, it is the Department of Labor. What it will mean for you, as clients, is that we will have to ask you for more documentation before a transfer so that we can do an analysis, present the information, and give you a recommendation; you will then have the option to sign and consent to the transfer or not. We will also be required to perform an annual internal audit. The potential penalties for non-compliance border on the draconian for both the firm and the client and so you can be sure we will be complying.

American Citizens Abroad

As many of you know, I have been a long-time volunteer for and supporter of American Citizens Abroad (ACA) as their mission aligns well with the interests of a large part of our clients and their families. ACA's mission is to "Educate, Advocate and Inform" on issues related to overseas Americans and is a non-profit, non-partisan organization that has also become an important resource in Washington D.C. for members of Congress, the Treasury Department, the IRS and the Joint Committee on Taxation.

In April 2022, ACA completed a second study on the economic impact of the US adopting a residency-based approach to taxation (rather than the current citizenship based model) based on analysis prepared by the District Economics Group. ACA is continuing to generate interest in the legislation and is currently in the process of encouraging Congressional Hearings, which would be the next logical step before legislation is introduced into Congress. At this link through the ACA website you can contact your member of Congress in support of holding hearings on this important issue. ACA is also a founding member of The RBT Coalition of Organizations, also including White Lighthouse, who is encouraging Congress to address this important matter.

Another topic affecting overseas Americans, where there is also a write-in campaign, has to do with attempting to repeal the Windfall Elimination Provision. Some overseas Americans who receive a foreign pension may have their US social security payments reduced due to their foreign pension. For more information and to access the write-in campaign, please go to this link, also on the ACA website.

At White Lighthouse we are very experienced with US social security and Medicare issues that may impact your retirement and so if you have any questions, please don't hesitate to get in touch on these important planning topics. We thank our many clients who are also supporters of ACA!

Market Wrap up for the 2nd Quarter of 2022:

Index	Quarter	Last 12 months
S&P 500	↓ 16.4%	↓ 11.9%
Dow Jones	↓ 11.2%	↓ 10.8%
Canadian Market	↓ 14%	↓ 6.5%
Swiss Market Index (SMI)	↓ 11.7%	↓ -10.1%
FTSE	↓ 4.6%	↑ 1.9%
DAX	↓ 11.3%	↓ 17.7%
CAC40	↓ 11.1%	↓ 9.0%
Shanghai Index	↑ 4.5%	↓ 5.4%
$USD against CHF	↑ 3.4%	↑ 3.1%
$USD against €Euro	↑ 2.0%	↑ 8.7%
Federal Funds rate 1.50-1.75%		

Conclusion

Thank you very much for taking the time to read the White Lighthouse quarterly newsletter. Wishing you all a wonderful summer holiday!

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 2nd working day of each quarter and will be copied to your private folders. Historical reports are also retained. The completion of the quarterly reporting is announcement but a short e-mail where you will also find the quarterly newsletter attached. Additionally, every client has on-line access and receives paper or electronic account information directly from the custodian bank or brokerage firm where the accounts are established. If you notice any discrepancies or have any questions on our reports, please be in contact as soon as you can, and we will research the questions.

White Lighthouse Investment Management does not hold custody of your assets and receiving reports both from us and your custodian is for your protection.

In addition to quarterly reporting other information available on Sharefile is:

a. Prior Newsletters
b. The latest ADV forms filed with FINRA for both Individuals and the Firm
c. Privacy Policy
d. Trade Errors and Proxy Voting Policies
e. Proxy Votes
f. Reference Material (e.g., how to read our reports)
g. Clients may also store information in their private folders, especially if this is information, they would like me to keep on record.

If there is any other information you would like to see in the Public section of this system, please let us know.

2. Annual Privacy Policy & Form ADV Brochure Updates

The SEC (US Securities Regulations from the Securities and Exchange Commission) requires us to circulate, at least annually, our latest Privacy Policy and to inform you that our ADV Part 2 Brochures are available. You may request any of these documents in electronic or paper format. We will leave our Privacy Policy at the end of this reference section in each newsletter and allow this to serve as a regular reminder of our updated ADV forms. These filings change periodically throughout the year and for any material changes we will also announce them in our newsletter.

In the United States, if you would like to read additional disclosure and background information on any investment advisor, broker or firm, you can find more information at this link: http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx

3. US taxpayers – with non-US Financial Accounts – FBARs (Foreign Bank Account Reports)

October 15th is the annual deadline for filing of the FBAR reports for US citizens who have non-US financial accounts worth more than $10,000 at any time during the year. For Overseas Americans, this form seems rather intrusive, but it is mandatory and the fines for failure to file and failure to report income from these accounts are severe. The FBAR form is being replaced by the new form FINCEN 114.

Starting back on July 1, 2013, these forms must be submitted electronically, paper versions of the forms will not be accepted in the future. Please check with your tax preparer to see if you or they will be filing the FBARs for you. Below are some links where you can read more. The first one is ironic. The place that you go to file your forms is headed by "Financial Crimes Enforcement Network"; as though having accounts overseas makes you guilty until proven innocent by filing your forms:

> FINCEN link – Where forms can be filed:
> http://bsaefiling.fincen.treas.gov/Enroll_Individual.html
>
> IRS Announcement:
> http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Report-of-Foreign-Bank-and-Financial-Accounts-%28FBAR%29

4. Annual IRA Required Minimum Distributions (RMDs) for US Citizens over age 72 (formerly 70.5 and for individuals who turned 70.5 in 2019 or earlier)

Most US taxpayers who have IRA, 401k, 403b or similar accounts will be required to make an annual distribution by December 31st from their accounts or face a 50% penalty of the required amount from the IRS. For many of these accounts the broker will calculate the RMD amount for you and remind you about making the distribution. We can help to manage this process for you and arrange for the distributions to be sent out by check, transferred to a bank account, or transferred to an investment account. We generally make these distributions, unless otherwise requested or needed for income, in the 4th quarter. Monthly, quarterly, or on-demand distributions can also be arranged.

RMD amounts are re-calculated each year based on the account value on December 31st and IRS tables related to the ages of the account holders. Some accounts (e.g., inherited IRAs) often do not have RMD calculations from the broker since these can have somewhat more complicated distribution formulas. Other accounts such as Roth IRA's are not subject to RMDs.

If you have any questions about Required Minimum Distributions, please let us know.

5. Annual IRA Contributions for US Citizens with earned income

If you are a US taxpayer with earned income in 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.

White Lighthouse
Investment Management

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

White Lighthouse Investment Management, Inc.
Business Continuity Plan 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 .**Error! Hyperlink reference not valid.** and contact another member of the team. If you cannot access us through either of those means, please contact your custodian or use your on-line log in to access your accounts.

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

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

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

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

Customer Relationship Summary

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

What investment services can you provide me?	We offer investment management, financial planning, and comprehensive wealth management services to Individual investors. Our specialty is serving international clients and global families including overseas Americans, non-Americans living in the United States and clients who require a global perspective. In order to provide investment management services, we conduct a discovery process to understand the clients' income and net worth, their goals, risk tolerance and other factors that inform the investment policy that guides the design and management of clients' portfolios. We create diversified portfolios with a custom designed asset allocation mostly composed of low-to moderate cost, high quality, liquid investments, mostly in the form of exchange traded funds from companies like Vanguard, BlackRock (iShares) and others though we may use or retain individual securities, mutual funds and bonds. We recommend the opening of securities brokerage and retirement accounts through independent custodians and use their trading platforms to manage investments. We do not work with annuities, insurance products and do not facilitate alternative investments like hedge funds, private equity and direct real estate holdings. We monitor our client accounts and investments every three months at a minimum and provide more frequent monitoring as needed or in agreement and coordination with the client. Our clients have the option to give our firm discretion to buy and sell securities on their behalf according to a mutually agreed asset allocation in the client's best interest. This authority can be given by the client at the start of the relationship and it will be active until a time where the client decides to withdraw it and notifies us. If the client decides not to give our firm discretion to buy and sell securities on their behalf, they need to understand that it is them who make the ultimate decision regarding the purchase and sale of investments. We provide financial planning services such as tax, retirement and estate planning, with a focus on US cross-border issues, either on project basis for clients who we do not manage assets, or on an ongoing basis for investment management clients and wealth management clients. Examples of specialized financial planning services include outbound and inbound US planning due to international relocations, business planning for professionals and owners with operations in multiple countries; rental real estate planning in and outside the USA; expatriation(surrendering US citizenship or green cards) and naturalization planning; estate and tax planning for beneficiaries of foreign trusts or complex structures and tax compliance review, including IRS international compliance programs. We have a minimum annual fee of $7,500 for new clients though the minimum may be higher or lower based on service level or special circumstances. For additional information, please see our website at www.white-lighthouse.com and Form ADV 2a.	***Conversation Starters:*** *Given my situation, should I choose an investment management service? Why or why not?* *How will you choose investments for me?* *What is your relevant experience, including your licenses, education and other qualifications?* *What do these qualifications mean?*

What fees will I pay?	For on-going investment management services, clients will pay (quarterly in arrears after the end of each calendar quarter) a percentage of assets under management and/or a fixed fee. In some cases, the client will only pay a fixed fee. For Project work, clients will only pay a fixed fee or an hourly fee. If you are charged a percentage of assets under management, the more assets that are in your account, the higher your fee will be and the firm and individual manager may therefore have an incentive to encourage you to increase the amount of assets in your accounts under our management. All White Lighthouse fees are stated in the contract for services. There are other costs to clients associated in working with us that could include custodian fees, trading fees, interest, wire or asset transfer fees, tax reporting fees and product level fees such as the fees charged inside of an exchange traded fund or mutual fund More details on our Fees can be found on our ADV 1 Section 5E, ADV 2a Pages 4-6 and on our web site www.white-lighthouse.com/pricing You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.	***Conversation Starters:*** *Help me understand how fees and costs might affect my investments. If I give you $10,000 to invest, how much will go to fees and costs and how much will be invested for me?*
What are your legal obligations to me when acting as my investment manager? **How else does your firm make money and what conflicts of interest do you have?**	When we act as your investment manager, we must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money is charging fees based on a percentage of the amount of assets under our management. This creates some conflicts with your interests. You should understand and ask us about these conflicts because they may affect the recommendations or advice, we provide you. Here is an example to help you understand what this means: If we recommend you to move money or financial securities into an account that we manage the more the account will be worth and the higher your fee will be. More specifically, if we make a recommendation to rollover your employer retirement plan into an IRA account managed by our firm your fees paid to us increase since we will be managing more assets. We are fiduciaries under ERISA and follow these special rules. See form ADV 2A - Retirement Account Rollovers. Our firm does not receive compensation based on recommendations of products or any other advice or services. The firm does not have or offer any kind of proprietary products.	***Conversation Starters:*** *How might your conflicts of interest affect me, and how will you address them?*
How do your Financial Professionals make money?	Our financial professionals are compensated through a salary and/or direct revenue earned by the firm from the clients the advisors service and may receive standard benefits such as health insurance, retirement fund contributions and expense reimbursement for normal and customary business expenses. Investment managers therefore earn a higher salary directly based on the amount of investments they advise on or manage. When doing project work, our advisors may earn more money based on the time spent on a project. Our advisors do not earn any compensation based on products sold, sales commissions. Neither the firm nor the individual receive compensation based on recommendations of products or any other advice or services.	
Do you or your financial professionals have legal or disciplinary history?	No, none of our financial professionals have any legal or disciplinary history. Visit investor.gov/crs for a free and simple search tool to research us and our financial professionals.	***Conversation Starters:*** *As a financial professional, do you or anyone on your team have disciplinary history?* *For what type of conduct could an advisor get a record for discipline?*
Additional Information	For additional information about our services, visit our website: http://www.white-lighthouse.com/ If you would like additional, up-to-date information or a copy of this relationship summary, please call +1 508 471 4431 or e-mail Kathleen Quintero at kquintero@white-lighthouse.com	***Conversation Starters:*** *Who is my primary contact person?* *Is he or she a representative of a registered investment advisor?* *Who can I talk to if I have concerns about how this person is treating me?*