

Dear Clients,

We are heading into the last quarter of 2023; it indeed seems that time passes more quickly as we get older. It was only 4 months ago that the US lifted the COVID vaccine requirement for non-Americans, and now COVID seems to have woven its way into being a normal part of life and news, no longer anything exceptional. Sadly, the war in Ukraine, well into its second year also feels like a “normal” part of the news cycle, along with, the disbelief that the US Presidential elections, just over 13 months away, still seem likely to be a Biden-Trump rematch. This certainly does not feel like progress.

The economy and stock markets were relatively calm for most of the summer, other than some “excitement” around a temporary ~5% strengthening of the Swiss Franc which has since receded. Inflation is going down or stabilizing in most places, interest rate hikes seem to be close to their end and the international news is less about economic and more about geo-political concerns and extreme weather. Hopefully, the US Congress can stop making the news about their never-ending saga around funding of the US government, services, and obligations.

In this newsletter, again we will dive into the world markets, inflation, and interest rates. There is some commentary and analysis on the USD and CHF exchange rates, talk about Swiss Compliance (hopefully not to be revisited for a long time, we finally completed FINMA’s licensing ultra marathon), American Citizens Abroad, US tax planning, and more.

As always, we hope you find our quarterly newsletter entertaining and informative. I am fortunate to hear so much positive feedback from our clients every quarter, which gives me the inspiration and energy to continue writing so much content. While the world abounds in interesting subjects, it is sometimes challenging to know what you would find interesting to read about here. Odds are good that if you have a question or subject of interest, then many of our other clients do too, so please ask. The distribution is now in the many hundreds and many of you face similar challenges. Thank you!!

### **Markets, Interest Rates, Inflation, and Central Banks**

If you have been reading the last few newsletters, you have seen me dedicate a lot of space to stock markets, interest rates, and inflation. This past quarter however could be summed up as “relatively uninteresting” in the financial markets. Inflation is coming down, interest rates appear to be peaking, no really big moves in the markets, though as always issues simmering under the surface. I could really stop here in this section...but I know that many of you are interested in what I think is “going on” and where do we go from here, so here goes.

Central bankers are always uncomfortable. They are constantly caught between markets which are unpredictable and politicians, who are a lot less so. Politicians want stable prices and high employment for their constituents, so they can focus on other issues. If either of these is unstable, they ramp up pressure on central bankers. Central bankers have been at the top of the news for over a year now, generally when the leaders become household names; this is not a good time economically. So, their theatrical performances, broadcast around the world, have them talking tough on inflation ('we will raise interest rates even higher if we have to' and 'we will certainly keep them higher for longer than you think'), while remaining "data dependent". The problem for central bankers is that data is mostly "backward looking" and the "forward looking" data is really just best guesses about the future.... which, the longer you go forward, the less likely they are to be correct.

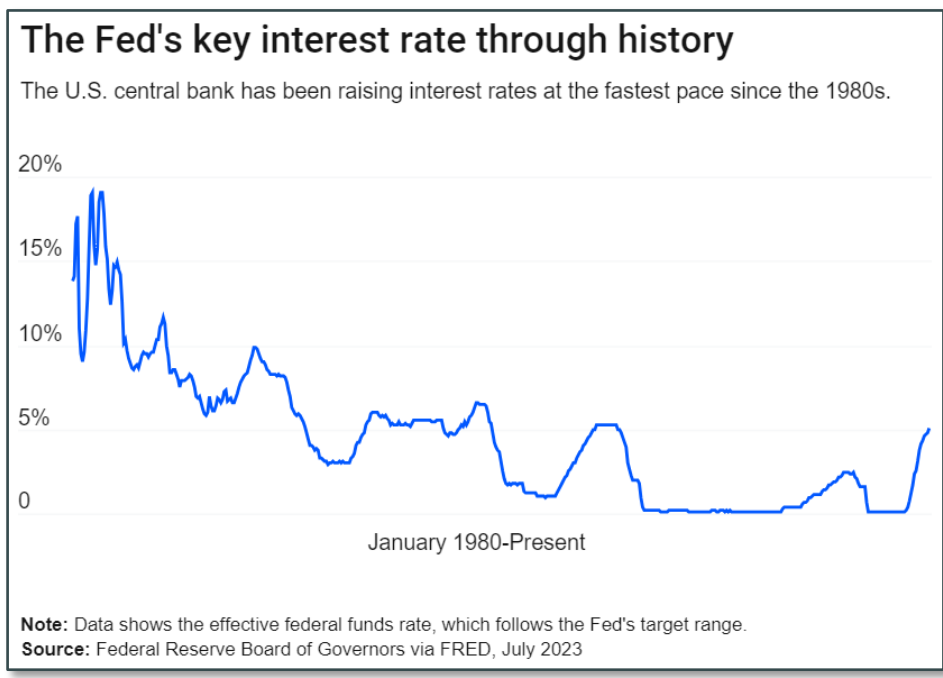
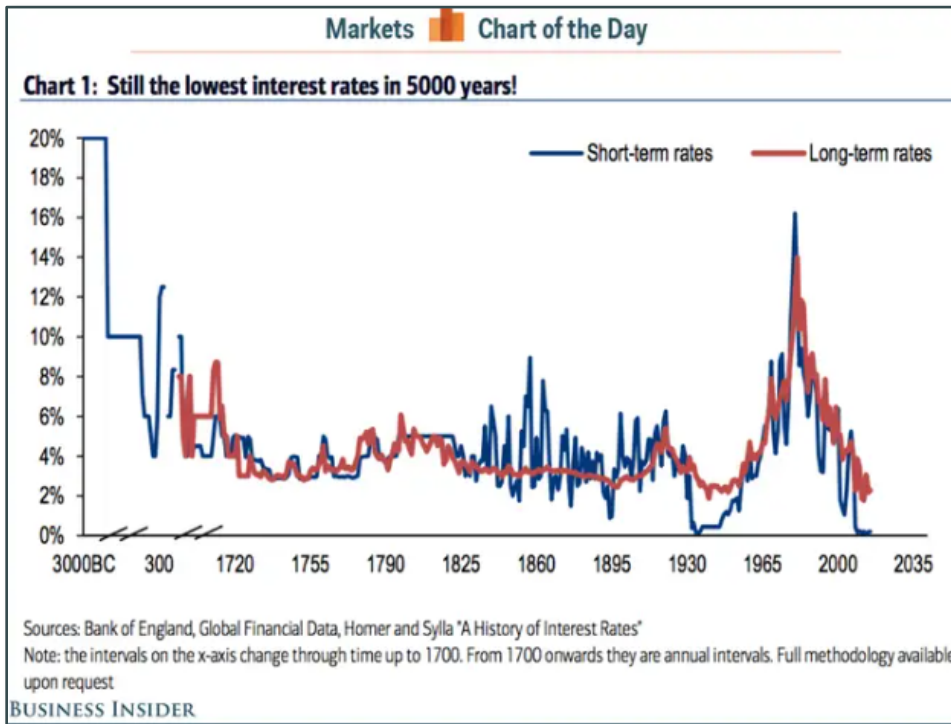
The data trends are all broadly moving in the "right" direction. Inflation is falling (this takes time), employment remains strong (bad for inflation), but wage growth and openings are falling, and more large companies are talking about layoffs. Corporate earnings, which have been declining every quarter for the past year, have likely hit a trough. Interest rates are likely close to the peak, and only well after it is clear that inflation is not a big threat, will rates start to fall. The economic cycle is well-known (mostly, though timing is hard to predict), when you have pressure to increase profits for shareholders, growth is slowing, and you can't raise prices, then, you have to cut costs...and employees are a relatively easy target. So far, this cycle, layoffs have been benign. Though I expect this to increase.

I tend to take predictions about the future with a grain of salt, though they do add value, especially on sentiment. One company that publishes interesting forward-looking data is Factset. Their earnings insight ([all 32 pages of it](#)), from late September, has the forward price to earnings ratio of the S&P 500 at 18, which is a bit lower than the average of the past 5 years (fairly valued). Further into the report, they state that industry analysts, in aggregate, estimate that the S&P500 will go up by 19% in the next 12 months. This is a somewhat lofty goal, but certainly not too far out of the range of likely possibilities. Since they aggregate data from the majority of industry analysts (a historically optimistic profession), the wisdom of crowds does have some inherent upwards bias. To reach something close to 19% growth in the next 12 months, we will likely have to see interest rates falling sometime in the next year, inflation continuing to fall close to the global, yet arbitrary "2%" target and corporate earnings showing a positive growth trajectory.

One final word on inflation and interest rates. I recently saw a headline in the WSJ of all places, that read "[Higher Interest Rates Not Just for Longer, but Maybe Forever](#)" and I was rather surprised that the author, Greg IP, was 59 years old (I was expecting someone much younger). When I see headlines like this, it's just these type of anecdotes (like gold in vending machines,

taxi drivers giving stock tips, and the Euro being accepted in Times Square), I look for when a market is peaking. Really, interest rates higher.... forever? I highly doubt this.

I decided to look at some historical charts on interest rates, and found the one below from Business Insider (originally from Bank of America Merrill Lynch), a [5000 year chart](#) and perhaps a more time relevant one, the Fed Funds rate since 1980:



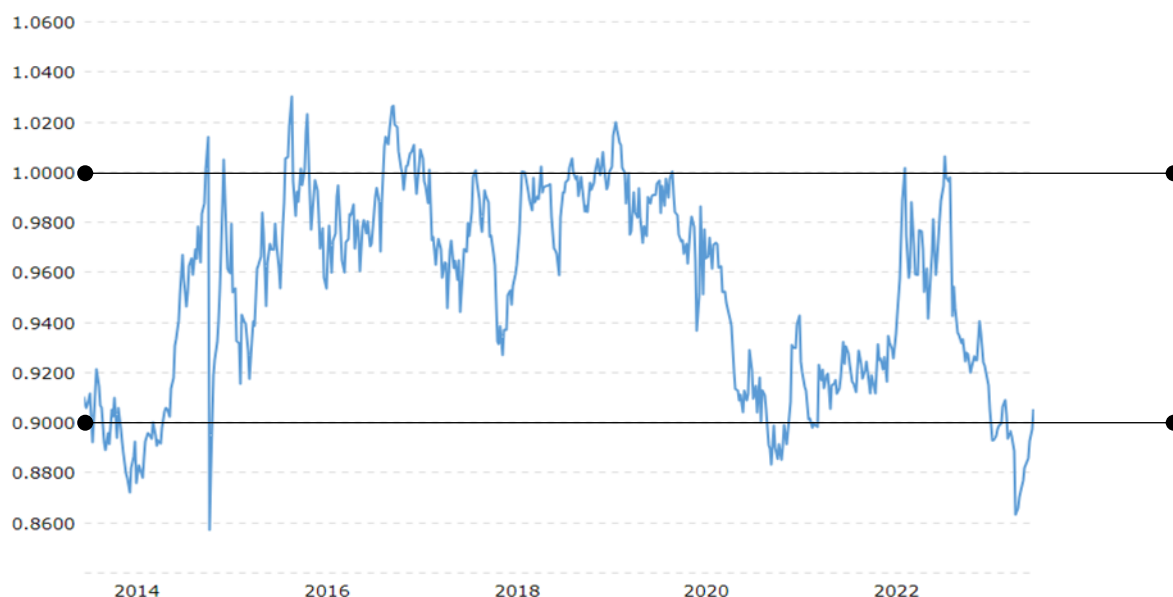
Interest rates have broadly been coming down over time, with periodic spikes generally represented by times of high inflation. While economic modelling is complex, I believe that technology, and in the last couple of decades, specifically software, have contributed a large and under-acknowledged role in keeping relative costs/prices low. I expect this trend to not only continue, but to accelerate, with AI, just the latest trendy iteration of driving costs down and business growth up. I expect to be writing more about technology in future newsletters, but in general, I think that we are likely to see inflation and high interest rates to be “transitory” at this high level, not in the couple of months sense, but over a couple of years and then we are more likely than not to see somewhat lower interest rates over the horizon.

Oops, not quite as short a section as I had hoped...when I start typing, sometimes I just can't stop....

## The USD versus the Swiss Franc – Strength or Weakness? Central Banks and the Swiss Housing Market

On September 21<sup>st</sup>, the day after the Federal Reserve had a very hawkish tone but held rates steady, the Swiss National Bank “surprised” the markets by holding rates steady at 1.75% rather than raising them to 2.0% as was expected by some. The European Central Bank just a week earlier had raised rates by 25 basis points to 4%, and other central banks, such as in Australia, also remain in limbo, with inflation rising there in August to 5.2%, they may not yet be done raising interest rates. In the case of the SNB, I was not surprised. As I follow the Swiss Franc and financial markets rather closely, the SNB has had an unpublished peg to the US dollar range of roughly .90 to 1.0 since 2015 (when the CHF was de-peged from the Euro) with the rate periodically jumping above and below those rates.

### USD to CHF the last 10 years



Normally when the USD has dropped below .90, it has been during an extreme market period, though over the last few months we did see the Franc dip below point .90 and down below .86 before recovering, yet for most market watchers, this summer was much calmer in the world. It was not at all like the previous dip during the start of COVID and nothing like the market shocking de-peg from the Euro. My hypothesis on what happened over the last three months is the following, and it mostly originates from the Swiss National Bank.

First, a little background on central banks: Unlike the US Federal Reserve who for many years now have taken a direct, informative, and open approach to data and prognostications of the Fed Governors, the Swiss National Bank takes a much more tight-lipped approach, keeping the markets guessing but being active and somewhat unpredictable. This approach has mostly served them well, and is needed as the SNB and the currency they protect, the CHF, comes from a much smaller economic base than the Fed, the ECB, China and Japan etc. (Their memory is still very clear on how George Soros, in 1992, [Broke the bank of England](#) and they are always trying to stay a step ahead of global traders.)

Central Banks play a lot of roles, and one is economic stability. One of their most widely watched and impactful tools is the control of the Central Bank's interest rate, which drives prices and valuations across the economy. As most of you know, the world's central banks have been aggressively raising interest rates, the most common method of trying to combat inflation, which has been at its strongest in about 20 years. Interest rates were starting from a point of close to zero or even below zero, like in Switzerland. Raising interest rates high enough eventually has had the impact of lowering inflation, but it also has a very direct impact on the cost of debt and, specifically, mortgage markets.

One of the most important markets in Switzerland is the Real Estate Market and it is, other than Swiss-based small businesses and Swiss Franc Bonds, one of the most popular places for investors and homeowners to borrow money and/or try to make investment profits purely in Swiss Francs. The Swiss National Bank is even more acutely aware of the value of this sector and institutional memory is very strong about another crisis in the early 1990s, the [Swiss Real Estate crash](#). The housing crisis then was essentially brought on by high interest rates and a weak economy. The SNB, already highly sensitive about the Credit Suisse failure and the biggest loss [in its history in 2022](#) of over 135 billion CHF (meaning a suspension of dividends, mostly to the Cantons for at least a couple of years) certainly does not want another housing crisis on their hands but, conditions abound that are similar to the 1990s.

So, what is a Swiss Central Banker to do when having to combat inflation (increase rates) and avoid another housing crisis (don't raise rates too high). I believe that Switzerland, as with many of their challenges, has at least temporarily, tried to export their inflation problem. How is this

done? Well, Switzerland imports a tremendous number of goods and services in Euro and USD. By allowing the CHF to strengthen by almost 5% over the summer, this means the cost in CHF of all of those imports is about 5% less.... voilà, CHF inflation comes down without raising interest rates further.

Now, my crystal ball is still as opaque as ever, but I do know that a “too” strong CHF temporarily can help, but in the long run, the strong CHF continues to make housing and services expensive for the entire country not to mention all the exports, the cost of multi-national executives based in Switzerland and the Swiss tourist industry. The SNB is walking a tightrope between the housing market and inflation and while I am hoping, too, for a soft landing, I do have some concerns. If global inflation continues to abate in the rest of Europe and the US, and the SNB does not have to raise rates further, I think we will see the CHF stay in the same relative range and housing...well, people will adjust to paying 3% (a more normal short-term rate) on mortgages rather than the sub 1% rates that too many people became accustomed to.

## US Tax Issues and Update

As the end of the year approaches, there tends to be an uptick in tax planning questions and deadlines approaching, here are a few planning items to consider and some changes on the horizon:

1. IRA contributions for tax year 2023 need to be made by April 15, 2024 – \$6500 is the limit for people under 50 and \$7500 if you are 50 and over.
2. Required Minimum Distributions need to be done by December 31 to avoid potential penalties.
3. Gifting to take advantage of annual exclusions needs to be done by December 31. \$17,000 is the limit to any individual; to a non-citizen spouse, the limit is \$175,000; and to a US citizen spouse, it is unlimited from the US. If you don't live in the US, other rules and taxes may apply depending on the recipient of the gift.
4. For 401ks, high earners (over \$145,000) who contribute more than \$22,500 to a 401k have a two-year reprieve (until 2026) when their catch-up contributions will have to go into a Roth 401k. This change under Secure 2.0 means more current year taxes for people who have been maxing out their 401k contributions.
5. The RMD age increased to 73 in the United States.
  - a. **NB for Swiss residents with upcoming IRA distributions.** We are starting to see some Cantonal tax authorities challenge taxpayers in Switzerland who wait until after age 70 to take RMDs, as 70 is the latest age that Switzerland generally

recognizes when taxpayers can take money out of retirement accounts or convert them to an annuity. We have heard that there is a tax working group based in Bern with several of the Swiss Cantons who are planning to come out with better guidance for Switzerland on the Swiss treatment of IRA accounts and will keep you posted as we learn more.

6. The US-Swiss income tax treaty, which we mentioned earlier, is under re-negotiation, but there has been little public information on progress since a February Bloomberg article.

If you are uncertain about making these or other tax planning moves before the end of the year, please contact anyone on the White Lighthouse team and we will be happy to review these any other applicable tax planning ideas before the end of the year.

### Interesting links from this newsletter:



Higher Interest Rates Not Just for Longer, but Maybe Forever - Wall Street Journal



[Click to read](#)

How Did George Soros Break the Bank of England - Investopedia



[Click to read](#)

Swiss National Bank's aggressive rate hikes will test market's resilience from Zurich to Geneva and beyond - capital.com



[Click to read](#)

What's the difference between a government shutdown and a failure to raise the debt ceiling? - Brookings



[Click to visit](#)

American Citizens Abroad



[Click to read](#)

Swiss National Bank Rebounds from 2022 Record Loss - SwissInfo.ch

### White Lighthouse Investment Management (WLIM) Information

I am very happy to announce that in early July, FINMA granted authorization to WLIM Sarl as a portfolio manager fully licensed in Switzerland. This has been a long journey which has seen over 30% of the Swiss firms drop out of the market and a little over 50% of the remaining firms have completed the authorization process; about 1750 applications have been received in total. The median firm has less than 3 full-time employees and 60 million CHF under management according to FINMA; what an incredibly long, expensive, and redundant process for mostly very small firms.

I would like to thank our clients for their patience in this process and their assistance in signing the many forms that we were required to ask you to sign. I am also grateful to the White Lighthouse back-office team and our compliance attorney Raphael Schindelholz at Bonnard and Lawson for working closely with me in this process. We sincerely hope that going forward, compliance

remains firmly in the background, necessary and integrated into our workflows, but not one of the primary activities of the company.

In other company news, after 13 years, I have decided to close our Lexington, MA office. With less than 5 client visits per year, it was really not worth keeping. So, I have made two office spaces in my Bedford, Massachusetts home where there is plenty of room to meet with clients for any of my team to work when they are visiting Massachusetts. Our new mailing address for the US office is my home at 5 Dutton Lane, Bedford, MA 01730.

In other office changes, we have finally (Thanks to Tina!) properly furnished the conference room at our Rue du Grand-Chêne 8 office in Lausanne where we welcome any of you to come and meet us as well.

As the White Lighthouse team is mostly remote, and based on both sides of the Atlantic, it is nice to get the team together and we had several opportunities this past quarter. In July, Kathy and Malina visited Lausanne to welcome Tina to our team. In September, Otto and John York attended the Financial Planning Association [conference](#) in Phoenix. Jonathan and Tina (and Michelle remotely) helped to organize two educational events, in Zurich and Lausanne at the end of September, on behalf of [American Citizens Abroad](#). A huge thank you to Tina and Michelle as well as our colleagues at ACA, KLR, Rubin and Rudman, Bonnard and Lawson and Blum and Grob who provided sponsorship and speakers for the events!

## **American Citizens Abroad**

A large number of our clients are overseas Americans, related to Americans overseas and/or work for an American employer and all of them are investors in the US markets. ACA, as a non-profit, mostly operated by volunteers, is the only non-partisan organization working on overseas American issues headquartered in Washington, DC. Mary-Louise Serrato, ACA's Executive Director gave a very informative update on ACA's advocacy work in Washington D.C., including the latest legislative activity on taxation, FATCA, advocating for Congressional hearings on RBT (Residency Based Taxation) and advocating for Same Country Exception on FATCA reporting, Social Security (Windfall Elimination Provision), and the impact of ACA's research in helping to guide policy. A few highlights are below:

### **Info from ACA's Research**

- The community of US citizens living and working overseas is 5.2 million. 4 million civilian and 1.2 million military.
- The military community not concerned with RBT, only affects the civilian population of 4 million.



- 4 million US citizens overseas are not all tax filers. This includes dependents/families.
- Approximately 2.4 million US citizens overseas are tax compliant (appear on a tax return).
- Approximately 1.6 million US citizens don't appear or file. Some of the reasons for this are linked to the misunderstanding of the Foreign Earned Income Exclusion (FEIE). Some may not qualify to file.
- RBT can be adopted without costing the US Treasury (US will not lose tax revenue).
- US citizens overseas still invest in the US (stocks, real estate, etc.). This income remains taxable to the US.
- US citizens overseas are demographically like US citizens domestically. Not significantly wealthier.

### **ACA's Current Advocacy:**

- Participate in the legislative and rule-making process: in-person meetings, testifying at hearings, and submitting commentary.
- Hosting webinars and podcasts to inform and update community and Congressional offices.
- Developing write-in campaigns for community involvement.
- Created ACA members Political Action Committee, ACA-PAC.
- Advise on Amicus Briefs for judicial cases, for example, Moore vs. United States.
- Founding member of the RBT Coalition to raise awareness and show broad support for RBT.

For more information about ACA and how you can join and support policy changes and the organisation, please visit the American Citizens Abroad [website](#).

### **Swiss Compliance**

The primary regulator of financial companies in Switzerland is FINMA. Their public facing website can be found at this [link](#). To find out if a company has received authorization by FINMA, you can go to this [link](#). If you, for example, type in "White Lighthouse" you will find both of our US and Swiss entities listed, with the additional information that our self-regulatory organization, required for our Swiss entity, is [OSFIN](#).

Depending on the circumstances, some advisors also need to be listed in one of the three advisor registries. In some cases, their employer is not required to be listed, in other cases they are, the requirements are somewhat technical. You will find all of the White Lighthouse financial planners listed in the [ARIF](#) registry. The other two registries in Switzerland are [Reg Services](#) and [Regfix](#). Advisors who are required to register or who register optionally only need to appear in one

register, so if a member of the public is doing a search, they should consult all three registries. In general, Swiss bank and insurance company employees do not have to be separately registered. Almost all advisors who are not based in Switzerland and are serving even one Swiss client (who has a net worth excluding Swiss pension and housing of less than 2 million CHF), are required to meet the requirements to appear in the registry.

Most firms are also required to join an ombudsman, which is where clients can go if they have an issue, they have not been able to resolve with their financial service provider. Both White Lighthouse entities are affiliated with [FINOS](#) as our ombudsman.

FINMA also publishes extensive [information](#) on how consumers can protect themselves against fraud and other financial crimes. The Swiss Banking association also publishes, for those who are interested in a bit more technical read, a guide called “[Risks Involved in Trading Financial Instruments](#)” for those of you who can’t get enough of reading about financial markets.

## Cybersecurity

Cybersecurity and keeping our hard-earned money safe from theft is a topic that I have written about periodically in our newsletter, and I was asked by a few different people to include a few words about this again. It is true that almost every month I hear stories about attempted thefts and so remaining vigilant is important for anyone who has a financial account. Below, with a few minor modifications is a repeat of some thoughts and suggestions from our Q1 2022 Newsletter:

US persons should strongly consider subscribing to a credit monitoring service for them and their family; the US being a very large market, attracts a large number of cyber criminals from around the world. This will pick up some of the worst kind of ID theft issues, e.g., if someone tries to get a mortgage or incur other debt with your credentials. This insurance, around \$100 a year give or take, is excellent insurance. Though note that a lot of ID theft is from people known to the victim and is surprisingly often family and friends. The list below has some helpful tips regardless of where you live and have financial accounts:

- Use banks that are government insured and don't keep cash above their insurance levels. FDIC insurance in the US has a \$250,000 limit. Swiss insurance, which we have also written about in the past, is limited to 100,000CHF per account holder and is collective with all the other banks participating, not the Swiss Government.
- **Almost no financial institution or government agency will call or email you if they suspect fraud on your account or some other issue.** Financial firms, rather than calling, will often block your accounts and wait for you to contact them. Most firms will tell you (and us) very little information about their fraud prevention techniques.

- If you receive a call or an email asking for any money or personal information, your guard should immediately go up. You should start by asking more questions, such as name, contact information, phone numbers, etc. of the person contacting you. When in doubt, contact your service provider directly with their commercially available phone number(s). Don't make any quick decisions.
- Use custodians, like Schwab, who still have the [best cyber protection policy](#) in the industry.
- Securities are much more difficult to transfer than cash, from a theft standpoint. It takes time for trades to clear versus a wire transfer which can be almost instantaneous. Transfer requests for assets have a lot more "eyes" watching than cash and take a lot more time.
- Keep larger amounts of excess cash in an account that you don't spend from (e.g., savings account not checking account).
- **Check your active accounts, briefly, but daily for suspicious transactions.** When there is a doubt, acting quickly cuts off lots of problems. With apps on your phone, this can be done in seconds every day.
- Use credit cards, not debit cards, when possible. US credit cards tend to have some of the best fraud protection policies.
- Use anti-virus software. (Malwarebytes is what many of the techies have recommended in the past, though this field is constantly evolving.)
- Keep your operating system and your browsers up to date. Technology companies are regularly fixing security flaws.
- Use a difficult combination for passwords and do not use the same password on any two systems.
- When storing passwords, consider using password salting. (This is something I have done for years, but just became aware of the terminology. It is when you store a password, it is not exact and only you know and remember certain characters that should be added or deleted.)
- Use 2-factor authentication anywhere this is available.

Criminals tend to gravitate towards the easiest targets. You won't eliminate crime by taking many of the above steps, but you can make yourself a less attractive target and that is often enough to protect yourself. After all, lower-level criminals [mainly theft of money, not company or government secrets] only have so much time to engage in their activity and they are relatively rational in most cyber-crime in looking for the easiest targets with the best short-term payoff.

Another interesting trend on the technology front is something called "[zero-trust-security](#)", which

is essentially giving up on much of the deemed effectiveness of the largely password-driven security of information systems. "Zero trust" is assuming that just because someone is logged into a system, does not mean they should be trusted as being there legitimately. You may have experienced this already when logged into a system, such as a financial institution and all of the sudden when you go to do something like transfer money, or look at sensitive data, you are asked to enter your log-in credentials again or other identifying information. This has been, personally, rather frustrating, though its increase is on the rise.

### Market Wrap up for the 3<sup>rd</sup> Quarter of 2023:

Index	Quarter	Previous 12 months
S&P 500	↓ 3.6%	↑ 19.6%
Dow Jones	↓ 2.6%	↑ 16.6%
Swiss Market Index (SMI)	↓ 2.8%	↑ 6.8%
FTSE	↑ 1.0%	↑ 10.4%
DAX	↓ 4.7%	↑ 27.0%
CAC40	↓ 3.6%	↑ 23.8%
Shanghai Index	↓ 2.9%	↑ 2.9%
\$USD against CHF	↑ 2.3%	↓ 7.1%
\$USD against €Euro	↑ 3.1%	↓ -9.9%
US Federal Funds rate 5.25%-5.50%		

### What is the difference between a US Government Default and a Shutdown?

For too much of the news media, the excitement around potential bad news is always irresistible. The uncertainty and exploring worst case scenarios help to leave too many people fearful, it feels like an addiction for many. The "what-ifs?" around the financial and tax policy of the US government, while technically very serious matters, rarely lead to anything close to the worst fears, other than perhaps our disapproval rates of members of Congress, the President and even the Judiciary these days.

In May and June of last year, Congress and the President came to a rather mature agreement for raising the US debt levels and avoiding a technical default. A handful of rather extreme members of Congress was trying to sabotage an agreement. Now, at the end of this quarter, we face another US Government financial issue, a US Federal Government shutdown on Saturday September 30<sup>th</sup>, again with agreement being sabotaged by several of the same members of Congress.

A US Government Default, the threat of which we saw last quarter, would potentially shut down

all government spending and lead to big questions about the credibility of the US government in paying any and all of its obligations. This has never happened, at the 11<sup>th</sup> hour, deals have always been made to stave off a default.

A US Government Shutdown is different, this is where appropriation bills are not finalized in Congress. In this case, non-essential government workers are often told not to report to work. About 25% of annual government spending is subject to the appropriations process, so in a government shutdown, the US Treasury can continue to pay social security, interest on debt and the majority of other services. Shutdowns will impact things like passport applications, national parks, some government benefits etc. There have been 4 times historically where the government shuts down for more than one day. The last was in 2018-2019, it was partial, and lasted about 35 days. Do you remember it? I am writing this less than a week before the deadline, it is purposefully at the end of this newsletter, because I don't think the long-term impacts of a shutdown will matter too much. Bills will get paid, and the reputation of the government really can't get much worse, can it? If you want to read more, author David Wessel, the Director of The Hutchins Center on Fiscal and Monetary Policy, does a nice job [explaining](#) the details of US Government shutdowns.

## Conclusion

I would like to thank all of our clients for their cooperation on the various "compliance" forms that we are required to provide you and ask you to sign. Financial Services is a highly regulated industry and between our two entities, I count over 35 government agencies and/or regulatory organizations that ask for information and money (usually both) on an annual or quarterly basis, and sometimes more frequently. Keeping our back-office processes organized and running smoothly is a big job, most of which is taken care of by our back-office team, for whom I am also very grateful. Here we are continuing to improve systems and efficiency. If we are asking you to sign something or return or provide documents or information, this is so we can provide you our services and stay compliant. Thank you for your understanding!

As White Lighthouse expands, more of my focus over the coming years will be in working with clients, the work I love, studying financial markets to ensure our investment management process is the best it can be for our clients and mentoring our financial planning team to ensure they benefit from our best practices and experience. I expect our planning team to continue growing on both sides of the Atlantic as we are fortunate to receive so many referrals and inquiries about our services.

Wishing all of our clients a healthy and productive start to autumn and thank you for your patronage. Please contact at any time, we love to answer your questions. We look forward to talking and meeting with many of you in the near future.

Jonathan and the White Lighthouse Team

### Office Locations:

US Office:  
 White Lighthouse Inv. Mgmt., Inc.  
 5 Dutton Lane  
 Bedford, MA 01730  
 USA  
 +1 508 471 4431

Lausanne Offices:  
 White Lighthouse Inv. Mgmt. SARL  
 Avenue d'Ouchy 29  
 1006 Lausanne  
 Switzerland  
 +41 22 548 1431

White Lighthouse Inv. Mgmt., Inc.  
 Rue du Grand- Chêne 8  
 1003 Lausanne  
 Switzerland

### Contact Details:

Jonathan:

 [lachowitz@white-lighthouse.com](mailto:jachowitz@white-lighthouse.com)

 Skype: jolachowitz

Kathy:

 [kquintero@white-lighthouse.com](mailto:kquintero@white-lighthouse.com)

John Wanvig:

 [jwanvig@white-lighthouse.com](mailto:jwanvig@white-lighthouse.com)

 Skype: jwanvig

Otto:

 [orivera@white-lighthouse.com](mailto:orivera@white-lighthouse.com)

John York:

 [jyork@white-lighthouse.com](mailto:jyork@white-lighthouse.com)

Michelle:

 [mbarnhardt@white-lighthouse.com](mailto:mbarnhardt@white-lighthouse.com)

Mălina:

 [mcristisor@white-lighthouse.com](mailto:mcristisor@white-lighthouse.com)

Tina:

 [tdeluca@white-lighthouse.com](mailto:tdeluca@white-lighthouse.com)

### Travel & Vacation Information:

#### Jonathan

October 2	Flying from Zurich to Boston
October 23-26	Working in Lausanne
October 27 - November 4	Vacation (off-line in South Africa)
November 6-10	Working in Lausanne
November 23-24	Off for Thanksgiving holiday
December 18-22	Tentative working in Lausanne

#### John Wanvig

November 20-24	Vacation - Thanksgiving
December 18-28	Vacation - Christmas

#### John York

October 12-24	Vacation
---------------	----------

## Permanent Reference Information

1. Sharefile: How to access your White-Lighthouse Quarterly Reports & Other Public Information
2. Annual Privacy Policy & Form ADV Brochure Updates
3. US taxpayers – with non-US Financial Accounts – FBARs (Foreign Bank Account Reports)
4. Annual IRA Required Minimum Distributions (RMDs) for US Citizens over age 72
5. Annual IRA Contributions for US Citizens with earned income
6. Tax Reporting

---

### 1. Accessing Quarterly Reporting & Other Documents - Sharefile

All Clients of White Lighthouse Investment Management are entitled to have an account on our private file 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 email 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 IRAs 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 2022 or 2023 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 is increasing to \$6500 in 2023 [previously \$6000] per individual per year and \$7500 if you are over 50 years of age [previously \$7000].

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®

---

### PRIVACY STATEMENT- 2023

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 the firm's 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 2023 – 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> 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](https://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 can you provide me?</b></p>	<p>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.</p> <p>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.</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></p> <p><i>Given my situation, should I choose an investment management 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>
--	---	--

<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. 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</p> <p>More details on our Fees can be found on our ADV 1 Section 5E, ADV 2a Pages 4-6.</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 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 manager?</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 manager, 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 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.</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. 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.</p> <p>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.</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. Visit <a href="http://investor.gov/crs">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></p> <p><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 email 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></p> <p><i>Is he or she a representative of a registered investment advisor?</i></p> <p><i>Who can I talk to if I have concerns about how this person is treating me?</i></p>