

## Quarterly Newsletter - January 2020

January 15 2020

Dear client,

Markets will do what markets will do. As we discussed in our last letter, impeachment and unabated international and political turmoil have not fazed the markets. One day they will but that day cannot be predicted, therefore we remain prepared through diversification and asset allocation matched against the ability to assume risk.

?Far more money has been lost by investors trying to anticipate corrections, than lost in the correction themselves? ? Peter Lynch.

Discipline is key. To have a successful investment experience, you must select a suitable approach and stick with it. Reduce your anxiety by accepting the market's inevitable ups and downs and focus on what you can control ? how you live your financial life. And that's where we come in. Our interrelated processes of planning and investment management are designed around the underlying simplicity of focusing on what you can control ? we break down the complexity of the financial world so that our clients can cut out the noise. Our method determines the cash flows that your financial circumstances can support and within that framework we encourage you to live your life. And then we apply the discipline to make it happen. We consider our work a success if our clients attain the financial resources to spend on the things that matter to them ? there is no greater reward than you being able to spend on the things that are important to you. Don't spend frivolously but likewise don't ?not spend? if there's something that matters. And when the markets do correct, we will update your plan and reassess your affordable spending ? controlling what can be controlled in the midst of an ever evolving, complex financial ecosystem.

That ecosystem threw us a few curve balls this past quarter so we're going to spend the rest of this letter reviewing those and updating you on the latest here at Pinney & Scofield.

First is Charles Schwab's announcement in November that they plan to acquire TD Ameritrade. Schwab and TDA are amongst the biggest retail brokers in the industry and if combined they will have over \$5 trillion in assets under management. The transaction has yet to be approved by regulators and will no doubt attract antitrust scrutiny but, if approved, the acquisition will likely be completed in the second half of this year. Pinney & Scofield has been working with Schwab for over 30 years and they have served us and our clients well with minimal fees and good service. We will continue to do our annual due diligence to make sure this level of service is maintained.

Next, in late December, the SECURE Act, or Setting Every Community Up for Retirement Enhancement, was signed into law. This is the biggest legislative change in retirement planning in over 10 years. The bill makes several adjustments to retirement accounts. Two provisions in particular are of immediate note for many of our clients:

- The starting age for required IRA distributions is raised from 70 ½ to 72 for those born after June 30, 1949. Those born prior to this will continue taking required distributions. \*

- Distributions from IRAs inherited from a non-spouse can no longer be ?stretched? over the lifetime of the beneficiary. There are a few exceptions to this for minors and disabled or chronically ill heirs and those within 10 years of age of the original IRA owner, but generally speaking an inherited IRA now has to be distributed within 10 years if the date of death is on or after 1/1/2020 (prior to this is grandfathered under the old law).

\* Although the age for required distributions has been raised to 72, the age for Qualified Charitable Distributions (QCDs) remains 70 ½. A QCD is an IRA withdrawal sent directly to a charitable organization and is excluded from income for tax purposes.

The SECURE Act raises some planning questions. Review of beneficiaries will be a focus topic in our meetings with clients this

year and a discussion on ways to possibly help optimize the after-tax amount beneficiaries receive. If it has been awhile since you have had a review, we strongly encourage you to schedule a time.

There's good news from Dimensional Fund Advisors (DFA), a mutual fund company that we use extensively since they share our passive approach to investing and many of you are familiar with. Already among the lowest in cost, DFA recently announced a reduction in fees by an average of 8% for many of their funds starting in February. This is great news for you as one of their investors.

As for Pinney & Scofield, there are some changes coming your way. We are updating our portfolio management software. The new software will enable us to enhance the information we provide you and as a result we will be changing the format of our quarterly reports. We hope for this to be in place in time for our first quarter reports in 2020. Our secure website will also be changing with the upgrade. The new portal will provide additional functionality and will be more user-friendly. We will notify you when these changes have been made.

We are also happy to announce the addition of Mary Evans to our team. Mary is a CERTIFIED FINANCIAL PLANNERTM with over ten years of experience in the financial planning industry. Mary will be helping John and Richard as well as take on new client relationships. We will be introducing her to you when you come in for your next review.

Jim, John, Richard, Ryan & Mary