

# SPOTLIGHT ON FINANCE

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Maintaining the trust and confidence of our clients is a high priority, that is why we want you to understand how we collect, share and protect your personal information. If you have any questions regarding our policy, please contact our office Please click the button below to read the XML Financial Privacy Policy.

(<https://3kt8fodcevc4b8jnj2q4oxiv-wpengine.netdna-ssl.com/wp-content/uploads/2019/01/XML-Privacy-Notice-1.19.pdf>)



# XML'S VIEW ON THE MARKET

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## Heads or Tails?

There was a better chance of flipping a coin than predicting the 2018 markets. To say that the market ended in a down note would be an understatement. After nine consecutive years of gains, the S&P 5001 closed 2018 with a 4.4% loss. As we re-cap the 2018 market, there was very little chance anyone would have predicted the performance outcome, specifically the 4th quarter and especially the month of December. The year began with continued higher stock prices and low volatility, pushing up the return

to almost 4% for the first month of the year. As the momentum started to fade and higher interest rates took hold, the market experienced its first 10% plunge from top to bottom in the last two years. The market stayed in negative territory most of the spring with volatility picking up as interest rates continued to climb, with the 10-year Treasury reaching over 3% for the first time since the beginning of 2014.



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## XML'S VIEW ON THE MARKET CONTINUED...

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In midsummer, interest rates began to back off slightly, giving way to a summer stock market rally that propelled the stock markets to 10% gains for the year. The market peaked out at the end of September and never looked back. We had one of the worst 4th quarters and the worst December on record, measured by performance from top to bottom, since the markets started. Instead of a Christmas rally, the market rewarded investors with a 600-point decline on the Dow2 on Christmas Eve. The 600-point decline not

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only was the worst Christmas Eve performance on record, it put the S&P 500 into double digit negative territory for the year. All market asset classes finished in the red in 2018. International markets took the brunt of the negative returns, led by Emerging markets.

The only positive for the quarter was for fixed income as measured by the AGG (Barclays US Aggregate Bond Index<sup>3</sup>). The AGG was negative for most of the year but finished flat as money flowed out of stocks and into bonds for protection, pulling down yields on the 10-year Treasury from 3.25% at the end of the 3rd quarter, to 2.7% to close the year. That substantial drop in the 4th quarter allowed bonds to rally and finish even for the year.

### **So, what happened and why did the market plunge?**

The question is still not clear. Trying to pin the blame is hard to do. Were investors reacting to the much-hyped trade war with China, mid-term elections, Federal Reserve's rate tightening, Brexit, growth slowing in China or the FANG stocks (Facebook, Amazon/Apple, Netflix and Google) over extension and coming back to Earth?

Whatever the cause, 2018 represented a clear shift in tone for investors. Even more seasoned investors/professionals were lulled into complacency by year after year of robust gains. This market volatility is nothing new, however it did catch many investors off-guard. We all knew this day would come but were just not sure what the trigger(s) would be and when it would happen.

# XML'S VIEW ON THE MARKET CONTINUED...

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## Where do we go from here?

The answers should unfold over the next few months.

- Currently we have a very tight labor market and inflation seems to be in check, so what will the Fed do?
- Odds have increased that the Fed will lower rates in 2019 vs raising.
- When will the government shutdown end?
- Will a Tariff deal be accepted by China and the US?
- What will happen leading up to and after Brexit?
- Will oil prices stay low?
- What should we expect in the everlasting Middle East conflicts?
- How will the new leaders in South America take hold?
- Is the world slowing down and what will happen when 2018 and first quarter 2019 earnings are announced, and guidance is given?
- Is there a recession looming?

These are some of the questions facing investors going into the first quarter of 2019 and there are still many other factors to take into consideration. As mentioned above, market corrections and volatility are nothing new to investors except we seem to forget about them, especially after nearly a decade of positive return. To do the right thing is to brave the market volatility and take advantage. Areas that may be a place of opportunity now are Emerging markets, Energy, Financials and yes, still Technology and Healthcare. These asset classes might be down, but they are not going away. Decisions made from a place of frustration and fear rarely turn out to be the right ones. A well-diversified portfolio<sup>4</sup> should help smooth out some of the bumps but can still lose money in down markets. "Actual Investors think in decades not days, weeks, quarters or even years".

If you have concerns about your portfolio, please reach out to your advisor.

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[1] The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

2 The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

3 The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and nonagency).

4 There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not protect against market risk.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

## THE LATEST THINKING FROM XML FINANCIAL GROUP:

# XML IS GROWING!

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Over the past five years since Finigan Financial Services (FFS) joined XML Financial Group (XML), many clients have asked if XML was committed to a Northern Virginia presence. The answer was a resounding YES! To further that commitment, Lara, May & Associates, LLC (LMA)<sup>1</sup>, a long-standing wealth management firm and a Focus Financial Partner, will be merging with XML Financial Group. The joining of forces allows XML to continue to provide the independent advice to our clients as we always have but add more depth of talent to our organization. On January 12th, the XML Vienna office will be moving down the road to the LMA office, located at 7600 Leesburg Pike, Suite 120 East, Falls Church, Virginia. Our Rockville office remains unchanged.

In addition to the expanded commitment in Northern Virginia, we are even more excited about LMA joining with XML and what they bring to the table. This is very exciting as XML continues to strategically grow both in physical presence and the capabilities we can provide you. You may be asking, what does this mean for me? How do I benefit? And are there any downsides? The answers are simple.

As stated above, the only real change is the physical location of our Vienna office (newer, larger and more modern with traditional conference rooms as well as a living room set up for a more relaxed meeting space). With the addition of LMA team members, our investment committee will be expanded, with additional member input. This will reinforce our research and analysis for appropriate investments for your risks, goals and time horizons. Our cybersecurity will continue to remain state of the art and we will have additional team members and resources overseeing all compliance aspects of the firm.

We think this new strategic partnership is a win-win for everyone. Please be on the lookout for an invitation to a spring open house so you can stop by and see our new office!

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[1] Securities offered through Lara, May & Associates, LLC, member FINRA/SIPC.

# I'VE STILL GOT ME

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## **Michelle P. Cooper, XML Partner & Director of Women, Wealth & Wellness, Has Written a Book!**

XML's own Michelle Cooper has written and published a book – I've Still Got Me: A Widow's Journey to Love, Happiness, and Financial Independence and it will soon be available to the public!

In her book, she goes into detail about how she rebuilt her life after tragedy and forged a new future for her family while juggling children, work, and life. Michelle wishes to inspire hope and share insights for those seeking financial independence.

I've Still Got Me is now available for pre-order on Amazon, where it reached #40 on Amazon's top 100 bestsellers in the wealth management category!

# EMONEY – OUR NEW SYSTEM TO DELIVER REPORTS

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Last month we announced our new system to deliver your quarterly performance reports. In case you missed that email, we will be utilizing a secure, online “Vault” through a program called eMoney. This portal will allow us to securely deliver quarterly reports to you as well as other important information we need to send, or that you have requested. Going forward, we will roll out additional features on the site to help you better understand your finances.

If you haven't already registered, we encourage you to do so as soon as possible. Email Debbie Rayman at [draman@xmlfg.com](mailto:draman@xmlfg.com) to request a registration link.

## **BENEFITS:**

- Security: the eMoney Vault is protected by the highest private level of encryption on the private market.
- In addition to the delivery of the quarterly performance reports, you can also elect to receive a copy of your Fidelity statements in the eMoney Vault as well.

## **FEATURES:**

- In the Vault, you will find a folder named “Orion.” This is where you will be able to view your quarterly performance reports.
- You will be notified via email when the reports are delivered into your secure Vault.
- Other documents can be shared with you through this system.
- You will have the ability to upload documents that you want to share with your advisor through the secure Vault.

As we mentioned above, in the future we will be rolling out other features from eMoney, such as Financial Planning, Reporting, etc.

# RETIREMENT CONTRIBUTION LIMITS FOR 2019

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The limit on annual contributions to an IRA, which last increased in 2013, is increased from \$5,500 to \$6,000. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs and to claim the saver's credit all increased for 2019.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or their spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor their spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) See the chart below for the phase-out ranges for 2019.

There may be other limitations or restrictions, so be sure to speak to your tax adviser.

Each year the IRS reviews the maximum contribution limits for retirement accounts for the following year. Sometimes they make changes sometimes they don't. In November, they announced changes to employee contributions limits for 401(k) and other retirement accounts for 2019. The annual limits have increased on the amount you can save in retirement plans. The last time the limits were increased to an IRA was in 2013!

## HIGHLIGHTS OF CHANGES FOR 2019

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$18,500 to \$19,000.



# RETIREMENT CONTRIBUTION LIMITS FOR 2019 CONTINUED...

<b>Maximum workplace retirement plan contribution amounts</b>	<b>2018</b>	<b>2019</b>
401(k), 403(b), most 457 plans and federal Thrift Savings Plan	\$18,500	\$19,000
Catch-up contributions in these plans for people 50 and older	\$6,000	\$6,000
Annual employer limit for 401(k)-type plans, SEP IRAs and solo 401(k)s*	\$55,000	\$56,000
Defined benefit pension plan annual benefit limits	\$220,000	\$225,000
<b>SIMPLE Plans</b>	<b>2018</b>	<b>2019</b>
Annual contribution limit	\$12,500	\$13,000
Catch-up contribution limit for people age 50 and up	\$3,000	\$3,000
<b>IRA contribution limits</b>	<b>2018</b>	<b>2019</b>
Traditional and Roth IRAs for people younger than 50	\$5,500	\$6,000
Catch-up IRA contributions for people 50 and older	\$1,000	\$1,000
<b>Adjusted gross income phaseout range of IRA deductibility</b>	<b>2018</b>	<b>2019</b>
Single and contributing to a workplace plan	\$63,000 to \$73,000	\$64,000 to \$74,000
Married filing jointly when the spouse making the contribution has a workplace plan	\$101,000 to \$121,000	\$103,000 to \$123,000
Married filing jointly when the contributor isn't covered by a workplace plan, but the spouse is covered	\$189,000 to \$199,000	\$193,000 to \$203,000
Married and covered by a workplace place plan but filing separately	\$0 to \$10,000	\$0 to \$10,000
<b>Roth IRA income eligibility phaseout</b>	<b>2018</b>	<b>2019</b>
Single and head of household filers	\$120,000 to \$135,000	\$122,000 to \$137,000
Married filing jointly or qualified widow/widowers	\$189,000 to \$199,000	\$193,000 to \$203,000
Married filing separately	\$0 to \$10,000	\$0 to \$10,000

\*You can also make a 50 and older catch-up contribution to a Solo 401(k), however, there are no catch-up contributions allowed on a SEP IRA.

# DON'T BE CAUGHT OFF GUARD...SOME THINGS MEDICARE DOESN'T COVER

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## LONG-TERM CARE

Although it is potentially one of the biggest expenses older Americans may face, Medicare does not pay for long-term care. A private room in a nursing home costs more than \$100,000 a year and a stay in an assisted living facility about half that much, according to the 2018 Genworth Cost of Care Survey.

Possible solutions include stand-alone long-term care insurance or a life insurance policy with an LTC rider; allocating a portion of an investment portfolio or annuity for potential LTC costs; or moving to a retirement community that provides all levels of care (which most likely comes with a hefty entrance fee).

## DENTAL CARE

Dental expenses may tend to increase with age. Think gum disease or crowns and root canals...all expensive procedures. Dentures are not covered either.

Consider buying supplemental dental insurance, joining a membership program that offers dental discounts or enrolling in a Medicare Advantage plan. Even those solutions have limits on the number of visits and procedures that are covered and are subject to an annual maximum, though.

## ROUTINE VISION CARE

If you were accustomed to employer-provided health-care coverage, it may be a shock to learn that Medicare does not cover routine vision care. This would include things such as eye exams, glasses, contact lenses or prescription sunglasses, except in cases such as annual eye exams for those with diabetes or glasses following certain kinds of cataract surgery.

Most Medicare Advantage plans include vision care or those with traditional Medicare can purchase a supplemental vision insurance plan, often paired with dental insurance.

# DON'T BE CAUGHT OFF GUARD...SOME THINGS MEDICARE DOESN'T COVER CONTINUED...

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## HEARING AIDS

The chance of hearing loss increases with age, and hearing aids can cost up to \$3,000 per ear. Some Medicare Advantage plans cover hearing aids.

Costco offers some lower-cost alternatives for members. And the Food and Drug Administration has been authorized to create a new class of personal hearing devices that will soon be available over-the-counter.

## DEDUCTIBLES AND CO-PAYS

Traditional Medicare consists of Part A, which covers hospitalization, and Part B, which covers outpatient services and doctors' fees. Part A is free for most retirees and spouses who paid FICA payroll taxes for at least 10 years. Part B has a standard monthly premium of \$134 per month in 2018. But both Parts A and B have annual deductibles and co-payments.

A supplemental Medigap policy can be purchased to fill the gaps or enroll in a less-expensive Medicare Advantage plan that usually offers additional benefits in exchange for using in-network medical facilities and providers.

## PRESCRIPTION DRUGS

Basic Medicare doesn't cover out-patient prescription drugs.

Choose a stand-alone Part D prescription drug plan or enroll in a Medicare Advantage plan with drug coverage. But some retirees don't need to bother if they have retiree health coverage that includes

prescription drug coverage or if they continue to work and have prescription drug coverage in their current employer or their spouse's employer. They can enroll in a Medicare Part D plan penalty-free during a special enrollment period if their existing drug coverage ends.

## MEDICAL CARE OVERSEAS

Medicare usually doesn't cover health care while you're traveling outside the U.S. There are some exceptions, including some cases where Medicare Part B (Medical Insurance) may pay for services that you get on board a ship within the territorial waters adjoining the land areas of the U.S.

The best bet may be to buy travel insurance that includes medical coverage. Those with health issues should make sure their preexisting conditions are covered, even if they have to pay extra.

# CHANGES TO 529 PLAN RULES

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The Tax Cuts and Jobs Act passed over a year ago expands the benefits of 529 savings plans.

The new provision in the tax reform law will be a benefit particularly for parents of children in elementary and high school, as the new law expands the use of the plan into these education levels. Here are the basics and what has changed:

## 529 EDUCATION PLANS

529 plans were offered to help families save for a child's college education. The funds in your 529 account are not subject to tax while they remain in the account. When they are withdrawn, the funds are also not subject to tax if they are used for qualified education expenses. The 529 contribution is not deductible on your Federal income tax return. However, some states offer a deduction for 529 contributions, but the amounts and conditions vary by state.

Once money is withdrawn, it can be taken tax-free, as long as it is used to pay for qualified education expenses. This can include basic tuition, fees, books, room and board, and any computer equipment or software required as part of the course of study.

## CHANGES WITH THE NEW TAX LAW

There have been a few changes to the 529 plan under the tax law passed in December 2017, and they mostly favor the taxpayer.

Parents can now use the 529 plan to pay for their children's education at private elementary and high schools (including some parochial or religiously-affiliated schools but excludes homeschooling at this time). Previously, this was a benefit provided only by Coverdell Education Savings Accounts (ESA). The 529 plan is now available to parents of younger children in private schools.

## 529 PLAN BENEFITS CAN BE MORE FAVORABLE THAN THE COVERDELL ESA

Unlike the Coverdale ESA, there are no income limits for the 529 plan.

While the Coverdell ESA has a contribution limit of \$2,000 per student, the 529 plan has no annual contribution limit. However, so as not to incur the federal gift tax, most people cap their

## CHANGES TO 529 PLAN RULES CONTINUED...

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annual contribution at \$15,000. While there is no annual limit, there are lifetime limits. View your state limits here [savingforcollege.com](http://savingforcollege.com).

Under the Coverdell ESA, contributions cannot continue once the child beneficiary attains the age of 18. There is no such contribution limit with 529 plans. That means the same plan used to fund elementary and high school education can also be used for college, through continued contributions. Also, 529 plans do not require a withdrawal of plan funds by any certain age. Under the Coverdell ESA, withdrawals must be completed by age 30.

If you have a Coverdell ESA, and want to move it into a 529 plan, you can do so with no tax consequences.

### ROLLOVERS OF 529 PLANS INTO ABLE 529 PLANS

In 2014, ABLE accounts were established to help Americans living with disabilities save for their children's education. They were created so that people with disabled kids trying to accumulate funds for education wouldn't be penalized since disability income rules set strict limits on how much money a person can have in savings, and still be eligible for disability income.

ABLE plans have the same benefits as 529 plans, including tax-free investment growth and tax-free withdrawals when funds are used to pay for qualified education expenses. But they can even be used for job training, healthcare, and other expenses.

Under the new tax law, existing 529 plans can be rolled over into ABLE 529 plans. This might be a consideration if a regular 529 plan was established before a child became disabled. As a result, families collecting disability will not lose their eligibility because of 529 education savings.



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# CHANGES TO 529 PLAN RULES CONTINUED...

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## A WORD OF CAUTION

There are a few things to consider with the new rules. First, distributions taken from a 529 plan to cover qualified education expenses are limited to \$10,000 per year for elementary and high school education. The main benefit of a 529 plan is a tax-free accumulation of investment income. Since funds needed for elementary and high school education happen much sooner than college, there will be less time for the plan to build up value. A plan started at birth may require withdrawals beginning as early as age five.

On the investing side, you usually don't have complete flexibility with where and how you will invest the money. You may need to look outside your home state's plan to find one more suitable. As with all financial decisions, be sure to discuss with your advisor before making any changes.

## Guard your wallet as well as your heart.

A romance scam is when a new love interest says they love you, but they really just love your money—and may not be who they say they are.

### Be on the lookout for these warning signs of a romance scam:

- A new love who lives far away asks you to wire them money or share your credit card number with them—even if they say they'll pay you back.
- Your new romantic interest asks you to sign a document that would give them control of your finances or your house.
- Your new sweetheart asks you to open a new joint account or co-sign a loan with them.
- Your new darling asks for access to your bank or credit card accounts.

Report in-person romance scams to local law enforcement. Report online romance scams to [FTC.gov/complaint](https://www.ftc.gov/complaint).



# THINKING OF BUYING RENTAL PROPERTY?

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A recent report from Rented.com, 150 Best Places to Buy a Vacation Rental Property in 2018, compares the costs of homeownership in a particular city to the short-term rental potential. They calculated the return on investment of rental properties in 150 cities around the U.S. Of course, the return on investment depends mainly on the strength of the market where the property is located.

The study also looked at purchase price, local property taxes, home insurance and maintenance plus data from management companies, among other measures. Rental conditions change from year to year, however, among the top 25 “Best Places to Buy,” eight cities were listed both on the 2017 and 2018 “Best Places” lists. Here are the top 10 for 2018:

- 1. Panama City Beach, FL**
- 2. Chicago, IL**
- 3. Napa, CA**
- 4. Tulsa, OK**
- 5. Memphis, TN**
- 6. Nashville, TN**
- 7. Killington, VT**
- 8. Seattle, WA**
- 9. Navarre, FL**
- 10. Atlanta, GA**



# STAFF NEWS

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On October 27th, Operations Associates, **Stacey Lee** and **Janine Gonzaga** participated in the Honor Dr. Stephen Greenhouse Ride, sponsored by Zengo Cycle. Dr. Stephen Greenhouse was a partner at Shady Grove Fertility Center (SGFC). Money was raised to support the Dr. Stephen Greenhouse Grant which is part of a Cade Foundation Family Building Grant that will provide support to SGFC patients pursuing IVF. The grant will be provided to two different recipients who otherwise could not afford fertility treatment.

Congratulations to Operations Associate, **Natalie Gosselin** and her husband Chris. Baby Tristan Franke Gosselin joined the Gosselin clan on November 9, 2018.

In December, **XML Financial** made a charitable contribution to Americares, an organization that provides medical aid and health programs to countries around the world, including the U.S.

The annual **XML** staff holiday party was held at Matchbox restaurant in Rockville on December 14th. After splitting into groups to solve a Murder Mystery, the staff became suspects and were able to show off their acting skills (or not!). After an "expert" investigation and a few bribes, Stacey Lee and her team figured out that Brett Bernstein was the perpetrator!



UPCOMING EVENTS FOR XML FINANCIAL GROUP:

# TEACH GIVE INSPIRE FRIDAYS (“TGIF”)

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**WHEN:** February, 8th | 10:00-12:00pm

**WHERE:** 12615 Tribunal Lane, Potomac, MD 20854

Our very own Michelle P. Cooper will be speaking at the inaugural TEACH GIVE INSPIRE FRIDAYS event on February 8th alongside **Shawn Yancy** (award-winning DC news anchor and artist), and **Eva Scheer** (Certified Health Coach, Founder Side Hustle in the City). Don't miss this innovative and inspirational event. Get your tickets here. (<https://www.eventbrite.com/e/teach-give-inspire-fridays-inaugural-event-tickets-53822040171>)

**Find more events:** <https://www.xmlfg.com/xml-events>

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Like us on Facebook: [www.facebook.com/xmlfg](http://www.facebook.com/xmlfg)

We value our client relationships and appreciate you sharing your opinion about our firm. Any suggestions? Ways for us to improve? Let us know!

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