

## 2020 Hindsight

ADAM HOFFMANN, CFP®, AIF®, CHIEF INVESTMENT OFFICER

For many pundits, year-end market reflections are an opportunity to rewrite the past. It's not uncommon for revisionist versions of previously made comments to emerge. It's freeing and liberating to not live in that world. Accepting that we cannot predict the future and that hindsight is no replacement for foresight when it comes to building an integrated and customized financial plan is what truly leads one down a successful path.

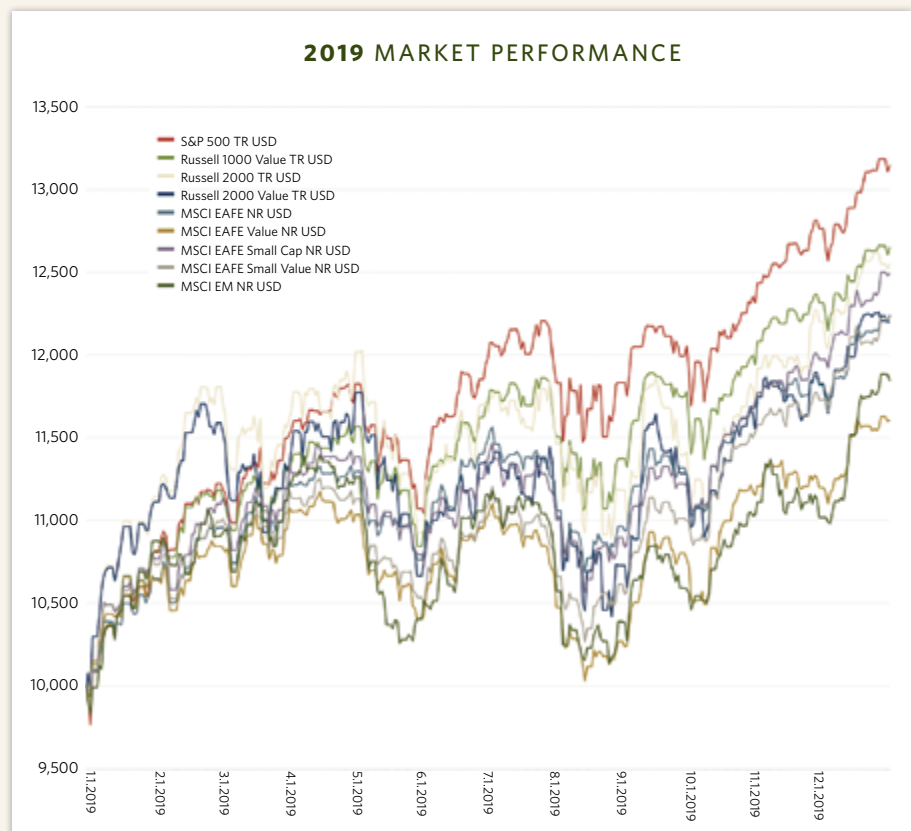
If you recall where global markets were in late December 2018, it was not a happy place to be. Many markets were in correction or bear market territory with little optimism in sight. If you couple that with the headlines of 2019—including ongoing tariff talks, natural disasters across the globe, uncertainty with Brexit, and a presidential impeachment, to name a few—it would have been easy to simply throw in the towel and take the year off.

The chart below shows the reality of the experience of equity investors that stayed in their seats and committed themselves to their plans. If you overlay all of the negative headlines we experienced in 2019 on the chart, it's even more impressive to have committed to a successful plan based on evidence, not emotion.

Even though we don't know what will happen in 2020, we do know how to respond to unpredictable changes. You can count on CCM to think proactively on your behalf, leveraging the full knowledge of our integrated team to deliver a customized plan that is focused on helping you achieve your goals for the future.

*Data represents past performance. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Returns are based on data from the S&P 500, Russell Investments for U.S. indices, and MSCI for international for the time period of January 1, 2019 through December 31, 2019.*

*Indexes used for the table are as follows: S&P 500 TR USD; Russell 1000 Value TR USD; Russell 2000 TR USD; Russell 2000 Value TR USD; MSCI EAFE NR USD; MSCI EAFE Value NR USD; MSCI EAFE Small Cap NR USD; MSCI EAFE Small Value NR USD; MSCI EM NR USD.*



## How the SECURE Act Could Impact You

KEVIN KOSKI, CPA, PRINCIPAL TAX ADVISOR



In late December, the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law. As a result, now is an ideal time to revisit retirement and wealth distribution plans to ensure they are in alignment with the new rules, and explore the opportunities created by these changes to help you further establish your legacy. Because the SECURE Act also impacts trusts that are named beneficiaries, now is also an excellent time to reexamine your estate plan.

Below is our take on the most impactful changes of the SECURE Act:

- Increases the required minimum distribution (RMD) age to 72 instead of age 70 ½ for those who did not reach age 70 ½ by December 31, 2019.
- Eliminates the “stretch” or lifetime distribution provision for non-spouse beneficiaries of IRA and other retirement accounts and replaces it with a 10-year distribution period requirement.
- Allows for a \$5,000 penalty-free qualified birth or adoption distribution from IRA accounts, which can be repaid at a later date.
- Eliminates the age limitation for deductible and non-deductible contributions to traditional IRA accounts to align with the rules for contributions to Roth IRA accounts.
- Keeps the age at 70 ½ to make a Qualified Charitable Distribution (QCD).
- Allows for distributions of up to \$10,000 from a 529 plan account for qualified education loan repayments.

### GOOD TO KNOW

The new rules of the SECURE Act favor the utilization of Roth IRA conversions and charitable remainder trusts as tools to mitigate the negative impact of losing the stretch distribution provision for heirs.

If you have any questions regarding the SECURE Act and how it will impact your situation, please reach out to us to schedule a conversation.

## KEY 2020 TAX FIGURES

From 401(k) deferrals to HSA contribution limits and estate tax exclusions, many important tax-related figures have been updated. See a table of some of the most commonly referenced data here: [carlsoncap.com/2020-tax](http://carlsoncap.com/2020-tax)

Tax updates featured in previous newsletters can be found at [carlsoncap.com/articles](http://carlsoncap.com/articles)

## Dementia-friendly Wealth Management Strategies

VALERIE THOMAS, CTFA, SENIOR INTEGRATED WEALTH ADVISOR



According to the World Health Organization, the number of adults living with dementia—a condition that negatively impacts a person’s memory and cognitive function—stands at 50 million. This number is expected to rapidly grow to 82 million by 2030. Alzheimer’s disease is the most common form of dementia, accounting for 60 to 70 percent of all cases.<sup>1</sup>

### Stages of Dementia

Although dementia impacts everyone differently and each person’s rate of decline is unique, dementia is often marked by several stages. In the earliest stages, common symptoms, which are oftentimes overlooked, include: forgetfulness and confusion. In a later stage of dementia, symptoms are more severe: difficulty recognizing relatives and friends; inability to communicate clearly and engage in daily activities; and behavior changes. In a later stage, especially, most people who have dementia are unable to make sound decisions—financial and otherwise.

### Easing the Pain

At CCM, we have walked alongside many families struggling with dementia and its powerful grip on a loved one. It is heart wrenching. Our colleagues are trained in dementia-friendly practices and continually reminded that while people struggling with dementia may confuse facts and have trouble with complex thinking, they are still very capable of sensing emotions—joy, excitement, sadness, and frustration, among others.

Based on our experience, here are three important steps families should take if a loved one begins showing early signs of dementia:

- **Schedule a family meeting—early**  
CCM advisors have a fiduciary obligation to act in a client’s best interest. A family meeting is a forum for healthy dialogue between generations to share information about the client’s financial situation. The goals of the meeting are predetermined by the client and a CCM advisor can facilitate the meeting. Family meetings are about more than numbers. In fact, some clients choose not to share the details of their net worth.
- **Review plans; stay organized**  
We are privileged to serve as a trusted partner for our clients. For many, this means retaining copies of important documents: estate plans, legal documents, beneficiary designations, living trusts, power of attorney designations, account records, safe deposit box contents, and more. We encourage regular reviews of these documents and advise all clients to consult with CCM’s advisory team when considering changes.
- **Make wishes known**  
Make sure loved ones and CCM’s financial advisory team know about health care directives and wishes for end-of-life care. With this information, we can be strategic about aligning resources to match these desires.

If you have any questions or would like to schedule a family meeting, please contact your CCM advisor.

<sup>1</sup> <https://www.who.int/news-room/fact-sheets/detail/dementia>

## FOURTH QUARTER AND YEAR-END RETURNS



	Q4 2019	1-YEAR RETURNS	5-YEAR RETURNS	ANNUALIZED 10-YEAR RETURNS
S&P 500 Index	+ 9.07	+ 31.49	+ 11.70	+ 13.56
US Large Value	+ 7.41	+ 26.54	+ 8.29	+ 11.80
US Small Cap	+ 9.94	+ 25.52	+ 8.23	+ 11.83
US Small Value	+ 8.49	+ 22.39	+ 6.99	+ 10.57
International Large Cap	+ 8.17	+ 22.01	+ 5.67	+ 5.50
International Large Value	+ 7.82	+ 16.09	+ 3.54	+ 3.98
International Small Cap	+ 11.52	+ 24.96	+ 8.85	+ 8.75
International Small Value	+ 11.19	+ 22.33	+ 7.76	+ 7.96
Emerging Markets	+ 11.84	+ 18.42	+ 5.61	+ 3.68
US Short-Term Bonds	+ 0.50	+ 5.01	+ 2.03	+ 2.13
US Intermediate-Term Bonds	+ 0.18	+ 8.72	+ 3.05	+ 3.75

### Key Takeaways:

- Global equity markets finished the year with a strong fourth quarter.
- Small international stocks and emerging markets were the top performers for the fourth quarter.
- Leading sectors in the fourth quarter were Technology, Health Care, and Financials.
- Lagging sectors in the fourth quarter were Utilities, Consumer Staples, and Consumer Discretionary.
- Bonds finished their best year since the global financial crisis with a fairly quiet fourth quarter.

*Data represents past performance. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Returns are based on data from the S&P 500, Russell Investments for U.S. indices, MSCI for international, and Barclays for bonds for the time period of October 1, 2019 through December 31, 2019.*

*Indexes used for the table are as follows: S&P 500 TR USD; Russell 1000 Value TR USD; Russell 2000 TR USD; Russell 2000 Value TR USD; MSCI EAFE NR USD; MSCI Value NR USD; MSCI EAFE Small Cap NR USD; MSCI Small Value NR USD; MSCI EM NR USD; Barclays U.S. Govt/Credit 1-5 Yr TR USD; Barclays U.S. Agg Bond TR USD.*

## MORNINGSTAR AWARDS UTAH'S MY529 A GOLD RATING

Chicago-based Morningstar recently rated 529 plans across five categories: process, people, parent, price, and performance, resulting in Utah's my529 plan receiving a Gold Rating. The plan's best-in-class performance—specifically the high quality of the holding and overall strength of the plan—is just one of the reasons CCM partners with my529 to create a customized investment experience.

Since 1996, 529 plans have allowed Americans a tax-efficient way to save for education expenses. Contributors can remove assets from their estate, provide tax-free growth on those assets, and bestow the value of education to future generations.

For more information on 529 plans and current gift limits, contact your CCM advisor.





*We wish you a  
new year filled with  
an abundance of joy!*

*Thank you for your partnership.  
We are honored to serve you, and  
look forward to our engagement  
with you throughout the year.*

## CCM'S HIGH FIDUCIARY STANDARDS *Awarded With CEFEX Certification*



**C**EFEX, the Centre for Fiduciary Excellence, has once again certified Carlson Capital Management as a firm that adheres to the highest fiduciary standards. For the past 12 years, CCM has been awarded CEFEX certification, making the organization part of an elite group of global investment advisory firms.

*“We are honored to be CEFEX certified and serve as a trusted partner to all of our clients. There’s no question that we take great care to ensure we place our clients’ interests first. This client-centered approach was core to our founding more than 35 years ago, and it’s incredibly rewarding to see it live on within every colleague today.”*

— GREG CARLSON, CFP®, CEO and Founder

To view CCM’s CEFEX assessment report, visit: [cefex.org/RegisteredCompanyList/Details/CFX10052](https://cefex.org/RegisteredCompanyList/Details/CFX10052)

## How to Recognize a Phishing Scam

**M**erriam-Webster defines phishing as a scam by which an internet user is duped into revealing personal or confidential information which the scammer can use illicitly. Phishing scams often originate in an email or text message, and they're a widespread concern. A recent report from the FBI states that people lost nearly \$50 million to phishing schemes in 2018.<sup>1</sup>

Recognizing phishing scams can be a challenge since the messages are designed to look like they're from an organization or person you know. Examples of this include a bank or credit card company or close friend or family member. Oftentimes, phishing scams include language that will trick you into clicking on a link or opening an attachment. The Federal Trade Commission cites the following common phishing language designed to engage you<sup>2</sup>:

- Suspicious activity or log-in attempts;
- A problem with your account or payment information;
- Confirm personal information;
- Make a payment—sometimes including a fake invoice; and
- Register for a government refund.

If you receive a message regarding one of the subject areas above that asks you to click on a link or open

an attachment, the FTC recommends you first ask yourself if you have an account with the company or know the person who contacted you. If the answer is “no,” it could be a phishing scam—you should delete it. If the answer is “yes,” contact the company using a phone number or website that you know is real—not the information in the message.

If at any point you feel that you've fallen victim to a phishing scam and someone has obtained your Social Security number, credit card, or bank account number, visit *IdentityTheft.gov* to learn the steps you can take to protect yourself.

### Communication From CCM

CCM's new, enhanced client portal is a secure space for you to share important documents with your advisory team. To log in to your account, visit *carlsoncap.com/portal*. For more information about CCM's security practices, visit *carlsoncap.com/cybersecurity*.

<sup>1</sup> 2018 Internet Crime Report: [https://pdf.ic3.gov/2018\\_IC3Report.pdf](https://pdf.ic3.gov/2018_IC3Report.pdf)

<sup>2</sup> <https://www.consumer.ftc.gov/articles/how-recognize-and-avoid-phishing-scams>

## A MESSAGE FROM CCM'S CHIEF COMPLIANCE OFFICER

JUSTIN D. STETS, AIF®, PRESIDENT AND CHIEF COMPLIANCE OFFICER

**A**s part of Carlson Capital Management's active disaster recovery plan, each year we remind clients of how we will reach you, or how you can reach us, should there be an event causing significant business disruption at the firm. Following physical safety and data protection, our priority is to be able to effectively communicate with you. Please note the following methods will be deployed if needed:

- CCM has a long-standing contract with an organization that is equipped to immediately notify all CCM clients via your primary phone number (or voicemail) should an emergency arise. If the system is activated, you will receive a message instructing you on how to reach us. To review the primary phone number on file, log in to the Client Portal. If your primary phone number needs to be updated, please contact a CCM client servicing team member.
- The homepage of our website will also be updated to contain pertinent contact information.

With multiple physical office locations, assets custodied with third parties such as Charles Schwab, TIAA, and Vanguard, and all of our electronic data housed at a secure off-site data center, we believe that CCM is well-protected from incidents. Nonetheless, please know that we actively review and update our disaster recovery plan in order to help mitigate any potential risks.

Thank you for the opportunity to serve you—it is truly our pleasure. We are humbled by the responsibility, and never take for granted the trust that you place in the CCM team.

## WELCOME NEW COLLEAGUES

We're pleased to introduce you to three new CCM colleagues who will add breadth and depth to our already robust team.



**Mary Keller**  
*Operations Manager*



**Jacob Gotto**  
*Operations Specialist*



**Brent Lange, CFA**  
*Associate Integrated  
Wealth Advisor*

Full biographies are featured at [carlsoncap.com/team](http://carlsoncap.com/team) where you can also connect directly with any colleague at the firm.

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## CCM COLLEAGUE PROMOTIONS ANNOUNCED

The new year brings two promotions to well-deserving colleagues. Rachel Chacko has been promoted to Associate Integrated Wealth Advisor and Tom Nowariak to Senior Investment Specialist.



**RACHEL CHACKO**  
*Associate Integrated  
Wealth Advisor*

Rachel, who joined CCM in 2018, has quickly made her mark with colleagues and clients. She collaborates with the firm's integrated advisory team to deliver comprehensive financial plans and serves clients with exceptional care. Based in the Rochester office, Rachel is a candidate for CFP® certification.



**TOM NOWARIAK**  
*Senior Investment  
Specialist*

Tom joined CCM's investment team in 2016 and exemplifies CCM's commitment to excellence. In addition to monitoring, reviewing, and recommending changes to client portfolios, Tom partners with colleagues to drive process improvements. He is a champion for clear communication and enjoys connecting with clients to discuss CCM's investment strategies.

**CCM Colleagues Attend Laura Baker Gala**

CCM's Jill Metz co-chaired a successful gala for Laura Baker Services Association, a Northfield nonprofit with a mission to help people with developmental disabilities reach their goals. A group of colleagues enjoyed the evening together at the gala, which is Laura Baker's largest fundraiser.



CCM colleagues Justin Stets, Andy Hauskins, Leah Rich, Matthew Rich, Jill Metz, and Greg Carlson at the Laura Baker Services Association gala.



**Cindy Carlson Retires**

On December 31, our friend and colleague Cindy Carlson retired from her position as the Manager of Underwriting for ViaForte, a CCM affiliate. We will miss Cindy's presence and we all wish her well as she enjoys more time "up north" and finds adventure traveling the world.

**Holiday Food Drive**

For two weeks in December, colleagues across CCM and ViaForte offices partnered to collect food for area nonprofits: Channel One Regional Food Bank, Community Action Center, Hastings Family Service, and VEAP.



Santa joins CCM's Chris Kuhn, Val Thomas, Charlie Lawson, Jeff Carlson, and Chrissy John and ViaForte's Maddie Carlson to make a special delivery to Hastings Family Service.



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