SAGE Global Market Perspective

Tax, Holiday Spending, and Retirement Communities

SAGE Private Wealth Group
Khaled A. Taha, AAMS ®
CEO & Managing Partner
Wealth Advisor, RJFS
18W140 Butterfield Rd Ste 1160
Oakbrook Terrace, IL 60181
630-933-0000
khaled.taha@sageprivatewealth.com
www.SAGEprivatewealth.com

The SAGE Team is growing!

Please welcome our newest Wealth Advisor, Stewart Schrader! He has been in financial services for 20 years. His career has been focused on serving clients and their unique needs and helping them achieve a secure financial future. Stewart is a big believer in financial planning and feels, "A goal without a plan is just a wish." Stewart and his wife, Marta, have been married for 14 years and they have an English bulldog named Jezzy. Stewart enjoys concerts, scuba diving and attending Cubs games. He is a member of the Rotary Club of Chicago Cosmopolitan.

2019 Tax Year Key Items
12/31/2019 is an important day; it's the last day to sell securities to realize a gain or loss; to contribute to a qualified retirement plan and to complete charitable contributions for 2019. Please speak with your Wealth Advisor.

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Value Add

SAGE Global Market Perspective: Value Add

With U.S. corporations beginning to beat lowered earnings expectations and global bond yields still lingering near record lows, our longstanding conviction towards global equities appears more compelling today than before. Although geopolitical uncertainties remain, we believe that the global slowdown has been overstated and that easing of major tensions will produce meaningful investment opportunities. For these reasons, we believe that equity markets will continue to support portfolio returns, specifically select value sectors.

During the recent quarter, global equity markets experienced heightened volatility brought on by civil and political unrest as well as escalated trade tensions. These concerns seemed to fuel notions that the global expansion was ending, and for good reason. During the quarter, domestic and foreign manufacturing showed signs of weakness with commonly used gauges pointing to the steepest monthly contraction since June 2009. As economic data highlighted cracks in the global growth outlook, investors seemed to give into the gloomy narrative and flocked to the safety of fixed income securities, registering record inflows into bonds. Meanwhile, as uncertainty mounted, corporate growth expectations were revised down.

However, during this period, we remained vigilant and felt that although signs of weakness in certain sectors of the economy were hard to ignore, U.S. consumer confidence remained stable at an elevated level. For this reason, among others, we choose to maintain our overweight to equities versus bonds and stayed committed to specific asset classes and sectors that we felt sustained favorable characteristics. Furthermore, we believed that the fierce bond buying during the quarter exaggerated recession fears by pushing long-term U.S. treasury yields below short-term yields, inverting the yield curve.

In our opinion, this decline in bond yields was overblown and the risk of rising interest rates became a growing concern of ours.

As of late, we have witnessed interest rates move off their lows as well as near-term recessionary fears subside. In addition, global equity markets have begun moving higher with the U.S. equity market approaching the all-time high set back in July. We believe that much of the recent optimism is due to easing trade tensions as the U.S. and China make strides towards Phase One of a potential trade deal; something in which we view as a near-term truce. In the meantime, investors seem focused on how corporations weathered the recent storm of negative sentiment, which, based on early readings, appears better-than-expected. In our opinion, this does not signify a pickup in global growth, rather showcases the resilience of the U.S. consumer and the agility of corporate America.

As written in past pieces, we remain constructive on global equities and we are confident in our overweight exposure to the U.S. equity market. We understand that capital markets can experience corrective phases at any time, but we remain committed to our long-term growth outlook for the U.S. economy. Furthermore, at this time, we see the potential for rising interest rates, which keeps our attention focused on fixed income investments that have higher credit quality and shorter duration. Lastly, information collected during our ongoing market research indicates a potential near-term buying opportunity for select value sectors. We will continue to monitor and review all available resources and report any such changes to our outlook. Please never hesitate to call your SAGE Wealth Advisor with any questions regarding these thoughts.

Kind regards,
SAGE Investment Committee

See disclaimer on final page

Ten Year-End Tax Tips for 2019

Timing of itemized deductions and the increased standard deduction

Recent tax law changes substantially increased the standard deduction amounts and made significant changes to itemized deductions. It may now be especially useful to bunch itemized deductions in certain years; for example, when they would exceed the standard deduction.

IRA and retirement plan contributions

For 2019, you can contribute up to $19,000 to a 401(k) plan ($25,000 if you're age 50 or older) and up to $6,000 to traditional and Roth IRAs combined ($7,000 if you're age 50 or older). The window to make 2019 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return (not including extensions) to make 2019 IRA contributions.

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

2. Defer income to next year

Consider opportunities to defer income to 2020, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2020) could make a difference on your 2019 return.

4. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2019, prepaying 2020 state and local taxes probably won't help your 2019 tax situation, but could hurt your 2020 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help you avoid a costly mistake.

5. Bump up withholding to cover a tax shortfall

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (on Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments. With all the recent tax changes, it may be especially important to review your withholding in 2019.

6. Maximize retirement savings

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2019 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified adjusted gross income (AGI) exceeds $200,000 ($250,000 if married filing jointly, $125,000 if married filing separately, $200,000 if head of household).

10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

Tips for Managing Your Holiday Spending

How much will you spend this year?

In October 2018, the National Retail Federation projected that consumers were planning to spend more than $1,000 on holiday-related purchases over the entire season, which was a 4% increase over 2017. For 2019 figures, typically released in late October, please visit the organization's website.

There's an app for that, too?

You can even find an app that will help you locate your car in the shopping mall parking lot.

Like almost everything else these days, the holidays have become a barrage of options and choices, with nearly limitless opportunities to overspend. Here are some tips to help you make sure your family's spending remains in check this holiday season.

Develop a spending strategy

First and foremost, **develop a budget.** Involving family members will help you establish and maintain realistic expectations at the outset. Remember to include not just gifts, but also holiday meals and parties, travel, greeting cards and stamps, gift wrap, decorations, and any other category you deem necessary. This is also a good time to commit to using cash or charging no more than you can pay off in one month.

Next, **devise a method of tracking all your purchases,** receipts, gift recipients, and the locations of hidden gifts that you might otherwise forget about. This will make life easier as the chaos ramps up.

Review your credit cards to see if you have any perks. Could you use earned points for travel, or cash-back and gift card rewards to help defray costs?

Track down old gift cards and put them to use now. If you think you'll never use them, trade them in for cash on a discounted gift card website. There, you can sell your old cards and even buy new e-gift cards at a discounted rate, which you can then give as gifts or use for your own purchases.

Put technology to work for you. You can find apps that offer cash back if you shop online; alert you to online coupons available at nearby stores; round up your purchases to the nearest dollar and put the difference into a savings account; and track your online purchases, scan other stores for better prices, and then automatically email the original stores on your behalf to take advantage of the price-match guarantees. There are myriad options available, so be sure to check reviews and privacy/security measures before downloading.

Think creatively

Gifts. Take time to carefully scan all promotional materials before you head out the door or open a browser, because great deals are often available for limited periods of time. For example, some stores have offered generous gift cards in exchange for buying certain products on Black Friday.

Consider giving experiences rather than gifts, which happiness experts say could lead to more sustained levels of well-being. In fact, you may find that you'll spend less overall by giving one or two memorable experiences instead of the usual pile of items.

Create meaningful yet inexpensive gifts, such as photo books, calendars, and family recipe books, using online apps and services. This idea is especially appropriate for gifts from children to older family members.

For larger or extended families, make a game out of gift giving. Consider a "Yankee swap," or implement a gift exchange, where everyone is randomly assigned a person for whom they buy one special gift. Or consider having the entire family chip in a certain amount per person and donating to a favorite charity or sponsoring another family in need.

Food. Nonperishable holiday-related goods typically go on sale in late fall, so plan ahead and stock up. Also keep an eye out for specials; for example, some grocery stores offer a free turkey around Thanksgiving when you spend a certain amount on groceries.

Party planning, decorations, gift wrap. Consider buying the bulk of these supplies at deep-discount stores and splurging on a few special highlight items, such as napkins with an elaborate design, centerpieces of fresh flowers, or fancy bows. If you live in an area where evergreens, autumn berries, and pine cones are plentiful, take advantage of this potentially sophisticated, yet *completely free,* decor. Or create even more memories by hosting an ornament-making party. Use old costume jewelry or other items to make ornaments and decorations with sentimental value.

Travel. During one of the busiest travel times of the year, deals can be hard to find. Here are some tips:

- Be flexible. If you can postpone your celebration until after the holidays, you may be able to save substantially on travel costs. (You can also shop the post-holiday sales for gifts!)
- Avoid airline baggage fees by using carry-on luggage.
- Use fare-tracking apps to find the best deals.
- Cost-compare alternative modes of travel, such as train and ridesharing.

It's never too early to start saving

Finally, get a jump on next year's festivities by stocking up on supplies during post-holiday sales, opening a savings account with a goal of saving at least as much as you spend this year, and shopping as early as possible to spread spending throughout the year.

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SAGE Private Wealth Group
Khaled A. Taha, AAMS ®
CEO & Managing Partner
Wealth Advisor, RJFS
18W140 Butterfield Rd Ste 1160
Oakbrook Terrace, IL 60181
630-933-0000
khaled.taha@sageprivatewealth.com
www.SAGEprivatewealth.com

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What are continuing care retirement communities?

Continuing care retirement communities (CCRCs) are living arrangements that combine independent living, assisted living, and nursing home care on a single campus. CCRCs offer residents a continuum of care throughout their lives.

Typically, you enter a CCRC as a resident of an independent housing unit, which may be a condominium, apartment, or single-family home. When you need more care or are unable to live independently, you can move to the assisted living facility on campus. Should you need the next level of care, you can move into the on-site nursing home.

While specific services and benefits may differ, communities generally offer dining facilities, transportation, lawn care, housekeeping, social activities, laundry, emergency call monitoring, and security. As needs arise, additional services may include preparation of meals, health services such as medical care, and personal care such as assistance with toileting, bathing, and personal hygiene.

The fee arrangements for CCRCs vary and generally include both a monthly fee and an entrance fee. These fees can be quite substantial depending on the location of the community, the services offered and chosen, and the living arrangements desired. The entry fee may be fully or partially refundable, and monthly fees may increase over time. Medicare and/or health insurance may pay for some of the services provided.

There are three basic types of residential arrangements for CCRCs:

- **Life care or extended contract.** This option offers unlimited assisted living, medical treatment, and skilled nursing care. This alternative is often the priciest because there are typically no additional fees or charges.
- **Modified contract.** This contract is similar to the life care option, except that only certain defined services are included for a predetermined price and/or for a specified length of time. Extra charges will apply if you need additional services or are able to extend the contract's time frame.
- **Fee-for-service contract.** While the initial enrollment fee may be lower, assisted-living and skilled-care services are paid for at their market rates.

Do independent living communities differ from CCRCs?

Independent living communities, also known as rental retirement communities, offer housing options for active seniors and retirees who require little or no assistance with daily activities. Most independent living residents desire an environment where they don't have to be concerned about safety, maintenance, and homeownership responsibilities.

One of the major offshoots of the burgeoning number of baby boomers retiring every day is the growing retirement living industry. More and more communities dedicated to senior living are opening each year. Two popular options are continuing care retirement communities (CCRCs) and independent living communities. While there are similarities between the two, there are important differences as well.

Both CCRCs and independent living communities may offer amenities such as a clubhouse, lounge, dining rooms, fitness centers, swimming pools, housekeeping services, and transportation. CCRCs usually offer a higher level of amenities and services than independent living communities.

The main difference between CCRCs and independent living communities is the extent of health-related, or continuing care, services offered by CCRCs, which include assisted living services, memory care, and long-term care. Independent living communities typically do not offer continuing care services. Instead, the resident may arrange for such services through an outside agency. Generally, independent living communities do not offer assisted living services or long-term care.

Another difference between CCRCs and independent living communities relates to the costs. Most CCRCs require a substantial entry fee plus a monthly fee. Typically, independent living communities charge a monthly fee, similar to rent. Independent living fees are usually not covered by any type of insurance, including Medicare and long-term care insurance. However, health-related services and care that a resident receives (which are not offered by the independent resident community) may be covered by insurance or Medicare.

Determining which type of community is the best choice depends on a number of factors including the services needed or desired and the costs associated with each type of residential community.