JULY 2017

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS

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President's Address

CARING FOR YOUR AGING PARENTS

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Caring for your aging parents is something you hope you can handle when the time comes, but it's the last thing you want to think about. Whether the time is now or somewhere down the road, there are steps that you can take to make your life (and theirs) a little easier. Some people live their entire lives with little or no assistance from family and friends, but today Americans are living longer than ever before. It's always better to be prepared.

MOM? DAD? WE NEED TO TALK

The first step you need to take is talking to your parents. Find out what their needs and wishes are. In some cases, however, they may be unwilling or unable to talk about their future. **This can happen for a number of reasons, including:**

- Incapacity
- Fear of becoming dependent
- Resentment toward you for interfering
- Reluctance to burden you with their problems

If such is the case with your parents, you may need to do as much planning as you can without them. If their safety or health is in danger, however, you may need to step in as caregiver. The bottom line is that you need to have a plan. If you're nervous about talking to your parents, make a list of topics that you need to discuss. That way, you'll be less likely to forget anything. **Here are some things that you may need to talk about:**

- Long-term care insurance: Do they have it? If not, should they buy it?
- Living arrangements: Can they still live alone, or is it time to explore other options?
- Medical care decisions: What are their wishes, and who will carry them out?
- Financial planning: How can you protect their assets?
- Estate planning: Do they have all of the necessary documents (e.g., wills, trusts)?
- Expectations: What do you expect from your parents, and what do they expect from you?

PREPARING A PERSONAL DATA RECORD

Once you've opened the lines of communication, your next step is to prepare a personal data record. This document lists information that you might need in case your parents become incapacitated or die. **Here's some information that should be included:**

- Financial information: Bank accounts, investment accounts, real estate holdings
- Legal information: Wills, durable power of attorneys, health-care directives
- Funeral and burial plans: Prepayment information, final wishes
- Medical information: Health-care providers, medication, medical history
- Insurance information: Policy numbers, company names
- Advisor information: Names and phone numbers of any professional service providers
- Location of other important records: Keys to safe-deposit boxes, real estate deeds

Be sure to write down the location of documents and any relevant account numbers. It's a good idea to make copies of all of the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

WHERE WILL YOUR PARENTS LIVE?

If your parents are like many older folks, where they live will depend on how healthy they are. As your parents grow older, their health may deteriorate so much that they can no longer live on their own. At this point, you may need to find them in-home health care or health care within a retirement community or nursing home. Or, you may insist that they come to live with you. If money is an issue, moving in with you may be the best (or only) option, but you'll want to give this decision serious thought. This decision will impact your entire family, so talk about it as a family first. A lot of help is out there, including friends and extended family. Don't be afraid to ask.

EVALUATING YOUR PARENTS' ABILITIES

If you're concerned about your parents' mental or physical capabilities, ask their doctor(s) to recommend a facility for a geriatric assessment. These assessments can be done at hospitals or clinics. The evaluation determines your parents' capabilities for day-to-day activities (e.g., cooking, housework, personal hygiene, taking medications, making phone calls).

The facility can then refer you and your parents to organizations that provide support.

If you can't be there to care for your parents, or if you just need some guidance to oversee your parents' care, a geriatric care manager (GCM) can also help. Typically, GCMs are nurses or social workers with experience in geriatric care. They can assess your parents' ability to live on their own, coordinate round-the-clock care if necessary, or recommend home health care and other agencies that can help your parents remain independent.

GET SUPPORT AND ADVICE

Don't try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don't know where to find help, contact your state's department of eldercare services. Or, call (800) 677-1116 to reach the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. **Some of the services available in your community may include:**

- Caregiver support groups and training
- Adult day care
- Respite care
- Guidelines on how to choose a nursing home
- Free or low-cost legal advice

Once you've gathered all of the necessary information, you may find some gaps. Perhaps your parents don't have a health-care directive, or their will is outdated. BWFA can help recommend an attorney or offer assistance in financial planning for both for you and your parents that you both can trust. Please don't hesitate to reach out to our team. We like to think we are part of your extended family.

Robert Carpenter

PHOTO: Boothbay Harbor at Sunset, Maine | CREDIT: Samantha Carpenter

PHOTO: Sunrise View from Caddilac Mountain, Acadia National Park, Maine

Advisor

Do you know someone

WHO COULD USE GUIDANCE WITH THEIR INVESTMENTS?

MAYBE YOU KNOW SOMEONE WHO IS RETIRED OR NEARING RETIREMENT AND COULD BENEFIT FROM OUR SERVICES?

WE ASK YOU, OUR EXISTING CLIENTS, TO RECOMMEND OUR SERVICES TO FRIENDS OR FAMILY MEMBERS THAT COULD BENEFIT FROM OUR SUPPORT.

BY HELPING US GROW OUR "FAMILY OF CLIENTS," WE GET TO SHARE OUR PASSION WITH MORE PEOPLE JUST LIKE YOU.

PLEASE CONTACT MEGHAN AT MMANAS@BWFA.COM

COVER PHOTO: Portland Head Light, a historic lighthouse in Cape Elizabeth, Maine

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PHOTO: Working Waterfront, Portland, Maine

Financial Planning

ESTABLISHING A BUDGET

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Do you ever wonder where your money goes each month? If so, you may want to establish a budget to help you keep track of how you spend your money and help you reach your financial goals.

EXAMINE YOUR FINANCIAL GOALS

Before you establish a budget, you should examine your financial goals. Start by making a list of your short-term goals (e.g., new car, vacation) and your long-term goals (e.g., your child's college education, retirement). Next, ask yourself: How important is it for me to achieve this goal? How much will I need to save? Armed with a clear picture of your goals, you can work toward establishing a budget that can help you reach them.

IDENTIFY YOUR CURRENT MONTHLY INCOME AND EXPENSES

To develop a budget that is appropriate for your lifestyle, you'll need to identify your current monthly income and expenses. You can jot the information down with a pen and paper, or you can use one of the many software programs available that are designed specifically for this purpose.

Start by adding up all of your income. In addition to your regular salary and wages, be sure to include other types of income, such as dividends, interest, and child support. Next, add up all of your expenses. To see where you have a choice in your spending, it helps to divide them into two categories: fixed expenses (e.g., housing, food, clothing, transportation) and discretionary expenses (e.g., entertainment, vacations, hobbies). You'll also want to make sure that you have identified any out-of-pattern expenses, such as holiday gifts, car maintenance, home repair, and so on. To make sure that you're not forgetting anything, it may help to look through canceled checks, credit card bills, and other receipts from the past year. Finally, as you list your expenses, it is important to remember your financial goals. Whenever possible, treat your goals as expenses and contribute toward them regularly.

EVALUATE YOUR BUDGET

Once you've added up all of your income and expenses, compare the two totals. To get ahead, you should be spending less than you earn. If this is the case, you're on the right track, and you need to look at how well you use your extra income. If you find yourself spending more than you earn, you'll need to make some adjustments. Look at your expenses closely and cut down on your discretionary spending.

And remember, if you do find yourself coming up short, don't worry! All it will take is some determination and a little self-discipline, and you'll eventually get it right.

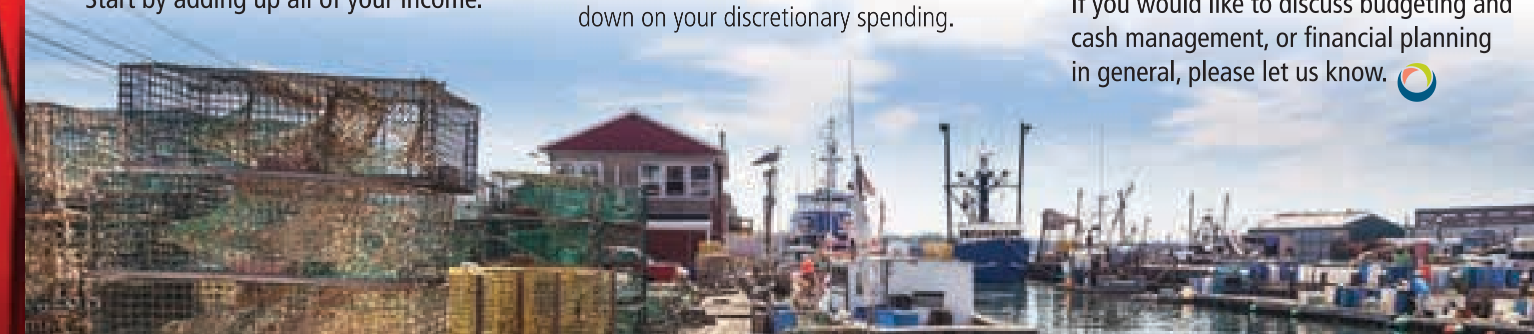
MONITOR YOUR BUDGET

You'll need to monitor your budget periodically and make changes when necessary. But keep in mind that you don't have to keep track of every penny that you spend. In fact, the less record keeping you have to do, the easier it will be to stick to your budget. Above all, be flexible. Any budget that is too rigid is likely to fail. So be prepared for the unexpected (e.g., leaky roof, failed car transmission).

TIPS TO HELP YOU STAY ON TRACK

- **Involve the entire family:** Agree on a budget up front and meet regularly to check your progress
- **Stay disciplined:** Try to make budgeting a part of your daily routine
- **Start your new budget at a time when it will be easy to follow and stick with the plan** (e.g., the beginning of the year, as opposed to right before the holidays)
- **Find a budgeting system that fits your needs** (e.g., budgeting software)
- **Distinguish between expenses** that are "wants" (e.g., designer shoes) and expenses that are "needs" (e.g., groceries)
- **Build rewards into your budget** (e.g., eat out every other week)
- **Avoid using credit cards to pay for everyday expenses:** It may seem like you're spending less, but your credit card debt will continue to increase

If you would like to discuss budgeting and cash management, or financial planning in general, please let us know.



Financial Planning

PHOTO: Jordan Pond in Acadia National Park, Maine

FINANCIAL PLANNING: HELPING YOU SEE THE BIG PICTURE

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Do you picture yourself owning a new home, starting a business, or retiring comfortably? These are a few of the financial goals that may be important to you, and each comes with a price tag attached.

That's where financial planning comes in. Financial planning is a process that can help you target your goals by evaluating your whole financial picture, then outlining strategies that are tailored to your individual needs and available resources.

WHY IS FINANCIAL PLANNING IMPORTANT?

A comprehensive financial plan serves as a framework for organizing the pieces of your financial picture. With a financial plan in place, you'll be better able to focus on your goals and understand what it will take to reach them.

One of the main benefits of having a financial plan is that it can help you balance competing financial priorities. A financial plan will clearly show you how your financial goals are related — for example, how saving for your children's college education might impact your ability to save for retirement. Then you can use the information you've gleaned to decide how to prioritize your goals, implement specific strategies, and choose suitable products or services. Best of all, you'll know that your financial life is headed in the right direction.

THE FINANCIAL PLANNING PROCESS

Creating and implementing a comprehensive financial plan generally involves working with BWFA professionals to:

- Develop a clear picture of your current financial situation by reviewing your income, assets, and liabilities, and evaluating your insurance coverage, your investment portfolio, your tax exposure, and your estate plan
- Establish and prioritize financial goals and time frames for achieving these goals
- Implement strategies that address your current financial weaknesses and build on your financial strengths
- Choose specific products and services that are tailored to help meet your financial objectives
- Monitor your plan, making adjustments as your goals, time frames, or circumstances change

WITH A FINANCIAL PLAN IN PLACE, YOU'LL BE BETTER ABLE TO FOCUS ON YOUR GOALS AND UNDERSTAND WHAT IT WILL TAKE TO REACH THEM.

WHY CAN'T I DO IT MYSELF?

You can, if you have enough time and knowledge, but developing a comprehensive financial plan may require expertise in several areas. The professionals at BWFA can give you objective information and help you weigh your alternatives, saving you time and ensuring that all angles of your financial picture are covered.

STAYING ON TRACK

The financial planning process doesn't end once your initial plan has been created. Your plan should generally be reviewed at least once a year to make sure that it's up-to-date. It's also possible that you'll need to modify your plan due to changes in your personal circumstances or the economy.

Here are some of the events that might trigger a review of your financial plan:

- Your goals or time horizons change
- You experience a life-changing event such as marriage, the birth of a child, health problems, or a job loss
- You have a specific or immediate financial planning need (e.g., drafting a will, managing a distribution from a retirement account, paying long-term care expenses)
- Your income or expenses substantially increase or decrease
- Your portfolio hasn't performed as expected
- You're affected by changes to the economy or tax laws

COMMON QUESTIONS ABOUT FINANCIAL PLANNING

What if I'm too busy? Don't wait until you're in the midst of a financial crisis before beginning the planning process. The sooner you start, the more options you may have.

Is the financial planning process complicated? Each financial plan is tailored to the needs of the individual, so how complicated the process will be depends on your individual circumstances. But no matter what type of help you need, our qualified professionals will work hard to make the process as easy as possible, and will gladly answer all of your questions.

What if my spouse and I disagree? BWFA professionals are trained to listen to your concerns, identify any underlying issues, and help you find common ground.

Can I still control my own finances? Our professionals will make recommendations, not decisions. You retain control over your finances. Recommendations will be based on your needs, values, goals, and time frames. You decide which recommendations to follow, then work with BWFA professionals to implement them.

Feel free to contact a BWFA professional if you would like to learn more about our financial planning process — we are happy to help.

Investment Management

TIME IN THE STOCK MARKET + MARKET'S RESILIENCY = POTENTIAL FOR LONG TERM FINANCIAL SUCCESS

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In the last quarterly newsletter, I wrote about the benefits of time in the market and, conversely, the perils of missing the most successful, unpredictably timed, individual positive days in the market. Simply stated it is "time in the market" that trumps "timing the market" when seeking long term investing success. (see, BWFA Advisor magazine, April 2017, "When's the Right Time to Invest?").

Let's consider how resilient the market has been throughout its most recent 10 years of success.

In fact, the broader stock market has virtually doubled from January 2008 to the first Quarter of this year, 2017.

Each year presented its own crises, some more "major" than others. Some of these events are noted below in order to provide some perspective as to how easily an investor could have been scared out of this incredible bull market. **Beginning in early 2008 and working chronologically through to the first quarter of this year, here goes:**

2008

- Federal Reserve arranges takeover of Bear Stearns by JP Morgan
- Lehman Brothers files for bankruptcy protection
- Congress passes TARP (Troubled Assets Relief Program)

2009

- Barrack H. Obama sworn in as 44th President of the U.S.
- $787 billion U.S. stimulus bill signed
- H1N1 virus "global pandemic"
- Dubai credit crisis shakes global markets

2010

- Haiti earthquake
- Obama signs healthcare bill
- Greek debt cut to below investment grade
- End of QE 1
- Flash Crash
- Obama signs Dodd-Frank law
- U.S. Debt Crisis imminent
- EU and IMF bailout of Ireland

2011

- Meredith Whitney predicts municipal bond troubles
- Japan earthquake
- Portugal receives bailout
- Euro zone to impose tighter fiscal control over members
- S&P downgrades U.S. debt rating to AA+
- End of QE 2

2012

- Eurozone finance ministers approve second bailout for Greece
- Hurricane Sandy hits New Jersey
- N. Korea confirms successful testing of nuclear device

2013

- With the edge of Fiscal Cliff in sight, still no deal
- Boston Marathon Bombing
- Detroit, Michigan files for bankruptcy
- Partial U.S. federal government shutdown
- Ebola outbreak in West Africa

2014

- QE 3 tapering begins
- Russia moves troops into Crimea
- U.S. Real GDP growth in Q1 2014 falls at a 2.1% annual rate
- ISIS begins offensive in Iraq
- Oil price collapse begins
- Argentina defaults on its debts
- QE 3 ends

2015

- Swiss de-pegging from the Euro
- U.S. Real GDP growth in Q1 falls at a 0.2% annual rate
- California has worst drought in history
- U.S. Supreme Court affirms "Obamacare"
- Chinese stock market crashes
- Russia launches air strikes in Syria

2016

- Brexit vote passes
- OPEC announces production cut
- Donald J. Trump elected 45th President of the United States U.S. fed funds rate hiked to 0.75%

2017

- Bull market in stocks turns 8 years old (2nd longest)
- U.S. Fed hikes rates 25 basis points

BWFA seeks to achieve competitive long term investment results for our investment management clients by not overreacting to the myriad "challenging" events that occur and that are piped in to our homes on a daily basis by the media outlets. We urge our clients to do the same.

Despite all these negative "real news" events, investing prudently in the proper allocations and sectors as well as the strongest companies, over time, can produce effective long term results for your investment dollars. In real world terms, this translates to the long term investing success (and the dollars behind them) that our clients can count on to achieve their goals and dreams, especially of retiring well.

So, as we undoubtedly will be met with similar "bad news" in the future, regardless of who is in the Oval Office, let us put it all into context and remember that wealth is generated over time with prudent active management and a disciplined, unemotional reaction to all the "noise" that inevitably surrounds us all.

PHOTO: Fishing Boats at Anchor on the Coast of Maine

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RECOGNIZED AS ONE OF THE *FINANCIAL TIMES* TOP 300 FINANCIAL ADVISERS

4th Year in a Row!

TODAY'S INVESTMENT LANDSCAPE IS MORE COMPLEX THAN IT HAS EVER BEEN. INCREASINGLY, IT TAKES A TEAM OF DEDICATED EXPERTS TO EFFECTIVELY MANAGE YOUR MONEY, AND MORE AND MORE PEOPLE ARE REALIZING THE VALUE OF WORKING WITH A FEE-ONLY INVESTMENT ADVISOR SUCH AS BWFA.

Recently, the *Financial Times* recognized 300 top RIAs*, based on criteria including: assets under management (AUM), AUM growth rate, years in existence, compliance record, industry certifications (such as CFP® and CFA), and online accessibility.

While it's gratifying to be recognized, BWFA's main objective continues to be serving our clients with undivided loyalty. We provide impartial advice and work exceptionally hard at helping our clients achieve their goals. As always, we are dedicated to serving our clients' best interests.

Robert Carpenter

*"RIA," as used in the **Financial Times** article, is an abbreviation for Registered Investment Adviser and is not a designation. Registration as an investment adviser does not constitute an endorsement of the firm by securities regulators nor does it indicate that the adviser has attained a particular level of skill or ability.*

FT FINANCIAL TIMES | Top Financial Advisers 2017

FT 300 Ranking June 2017

Maryland firms in the FT 300

FT 300 Top Registered Investment Advisers

Firm name	City	Client Segments Served: Retail (Individuals with less than $1 million)	HNW (Individuals with $1 million - $10 million)	Ultra HNW (Individuals with $10 million+)	Institutional
MARYLAND					
Baltimore Washington Financial Advisors	Columbia	✓	✓	✓	✓
FBB Capital Partners	Bethesda	✓	✓	✓	✓
Greenspring Wealth Management	Towson	✓	✓	✓	✓
Heritage Investors Management	Bethesda	✓	✓	✓	✓
Wagner Bowman Management Corp	Baltimore	✓	✓	✓	✓
WMS Partners, LLC	Towson		✓	✓	

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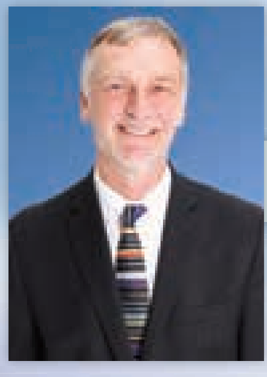
NOTE: Above results are listed in alphabetical order and do not represent numerical ranking.

FT 300 Disclosure: The 2017 Financial Times Top 300 Registered Investment Advisors is an independent listing produced by the Financial Times (June, 2017). The FT 300 is based on data gathered from RIA firms, regulatory disclosures, and the FT's research. As identified by the FT, the listing reflected each practice's performance in six primary areas, including assets under management, asset growth, compliance record, years in existence, credentials and accessibility. Neither the RIA firms nor their employees pay a fee to The Financial Times in exchange for inclusion in the FT 300. Third-party rankings from Financial Times and other publications are no guarantee of future investment success. Working with a highly ranked adviser does not ensure that a client or prospective client will experience a higher level of performance results. These rankings should not be construed as an endorsement of the adviser by any client.

Tax Services



GIFT AND ESTATE TAXES

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If you give away money or property during your life, those transfers may be subject to federal gift and estate tax and perhaps state gift tax. The money and property you own when you die (i.e., your estate) may also be subject to federal gift and estate tax and some form of state death tax. These property transfers may also be subject to generation-skipping transfer taxes. You should understand all of these taxes, especially since the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (the 2001 Tax Act), the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the 2010 Tax Act), and the American Taxpayer Relief Act of 2012 (the 2012 Tax Act). The 2001, 2010, and 2012 Tax Acts contain several changes that make estate planning much easier.

FEDERAL GIFT AND ESTATE TAX — BACKGROUND

Under pre-2001 Tax Act law, no federal gift and estate tax was imposed on the first $675,000 of combined transfers (those made during life and those made at death). The tax rate tables were unified into one — that is, the same rates applied to gifts made and property owned by persons who died in 2001. Like income tax rates, gift and estate tax rates were graduated. Under this unified system, the recipient of a lifetime gift received a carryover basis in the property received, while the recipient of a bequest, or gift made at death, got a step-up in basis (usually fair market value on the date of death of the person who made the bequest or gift).

The 2001 Tax Act, the 2010 Tax Act, and the 2012 tax Act substantially changed this tax regime.

FEDERAL GIFT AND ESTATE TAX — CURRENT

The 2001 Tax Act increased the applicable exclusion amount for gift tax purposes to $1 million through 2010. The applicable exclusion amount for estate tax purposes gradually increased over the years until it reached $3.5 million in 2009. The 2010 Tax Act repealed the estate tax for 2010 (and taxpayers received a carryover income tax basis in the property transferred at death), or taxpayers could elect to pay the estate tax (and get the step-up in basis). The 2010 Tax Act also re-unified the gift and estate tax and increased the applicable exclusion amount to $5,120,000 in 2012. The top gift and estate tax rate was 35 percent in 2012. The 2012 Tax Act increased the applicable exclusion amount to $5,490,000 (in 2017, $5,450,000 in 2016) and the top gift and estate tax rate to 40 percent (in 2013 and later years).

However, many transfers can still be made tax free, including:

- Gifts to your U.S. citizen spouse; you may give up to $149,000 in 2017 ($148,000 in 2016) tax free to your noncitizen spouse
- Gifts to qualified charities
- Gifts totaling up to $14,000 (in 2016 and 2017) to any one person or entity during the tax year, or $28,000 (in 2016 and 2017) if the gift is made by both you and your spouse (and you are both U.S. citizens)
- Amounts paid on behalf of any individual as tuition to an educational organization or to any person who provides medical care for an individual

FEDERAL GENERATION-SKIPPING TRANSFER TAX

The federal generation-skipping transfer (GST) tax imposes tax on transfers of property you make, either during life or at death, to someone who is two or more generations below you, such as a grandchild. The GST tax is imposed in addition to, not instead of, federal gift and estate tax.

You need to be aware of the GST tax if you make cumulative generation-skipping transfers in excess of the GST tax exemption ($5,490,000 in 2017, $5,450,000 in 2016). A flat tax equal to the highest estate tax bracket in effect in the year you make the transfer (40 percent in 2016 and 2017) is imposed on every transfer you make after your exemption has been exhausted.

STATE TRANSFER TAXES

Currently, a few states impose a gift tax, and a few states impose a generation-skipping transfer tax. Some states also impose a death tax, which could be in the form of estate tax, inheritance tax, or credit estate tax (also known as a sponge or pickup tax). Contact an attorney or your state's department of revenue or taxation to find out more information.

PHOTO: The Portland Breakwater Light (also called Bug Light) is a small lighthouse in South Portland, Maine.

Business Services

RETIREMENT PLANS FOR SMALL BUSINESSES

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MERGERS & ACQUISITIONS
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As a business owner, you should carefully consider the advantages of establishing an employer-sponsored retirement plan. Generally, you're allowed a deduction for contributions you make to an employer-sponsored retirement plan. In return, however, you're required to include certain employees in the plan, and to give a portion of the contributions you make to those participating employees. Nevertheless, a retirement plan can provide you with a tax-advantaged method to save funds for your own retirement, while providing your employees with a powerful and appreciated benefit.

TYPES OF PLANS

There are several types of retirement plans to choose from, and each type of plan has advantages and disadvantages. This discussion covers the most popular plans. You should also know that the law may permit you to have more than one retirement plan, and with sophisticated planning, a combination of plans might best suit your business's needs.

PROFIT-SHARING PLANS

Profit-sharing plans are among the most popular employer-sponsored retirement plans. These straightforward plans allow you, as an employer, to make a contribution that is spread among the plan participants. You are not required to make an annual contribution in any given year. However, contributions must be made on a regular basis.

With a profit-sharing plan, a separate account is established for each plan participant, and contributions are allocated to each participant based on the plan's formula (this formula can be amended from time to time). As with all retirement plans, the contributions must be prudently invested. Each participant's account must also be credited with his or her share of investment income (or loss).

401(K) PLANS

A type of deferred compensation plan, 401(k) plans are generally established as part of a profit-sharing plan. Now the most popular type of plan by far, the 401(k) plan allows contributions to be funded by the participants themselves, rather than by the employer. Employees elect to forgo a portion of their salary and have it put in the plan instead. These plans can be expensive to administer, but the employer's contribution cost is generally very small (employers often offer to match employee deferrals as an incentive for employees to participate). Thus, in the long run, 401(k) plans tend to be relatively inexpensive for the employer.

The requirements for 401(k) plans are complicated, and several tests must be met for the plan to remain in force. For example, the higher-paid employees' deferral percentage cannot be disproportionate to the rank-and-file's percentage of compensation deferred.

There are several ways to avoid discrimination, including adopting a "safe harbor" 401(k), a qualified automatic contribution arrangement (QACA), or a SIMPLE 401(k) plan. If you don't have any employees (or your spouse is your only employee) an "individual" or "solo" 401(k) plan is another way to avoid performing discrimination testing. With so many options available, make sure to consult with an experienced plan administrator to determine which 401(k) plan is best for you and your business.

MONEY PURCHASE PENSION PLANS

Money purchase pension plans are similar to profit-sharing plans, but employers are required to make an annual contribution. Participants receive their respective share according to the plan document's formula.

Like profit-sharing plans, money purchase pension plans are relatively straightforward and inexpensive to maintain. However, they are less popular than profit-sharing or 401(k) plans because of the annual contribution requirement.

DEFINED BENEFIT PLANS

By far the most sophisticated type of retirement plan, a defined benefit program sets out a formula that defines how much each participant will receive annually after retirement if he or she works until retirement age. This is generally stated as a percentage of pay, and can be as much as 100% of final average pay at retirement.

An actuary certifies how much will be required each year to fund the projected retirement payments for all employees. The employer then must make the contribution based on the actuarial determination.

Unlike defined contribution plans, there is no limit on the contribution. The employer's total contribution is based on the projected benefits. Therefore, defined benefit plans potentially offer the largest contribution deduction and the highest retirement benefits to business owners.

SIMPLE IRA RETIREMENT PLANS

Actually a sophisticated type of individual retirement account (IRA), the SIMPLE (Savings Incentive Match Plan for Employees) IRA plan allows employees to defer a portion of annual compensation by contributing it to an IRA. In addition, employees age 50 and over may make an extra "catch-up" contribution. Employers are required to match deferrals, up to 3% of the contributing employee's wages (or make a fixed contribution of 2% to the accounts of all participating employees whether or not they defer to the SIMPLE plan).

SIMPLE plans work much like 401(k) plans, but do not have all the testing requirements. So, they're cheaper to maintain. There are several drawbacks, however. First, all contributions are immediately vested, meaning any money contributed by the employer immediately belongs to the employee (employer contributions are usually "earned" over a period of years in other retirement plans). Second, the amount of contributions the highly paid employees (usually the owners) can receive is severely limited compared to other plans. Finally, the employer cannot maintain any other retirement plans. SIMPLE plans cannot be utilized by employers with more than 100 employees.

OTHER PLANS

The above sections are not exhaustive, but represent the most popular plans in use today. Current tax laws give retirement plan professionals new and creative ways to write plan formulas and combine different types of plans, in order to maximize contributions and benefits for higher paid employees.

FINDING A PLAN THAT'S RIGHT FOR YOU

If you are considering a retirement plan for your business, ask a plan professional to help you determine what works best for you and your business needs. The rules regarding employer-sponsored retirement plans are very complex and easy to misinterpret. In addition, even after you've decided on a specific type of plan, you will often have a number of options in terms of how the plan is designed and operated. These options can have a significant and direct impact on the number of employees that have to be covered, the amount of contributions that have to be made, and the way those contributions are allocated (for example, the amount that is allocated to you, as an owner).

PHOTO: Boats on Monhegan Island, Maine | CREDIT: Samantha Carpenter

Client Advisory Board

BWFA CLIENT ADVISORY BOARD

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DIRECTOR, CLIENT SERVICES
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BWFA STARTED ITS CLIENT ADVISORY BOARD (CAB) OVER 10 YEARS AGO, IN ORDER TO BRING TOGETHER A REPRESENTATIVE GROUP OF OUR CLIENTS AND SEEK THEIR GUIDANCE AND INPUT AS TO THE STATE OF, AND FUTURE DIRECTION OF, OUR FIRM.

Today, the CAB consists of approximately 30 members, typically serving 2-4 year terms. The board meets twice a year, usually at a local restaurant, for luncheon presentation and follow up discussion. Among the current members are professionals, retirees, small business owners and people from many other walks of life.

We have found that the volunteer board members are dedicated to the mission of the CAB and develop a wonderful chemistry from their time serving together on the board.

Our core services are built upon our relationships with our clients, and the CAB serves to deepen those relationships, helping us better serve the needs of all. With an openness and willingness to really listen, we have received important feedback on what our clients value most about our business, including what is important in differentiating us from other financial firms.

The CAB is a great resource we rely upon when considering any changes to current practices, procedures and marketing efforts, as well as strategic planning going forward.

For more information on the Client Advisory Board, or if you would like to be considered to serve on the CAB, please feel free to contact your BWFA advisor or Meghan Manas at 410-461-3900.

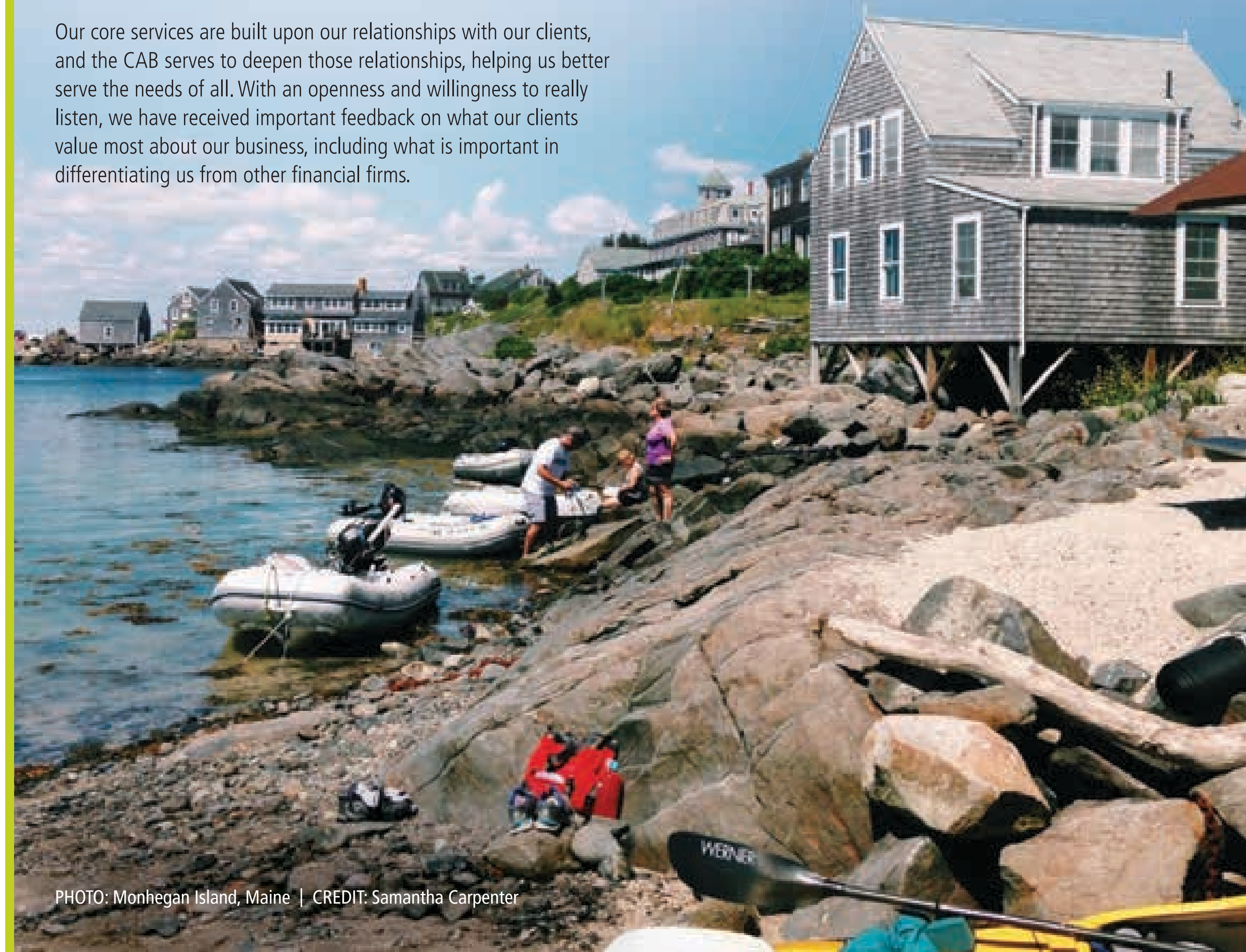


PHOTO: Monhegan Island, Maine | CREDIT: Samantha Carpenter

Seminar Spotlight

ELVILLE AND ASSOCIATES

B|W|F|A Baltimore-Washington FINANCIAL ADVISORS

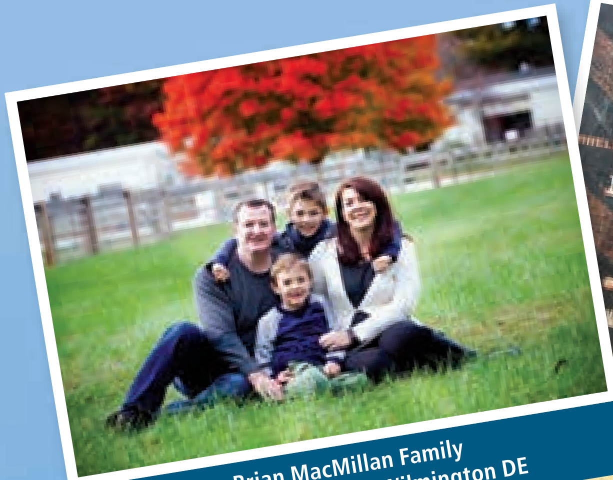
FERRETTO eldercare consulting

THE DIFFERENCE BETWEEN ALZHEIMER'S AND DEMENTIA WITH SPECIAL GUEST SPEAKER MARY FAITH FERRETTO

Jul 20, 2017 @ 11:45 AM - 1:00 PM

BWFA Offices | 5950 Symphony Woods Rd. | Ste. 600 | Columbia, MD 21044

What's Happening at BWFA



Brian MacMillan Family
Bellevue State Park, Wilmington DE

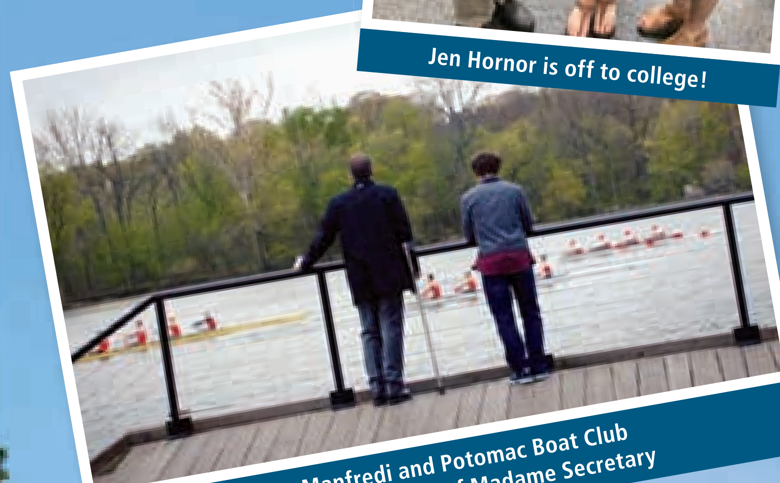
Chris and Heather Kelly at the Tough Mudder, June 2016 – Virginia

Chris Kelly running thru the Tough Mudder electric shock obstacle

Miriam Manas is off to kindergarten!

Hornor family enjoying vacation in Maine!

Jen Hornor is off to college!



Joe Manfredi and Potomac Boat Club on a recent episode of Madame Secretary

PHOTO: Historic Lighthouse Acadia National Park, Maine

BWFA SPONSORED COLUMBIA'S 50TH BIRTHDAY SUMMER CONCERT AT THE NEW CHRYSALIS AT MERRIWEATHER POST PAVILION

JUNE 21, 2017

Upcoming Events

July

JULY 6, 2017
11:45 A.M. – 1:00 P.M. | Roth vs. IRA

JULY 13, 2017
11:45 A.M. – 1:00 P.M. | Social Security

JULY 20, 2017
11:45 A.M. – 1:00 P.M. | Alzheimers vs. Dementia w/ Steve Elville & Mary Faith Ferrato

JULY 25, 2017
6:00 P.M. – 7:30 P.M. | Selecting Your State Of Residence

JULY 27, 2017
11:45 A.M. – 1:00 P.M. | Charitable Giving and Philanthropy w/ Dean Bouland

August

AUGUST 1, 2017
11:45 A.M. – 1:00 P.M. | Making the Most of Medicare

AUGUST 3, 2017
11:45 A.M. – 1:00 P.M. | Corporate Trust Services w/ Steve Elville

AUGUST 15, 2017
6:00 P.M. – 7:30 P.M. | What You Need To Know About Retirement Before You Retire

AUGUST 24, 2017
11:45 A.M. – 1:00 P.M. | Selecting an assisted living facility w/ Steve Elville

Check out BWFA.COM for latest list of seminars.

PHOTO: Hubble Lighthouse, Maine

B|W|F|A

Baltimore-Washington

FINANCIAL ADVISORS

RETRIEMENT & ESTATE PLANNING | INVESTMENT MANAGEMENT | TAX SERVICES | BUSINESS SERVICES

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