

OCTOBER 2019

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS



DIA DE PORTUGAL



B | W | F | A

President's Address

OUR SUMMER INTERNS

ROBERT G. CARPENTER
PRESIDENT & CEO
rcarpenter@bwfa.com

In addition, they assisted us plan for a few Client Appreciation Events, which included the third Columbia Orchestra Concert at the Merriweather Park Chrysalis Amphitheater! We want to thank our interns for their assistance with the planning process. We really enjoyed the event and if you attended, we hope you did too!

While the interns were involved in several projects over the summer, they did not participate in client meetings due to privacy issues. However, they did have the opportunity to prepare materials for the portfolio managers and financial planners. They performed some market research and electronic filings for the firm. They also had the chance to interact with many of our clients by taking your calls, answering your questions, and greeting you as you visited the office.

PHOTO: Torre de Belém is a 16th-century fortification that served both as a fortress and as a ceremonial gateway to Lisbon, Portugal.

This summer we had a team of five interns who helped us work on a variety of different projects supporting the financial planning, investment management, and tax teams.

The goal of our summer intern program is to provide the students with mentorship and guidance as well as meaningful work opportunities that provide a glimpse into the everyday operations of a financial services company that strives to provide the best possible service to its clients. We work hard to meet this goal and hope the students have grown from their experience.

It was a pleasure to get to know each of the interns better and I wanted to take this opportunity to thank and highlight each of them. They are a wonderful group of young professionals, and I am confident that a bright future awaits each one of them.

THANK YOU to Jack, Jennifer, Spencer, Connor, and Andrew for spending the summer and sharing your talents with us!

Sincerely,

Robert Carpenter



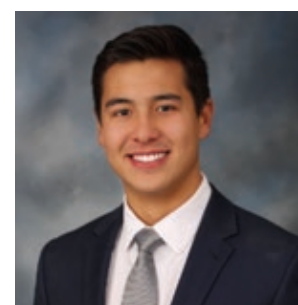
JACK FRANZ

My name is Jack Franz, and I'm currently a rising senior at the University of Maryland. This year, I'll be completing my Finance and Information Systems degrees and beginning to work toward a Master's. I hope to pursue a career in either financial advising or consulting after I graduate. Outside of school, my biggest hobbies are soccer, guitar, and video games. One fun fact about me is that I studied abroad in Australia and New Zealand this past winter, where I got to scuba dive at the Great Barrier Reef, whitewater raft, and bungee jump. I've thoroughly enjoyed interning at BWFA this summer and learning more about the world of finance. I'm truly grateful to be exploring my career interests in such a great environment!



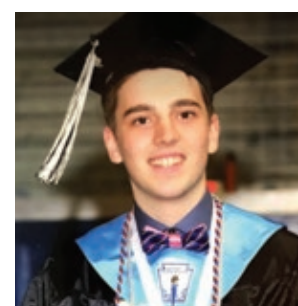
JENNIFER HORNOR

My name is Jennifer Hornor and I am a rising Junior studying Marketing and Finance at the University of Pittsburgh. Interning at BWFA this past summer has been an extremely valuable experience for me, as it has allowed me to develop both my professional skills and my confidence for future success. After I graduate from college, I plan to pursue a career in digital marketing, which will allow me to combine my interests in digital media and data analytics. In five years, I hope to live in the Baltimore - D.C. area and work at a company with an equally encouraging and rewarding environment as BWFA has been for me. A fun fact about me is that when I'm not working at BWFA, I am coaching swim team and training for my first marathon!



SPENCER LIN

My name is Spencer Lin and I am a rising Senior at James Madison University. I am on track to graduate in the Spring of 2020 with a Finance degree. After graduation, my goal is to find a job in the wealth management sector where I can grow as a professional. BWFA has provided me with the necessary knowledge and experience to enter into employment with confidence. The personal and professional skills I learned this summer will certainly prove to be beneficial as I enter into the workforce. In 5 years, I see myself living in the Washington, D.C. area with a job I can not only excel at, but also enjoy on a daily basis. Some of my favorite hobbies include scuba diving, traveling, and exercising.



CONNOR SCHLICHTING

I am currently a sophomore at Duquesne University in Pittsburgh Pennsylvania. I am a dual major in information systems and computer science. I aspire to do software development or computer engineering after graduating. At school I spend my free time competing in intermural sports and keeping up with my favorite football team, the Pittsburgh Steelers. A fun fact about me would have to be my Eagle Scout Award I achieved during high school. I look forward to using workplace skills I learned while interning at BWFA.



ANDREW CADE

My name is Andrew Cade and I am currently attending the University of Maryland, hoping to attend the Robert H. Smith School of Business to pursue a degree in Marketing, and then majoring in another field of business as well. I plan on graduating in 2022 and possibly attending another year for a Plus 1 Master's degree. My internship at BWFA has provided a lot of insight into the different aspects of business and has been a great learning experience, applicable to more than just the financial services field. In 10 years, I plan to be working for a marketing company or possibly in consulting in one of the big firms. A fun fact about me is that I love to try all different kinds of unique foods from all cultures and enjoy traveling to new places.

PHOTO: Panoramic image of the lake of Sete Cidades in Sao Miguel, Azores.

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

This publication is not a solicitation to buy or sell any securities or advisory products. Baltimore Washington Financial Advisors is an SEC-Registered Investment Adviser. Investing involves risk, including the risk of principal loss. Past performance is no guarantee of future returns. Please contact us at 410-461-3900 if you have any questions.

COVER PHOTO: Câmara De Lobos on Madeira Island in Portugal.

OCTOBER 2019 TABLE OF CONTENTS

- 2 PRESIDENT’S ADDRESS**
ROB CARPENTER | President & CEO
- 6 FINANCIAL PLANNING**
THAD ISMART | CFP®
Senior Financial Planner
- 8 FINANCIAL PLANNING**
TYLER KLUGE | CFP®
Associate Financial Planner
- 10 ADVANCE MEDICAL DIRECTIVES**
- 12 JOSEPH CAPUTO** | CFP®
Portfolio Manager, Chief Information Officer
& Executive Manager
- 14 INVESTMENT MANAGEMENT**
CHRIS KELLY | CPA, CFP®, M. Accy
Financial Advisor, Portfolio Manager
& Executive Manager
- 16 HAPPY 10TH ANNIVERSARY CHRIS KELLY!**
- 18 BWFA Q&A: EMPLOYEE SPOTLIGHT**
CHRIS KELLY | CPA, CFP®, M. Accy
Financial Advisor, Portfolio Manager
& Executive Manager
- 20 BUSINESS SERVICES**
BRIAN MACMILLAN
Managing Director Mergers & Acquisitions
- 22 BWFA SUMMER FUN!**
- 24 FIREWORKS • FUN • PHOTO BOOTH**
BWFA Fourth of July Celebration
- 26 BWFA UPCOMING EVENTS**



Come Cruise with Us!



CAPTIVATING RHINE: AMSTERDAM TO BASEL • MAY 4 – MAY 11, 2020

Baltimore-Washington Financial Advisors Invite You to Come Cruise with Us!

BWFA is partnering with PollinGroup’s full ship AmaWaterways™ charter to make this a wonderful experience for you, your family and friends. BWFA is one of three groups included on this charter. These are significantly discounted rates and limited availability. We hope you will consider sailing with the extended BWFA family and creating your own lasting memories!

Sincerely,

Robert Carpenter

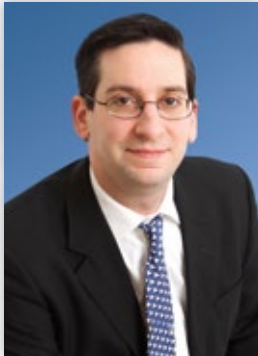
Robert Carpenter
President and CEO

FOR ITINERARY, PRICING AND RESERVATIONS PLEASE CONTACT:

MARY DAVIS • Sr. Director Client and Management Services • 443.878.4393 • mdavis@pollingroup.com



Financial Planning



ASSET PROTECTION IN ESTATE PLANNING

THAD ISMART
CFP®
SENIOR FINANCIAL PLANNER
tismart@bwfa.com

You're beginning to accumulate substantial wealth, but you worry about protecting it from future potential creditors. Whether your concern is for your personal assets or your business, various tools exist to keep your property safe from tax collectors, accident victims, health-care providers, credit card issuers, business creditors, and creditors of others.

To insulate your property from such claims, you'll have to evaluate each tool in terms of your own situation. You may decide that insurance and a Declaration of Homestead may be sufficient protection for your home because your exposure to a claim is low.

For high exposure, you may want to create a business entity or an offshore trust to shield your assets. Remember, no asset protection tool is guaranteed to work, and you may have to adjust your asset protection strategies as your situation or the laws change.

LIABILITY INSURANCE IS YOUR FIRST AND BEST LINE OF DEFENSE

Liability insurance is at the top of any plan for asset protection. You should consider purchasing or increasing umbrella coverage on your homeowners policy. For business-related liability, purchase or increase your liability coverage under your business insurance policy. Generally, the cost of the premiums for this type of coverage is minimal compared to what you might be required to pay under a court judgment should you ever be sued.

A DECLARATION OF HOMESTEAD PROTECTS THE FAMILY RESIDENCE

Your primary residence may be your most significant asset. State law determines the creditor and judgment protection afforded a residence by way of a Declaration of Homestead, which varies greatly from state to state. For example, a state may provide a complete exemption for a residence (i.e., its entire value), a limited exemption (e.g., up to \$100,000), or an exemption under certain circumstances (e.g., a judgment for medical bills). A Declaration of Homestead is easy to file. You pay a small fee, fill out a simple form, and file it at the registry where your deed is recorded.

DIVIDING ASSETS BETWEEN SPOUSES CAN LIMIT EXPOSURE TO POTENTIAL LIABILITY

Perhaps you work in an occupation or business that exposes you to greater potential liability than your spouse's job does. If so, it may be a good idea to divide assets between you so that you keep only the income and assets from your job, while your spouse takes sole ownership of your investments and other valuable assets.

Generally, your creditors can reach only those assets that are in your name.

BUSINESS ENTITIES CAN PROVIDE TWO TYPES OF PROTECTION

Shielding Your Personal Assets
From Your Business Creditors and
Shielding Business Assets From
Your Personal Creditors

Consider using a corporation, limited partnership, or limited liability company (LLC) to operate the business. Such business entities shield the personal assets of the shareholders, limited partners, or LLC members from liabilities that arise from the business. The liability of these owners will be limited to the assets of the business.

Conversely, corporations, limited partnerships, and LLCs provide some protection from the personal creditors of a shareholder, limited partner, or member. In a corporation, a creditor of an individual owner is able to place a lien on, and eventually acquire, the shares of the debtor/shareholder, but would not have any rights greater than the rights conferred by the shares. In limited

partnerships or LLCs, under most state laws, a creditor of a partner or member is entitled to obtain only a charging order with respect to the partner or member's interest. The charging order gives the creditor the right to receive any distributions with respect to the interest. In all respects, the creditor is treated as a mere assignee and is not entitled to exercise any voting rights or other rights that the partner or member possessed.

CERTAIN TRUSTS CAN PRESERVE TRUST ASSETS FROM CLAIMS

People have used trusts to protect their assets for generations. The key to using a trust as an asset protection tool is that the trust must be irrevocable and become the owner of your property. Once given away, these assets are no longer yours and are not available to satisfy claims against you. To properly establish an asset protection trust, you must not keep any interest in the trust assets or control over the trust.

Trusts can also protect trust assets from potential creditors of the beneficiaries of the trust. The extent to which a beneficiary's creditors can reach trust property depends on how much access the beneficiary has to the trust property. The more access the beneficiary has to the trust property, the more access the beneficiary's creditors will have. Thus, the terms of the trust are critical.

There are many types of asset protection trusts, each having its own benefits and drawbacks. These trusts include:

- Spendthrift trusts
- Discretionary trusts
- Support trusts
- Personal trusts
- Self-settled trusts

Since certain claims can pierce domestic protective trusts (e.g., claims by a spouse or child for support and state or federal claims), you can bolster your protection by placing the trust in a foreign jurisdiction. Offshore or foreign trusts are established under, or made subject to, the laws of another country (e.g., the Bahamas, the Cayman Islands, Bermuda, Belize, Jersey, Liechtenstein, and the Cook Islands) that does not generally honor judgments made in the United States.

A WORD ABOUT FRAUDULENT TRANSFERS

The court will ignore transfers to an asset protection trust if:

- A creditor's claim arose before you made the transfer
- You made the transfer with the intent to defraud a creditor
- You incurred debts without a reasonable expectation of paying them

MAIN PHOTO: Mosteiro dos Jeronimos, a highly ornate monastery situated in the Belem district of western Lisbon. CIRCLE: Porto City Hall on Liberdade Square, Porto, Portugal.



Financial Planning



MERGING YOUR MONEY WHEN YOU MARRY

TYLER KLUGE
CFP®
ASSOCIATE FINANCIAL PLANNER
tkluge@bwfa.com

As I am a newlywed as of August, I thought an article about merging finances with your spouse was fitting. Some of these topics are good food for thought for many couples, not just newlyweds. Getting married is exciting, but it also brings some challenges. One such challenge that you and your spouse may face is how best to merge your finances. Planning carefully and communicating clearly are important because the financial decisions that you make now can have a lasting impact on your future goals.

DISCUSS YOUR FINANCIAL GOALS

The first step in mapping out your financial future together is to discuss your financial goals. A good place to start is to make a list of your short-term goals (e.g., paying off wedding debt, new cars, vacations) and long-term goals (e.g., having children, your children's college education, retirement).

Then, determine which goals are most important to you. Once you've identified the goals that are a priority, you can focus your energy on achieving them.

PREPARE A BUDGET

Another important step is to prepare a budget that lists all of your income and expenses over a certain time period (e.g., monthly, annually). It is important to have a discussion with your spouse to understand how you will handle managing the budget. Will one of you be in charge of managing the budget, or will you handle it jointly (e.g. would you take turns keeping records and paying the bills)? If both you and your spouse are going to be involved, it is important to develop a record-keeping system that both of you understand. It is equally important to keep your records in a joint filing system so that both of you can easily locate important documents.

The first step of the budget is to begin by listing your sources of income (e.g., salaries and wages, interest, dividends). Then, list your expenses (it may be beneficial to review several months of entries in your checkbook and credit card bills). Add them up and compare the two totals. Hopefully, you get a positive number, meaning that you spend less than you earn. If not, review your expenses and see where you can cut down on your spending. BWFA is now offering our clients a new online budgeting tool within our Financial Planning software, which can help you create and view your budget. If this is something you would be interested in just let us know and we would be happy to explain the details further.

BANK ACCOUNTS—SEPARATE OR JOINT?

At some point, you and your spouse will have to decide whether to combine your bank accounts or keep them separate.

Maintaining a joint account does have advantages, such as easier record keeping and lower maintenance fees. However, it's sometimes more difficult to keep track of how much money is in a joint account when two individuals have access to it. Of course, you could avoid this problem by making sure that you tell each other every time you write a check or withdraw funds from the account. Or, you could always decide to maintain separate accounts.

CREDIT CARDS

Before adding your name to your spouse's credit card accounts, it is important to consider the potential implications. When you and your spouse have joint credit, both of you will become responsible for 100 percent of the credit card debt. In addition, if one of you has poor credit, it will negatively impact the credit rating of the other. If you or your spouse does not qualify for a card because of poor credit, and you are willing to give your spouse account privileges anyway, you can make your spouse an authorized user of your credit card. An authorized user is not a joint cardholder and is therefore not liable for any amounts charged to the account.

MAIN PHOTO: Praça Do Comercio Square with the Saint George Castle in Lisbon viewed from Tajo River.
CIRCLE: The Padrao dos Descobrimentos celebrates the Portuguese who took part in the Age of Discovery.

Also, the account activity won't show up on the authorized user's credit record. But remember, you would remain responsible for the account.


INSURANCE

If you and your spouse have separate health insurance coverage, you'll want to do a cost/benefit analysis of each plan to see if you should continue to keep your health coverage separate. For example, if your spouse's health plan has a higher deductible and/or co-payments or fewer benefits than those offered by your plan, he or she may want to join your health plan instead. You'll also want to compare the rate for one family plan against the cost of two single plans. It's a good idea to examine your auto insurance coverage, too. If you and your spouse own separate cars, you may have different auto insurance carriers. Consider pooling your auto insurance policies with one company; many insurance companies will give you a discount if you insure more than one car with them. If one of you has a poor driving record, however, make sure that changing companies won't mean paying a higher premium.

EMPLOYER-SPONSORED RETIREMENT PLANS

If both you and your spouse participate in an employer-sponsored retirement plan, you should be aware of each plan's characteristics. Review each plan together carefully and determine which plan provides the best benefits. If you can afford it, you should each participate to the maximum in your own plan. If your current cash flow is limited, you can make one plan the focus of your retirement strategy. Here are some helpful tips:

- If both plans match contributions, determine a strategy to take advantage of that benefit
- Compare the vesting schedules for the employer's matching contributions
- Compare the investment options offered by each plan

All of us at BWFA are here to help you. Anytime you have questions or would like to meet with us just let us know and we'd be happy to spend time with you. 





Advance Medical Directives

A Living Will is an essential document everyone should create and keep stored on their smartphone in case of an emergency.

What kind of medical care would you want if you were too ill or hurt to express your wishes? Advance directives are legal documents that allow you to spell out your decisions about **end-of-life** care ahead of time. They give you a way to tell your wishes to family, friends, and health care professionals and to avoid confusion later.

A living will tell which treatments you want if you are dying or permanently unconscious. You can accept or refuse medical care. You might want to include instructions on

- The use of dialysis and breathing machines
- If you want to be resuscitated if your breathing or heartbeat stops
- Tube feeding
- Organ or tissue donation

A durable power of attorney for health care is a document that names your health care proxy. Your proxy is someone you trust to make health decisions for you if you are unable to do so.

BWFA recommends that you have those for your Spouse, Parents and/or Family members easily available in an emergency.

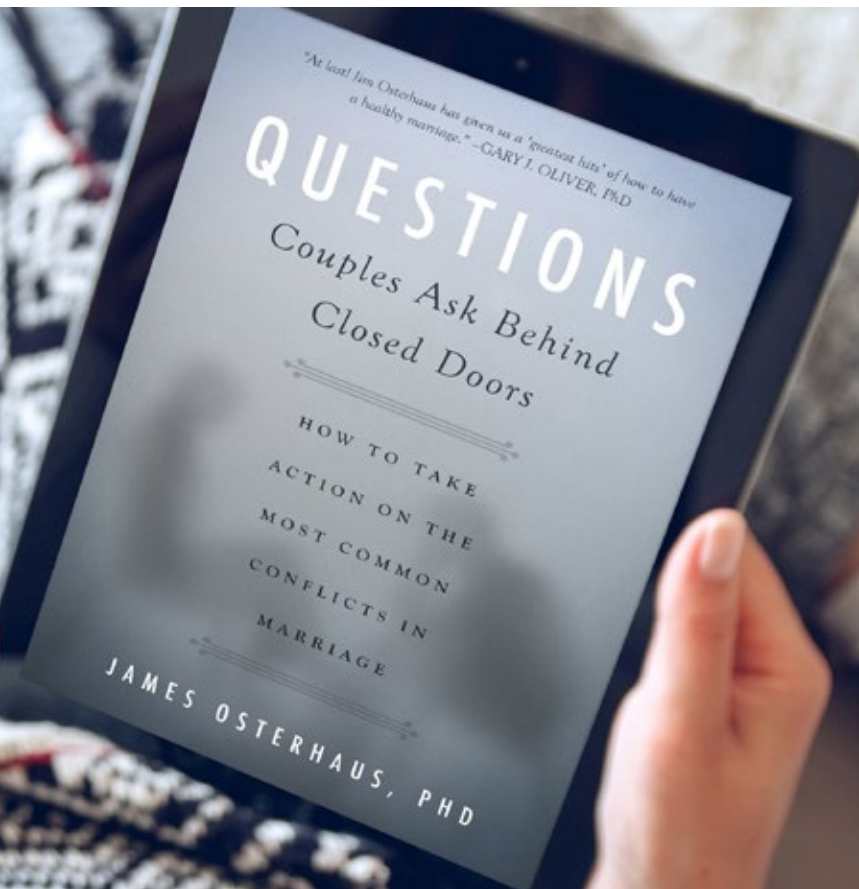
For more information visit: medlineplus.gov/endoflifeissues.html



SUMMER POPS CONCERT

For the third year in a row, BWFA was proud to sponsor a Columbia Orchestra concert at The Chrysalis. It was a glorious evening of music & fun!

**Renowned
Author &
Public Speaker
James
Osterhaus**



BOOK REVIEW • OCTOBER 8, 2019 • 6:00 PM TO 7:30 PM

Financial Planning



FINANCIAL BASICS FOR MILLENNIALS

JOSEPH CAPUTO
CFP®
PORTFOLIO MANAGER, CHIEF INFORMATION OFFICER
& EXECUTIVE MANAGER
jcaputo@bwfa.com

With age comes responsibility, so if you're a young adult in your 20s or 30s, chances are you've been introduced to the realities of adulthood. While you're excited by all the opportunities life has to offer, you're also aware of your emerging financial responsibility. In the financial realm, the millennial generation (young adults born between 1981 and 1997) faces a unique set of challenges, including a competitive job market and significant student loan debt that can make it difficult to obtain financial stability.

Poor money management can lead to debt, stress, and dependency on others. Fortunately, good money management skills can make it easier for you to accomplish your personal goals. Become familiar with the basics of planning now, and your future self will thank you for being responsible.

FIGURE OUT YOUR FINANCIAL GOALS

Setting goals is an important part of life, particularly when it comes to your finances. Over time, your goals will probably change, which will likely require you to make some adjustments. Start by asking yourself the following questions:

- What are my short-term goals (e.g., new car, vacation)?
- What are my intermediate-term goals (e.g., buying a home)?
- What are my long-term goals (e.g., saving for your child's college education, retirement)?

- How important is it for me to achieve each goal?
- How much will I need to save for each goal?

Once you have a clear picture of your goals, you can establish a budget that will help you target them.

BUILD A BUDGET

A budget helps you stay on track with your finances. There are several steps you'll need to take to establish a budget. Start by identifying your current monthly income and expenses. This is easier than it sounds: Simply add up all of your sources of income. Do the same thing with your expenses, making sure to include discretionary expenses (e.g., entertainment, travel, hobbies) as well as fixed expenses (e.g., housing, food, utilities, transportation).

Compare the totals. Are you spending more than you earn? This means you'll need to make some adjustments to get back on track. Look at your discretionary expenses to identify where you can scale back your spending. It might take some time and self-discipline to get your budget where it needs to be, but you'll develop healthy financial habits along the way.

On the other hand, you may discover that you have extra money that you can put toward savings. Pay yourself first by adding to your retirement account or emergency fund. Building up your savings using extra income can help ensure that you accomplish your financial goals over the long term.

ESTABLISH AN EMERGENCY FUND

It's an unpleasant thought, but a financial crisis could strike when you least expect it, so you'll want to be prepared. Protect yourself by setting up a cash reserve so you have funds available in the event you're confronted with an unexpected expense. Otherwise you may need to use money that you have earmarked for another purpose—such as a down payment on a home—or go into debt.

You may be familiar with advice that you should have three to six months' worth of living expenses in your cash reserve. In reality, though, the amount you should save depends on your particular circumstances. Consider factors like job security, health, income, and debts owed when deciding how much money should be in your cash reserve.

A good way to accumulate emergency funds is to earmark a percentage of your paycheck each pay period. When you reach your goal, don't stop adding money—the more you have saved, the better off you'll be.

Review your cash reserve either annually or when your financial situation changes. Major milestones like a new baby or homeownership will likely require some adjustments.

BE CAREFUL WITH CREDIT CARDS

Credit cards can be useful in helping you monitor how much you spend, but they can also lead you to spend more than you can afford. Before accepting a credit card offer, evaluate it carefully by doing the following:

- Read the terms and conditions closely
- Know what the interest rate is and how it is calculated
- Understand hidden fees such as late-payment charges and over-limit fees
- Look for rewards and/or incentive programs that will be most beneficial to you

Contact the credit card issuer if you have questions about the language used in an offer. And if you are trying to decide between two or more credit card offers, be sure to evaluate them to determine which will work best for you.

Bear in mind that your credit card use affects your credit score. Avoid overspending by setting a balance that you're able to pay off fully each month. That way, you can safely build credit while being financially responsible. Take into account that missed payments of any sort can cause your credit score to suffer. In turn, this could make it more difficult and expensive to borrow money later.

DEAL WITH YOUR EXISTING DEBT

At this stage in your life, you might be dealing with student loan debt and wondering how you can pay it off. Fortunately, there are many repayment plans that make it easier to pay off student loans. Check to see whether you qualify for income-sensitive repayment options or Income-Based Repayment. Even if you're not eligible, you may be able to refinance or consolidate your loans to make the repayment schedule easier on your budget. Explore all your options to find out what works best for you.

BEWARE OF NEW BORROWING

You're doing your best to pay off your existing debt, but you might find that you need to borrow more (for example, for graduate school or a car). Think carefully before you borrow.

Ask yourself the following questions before you do:

- Is this purchase necessary?
- Have you comparison-shopped to make sure you're getting the best possible deal?
- How much will this loan or line of credit cost over time?
- Can you afford to add another monthly payment to your budget?
- Will the interest rate change if you miss a payment?
- Are your personal finances in good shape at this time, or should you wait to borrow until you've paid off pre-existing debt?

Weigh your pre-existing debt against your need to borrow more and determine whether this is a wise decision at this particular point in your life.

TAKE ADVANTAGE OF TECHNOLOGY

Access to technology at a young age is one major advantage that benefits millennials, compared with their parents and grandparents when they were starting out. These days, there's virtually an app or a program for everything, and that includes financial basics. Do your homework and find out which ones could be the most helpful to you. Do you need alerts to remind you to pay bills on time? Do you need help organizing your finances? Are you looking for a program that allows you to examine your bank, credit card, investment, and loan account activities all at once?

Researching different programs can also help with number crunching. Many financial apps offer built-in calculators that simplify tasks that may seem overwhelming, such as breaking down a monthly budget or figuring out a loan repayment plan. Experiment with what you find, and you'll most likely develop skills and insight that you can use as a starting point for future planning.

Although apps are one way to get started, consider working with a financial professional for a more personalized strategy.

Source: "Millennials Projected to Overtake Baby Boomers as America's Largest Generation," Pew Research Center, March 2018.

MAIN PHOTO: Azenhas do Mar, a seaside town in the municipality of Sintra, Portugal. CIRCLE: The Initiation Well (88 feet deep) located on the land of Quinta da Regaleira.



Investment Management



CONVERTING INVESTMENT ASSETS TO RETIREMENT INCOME

CHRIS KELLY
CPA, CFP®, M. ACCY
FINANCIAL ADVISOR, PORTFOLIO MANAGER
& EXECUTIVE MANAGER
ckelly@bwfa.com

During your working years, you've probably set aside funds in retirement accounts such as IRAs, 401(k)s, or other workplace savings plans, as well as in taxable accounts. Your challenge during retirement is to convert those savings into an ongoing income stream that will provide adequate income throughout your retirement years.

SETTING A WITHDRAWAL RATE

The retirement lifestyle you can afford will depend not only on your assets and investment choices, but also on how quickly you draw down your retirement portfolio. The annual percentage that you take out of your portfolio, whether from returns or both returns and principal, is known as your withdrawal rate. Figuring out an appropriate initial withdrawal rate is a key issue in retirement planning and presents many challenges. Why? Take out too much too soon, and you might run out of money in your later years. Take out too little, and you might not enjoy your retirement years as much as you could.

Your withdrawal rate is especially important in the early years of your retirement, as it will have a lasting impact on how long your savings last.

One widely used guideline on withdrawal rates for tax-deferred retirement accounts that emerged in the 1990s stated that withdrawing slightly more than 4% annually from a balanced portfolio of large-cap equities and bonds would provide inflation-adjusted income for at least 30 years. However, more recent studies have found that this guideline may be too generalized. Individuals may not be able to sustain a 4% withdrawal rate, or may even be able to support a higher rate, depending on their individual circumstances. The bottom line is that there is no standard guideline that works for everyone — your particular withdrawal rate needs to take into account many factors, including, but not limited to, your asset allocation and projected rate of return, annual income targets (accounting for inflation as desired), investment horizon, and life expectancy.

WHICH ASSETS SHOULD YOU DRAW FROM FIRST?

You may have assets in accounts that are taxable (e.g., stocks), tax deferred (e.g., traditional IRAs), and tax free (e.g., Roth IRAs). Given a choice, which type of account should you withdraw from first? The answer is — it depends.

For retirees who don't care about leaving an estate to beneficiaries, the answer is simple in theory: withdraw money from taxable accounts first, then tax-deferred accounts, and lastly, tax-free accounts. By using your tax-favored accounts last, and avoiding taxes as long as possible, you'll keep more of your retirement dollars working for you.

For retirees who intend to leave assets to beneficiaries, the analysis can be more complicated. For example, if you have appreciated assets, it may be more advantageous for you to withdraw from tax-deferred and tax-free accounts first. This is because these accounts will not receive a step-up in basis at your death, as many of your other assets will.

However, this may not always be the best strategy. For example, if you intend to leave your entire estate to your spouse, it may make sense to withdraw from taxable accounts first. This is because spouses are given preferential tax treatment with regard to retirement plans. A surviving spouse can roll over retirement plan funds to his or her own IRA or retirement plan, or, in some cases, may continue the deceased spouse's plan as his or her own. The funds in the plan continue to grow tax deferred, and distributions need not begin until the spouse's own required beginning date.


CERTAIN DISTRIBUTIONS ARE REQUIRED

In practice, your choice of which assets to draw first may, to some extent, be directed by tax rules. You can't keep your money in tax-deferred retirement accounts forever. The law requires you to start taking distributions — called "required minimum distributions" or RMDs — from traditional IRAs by April 1 of the year following the year you turn age 70½, whether you need the money or not. For employer plans, RMDs must begin by April 1 of the year following the year you turn 70½ or, if later, the year you retire.

Roth IRAs aren't subject to the lifetime RMD rules. (Beneficiaries of either type of IRA are required to take RMDs after the IRA owner's death.)

If you have more than one IRA, a required distribution is calculated separately for each IRA. These amounts are then added together to determine your RMD for the year. You can withdraw your RMD from any one or more of your IRAs. (Your traditional IRA trustee or custodian must tell you how much you're required to take out each year, or offer to calculate it for you.) For employer retirement plans, your plan will calculate the RMD, and distribute it to you. (If you participate in more than one employer plan, your RMD will be determined separately for each plan.)

It's important to take RMDs into account when contemplating how you'll withdraw money from your savings. Why? If you withdraw less than your RMD, you will pay a penalty tax equal to 50% of the amount you failed to withdraw. The good news: you can always withdraw more than your RMD amount.

The bottom line is that an appropriate withdrawal rate/account selection can be a complicated one. A BWFA financial professional can help you determine the best course based on your individual circumstances. 

MAIN PHOTO: Rossio Square is literally the centre of Lisbon, known for its fountains and architecture. The Portuguese calçada (traditional pavement featuring mosaics of limestone and black basalt) dates back from the nineteenth century. CIRCLE: Famous yellow tram 28 passing in front of Santa Maria cathedral in Lisbon, Portugal.



Congrats Chris!

**CHRIS KELLY HAS REACHED
HIS 10 YEAR ANNIVERSARY
WORKING FOR BWFA!**

His commitment to building strong relationships with his clients is at the core of his makeup. Chris brings a diverse expertise to BWFA with a command of investments, tax, and financial planning. He can talk with you about it all, and this insight is of utmost value. We are so happy to have Chris as part of our BWFA family. Thank you Chris for all you have done for your clients and BWFA over the past decade!

Sincerely,

Robert Carpenter



BWFA Q&A



EMPLOYEE SPOTLIGHT

CHRIS KELLY
CPA, CFP®, M. ACCY
FINANCIAL ADVISOR, PORTFOLIO MANAGER
& EXECUTIVE MANAGER
ckelly@bwfa.com

Q. MOST REWARDING PART OF WORKING AT BWFA?

A. My most rewarding part of working at BWFA is having the privilege to work alongside a fantastic group of individuals, all of whom share the same passion for providing the best financial advice and customer service to each and every one of our clients.

Q. FAVORITE THINGS TO DO OUTSIDE OF BWFA?

A. A few things I enjoy outside of BWFA — being able to share memorable experiences with my family and good friends, getting in a good workout that pushes my limits, and enjoying all the natural beauty that surrounds us throughout the United States.

Q. WHERE DO YOU SEE YOURSELF IN 5 YEARS?

A. Professionally, personally and spiritually — my goal is to be a better version of myself 5 years from now than I am today.

Q. WHO INSPIRES YOU?

A. I'm inspired by anyone who realizes their dream with humility and kindness — while always seeking out ways to help those next in line below them. A famous country singer, Tim McGraw, has two verses in his song, *Humble and Kind*, that puts it best...

When the dreams you're dreamin' come to you

When the work you put in is realized

Let yourself feel the pride but Always stay humble and kind

Don't take for granted the love this life gives you

When you get where you're goin'

Don't forget turn back around

Help the next one in line

Always stay humble and kind

Q. WHAT IS YOUR FAVORITE MOVIE?

A. The Family Man

Q. FUN FACT ABOUT YOURSELF?

A. Although I enjoy maintaining an overall healthy lifestyle, I can be a big eater — recently my son (he's 12 years old) challenged me to a taco eating contest at our home. This was a challenge I couldn't turn down, so I went out and bought all the fixins — 50+ taco shells, 6 lbs of ground beef (grass fed to keep it somewhat healthy 😊), rice, beans, lettuce, salsa and guacamole. After about an hour or so in, calling it quits at 19 tacos, my son found himself keeled over on the floor in defeat — I downed 20, and could've kept going!

Q. TELL ME ABOUT A MEMORABLE TRAVEL EXPERIENCE.

A. I've been fortunate to enjoy many memorable travel experiences with my wife and kids over the past 15 years or so, and I cherish each and every one of our trips dearly. But, my most memorable travel experience dates back to the 1980's when my Dad and I did a father/son trip. We flew out to California and drove the CA coast via Pacific Coast Highway in a red Mustang convertible! That trip not only sparked my initial fascination with travel, but it also taught me the importance of sharing/enjoying experiences with loved ones.

B | W | F | A

CORDIALLY INVITE YOU TO ATTEND

8,000 DAYS IN RETIREMENT



DECEMBER 17, 2019 • 11:45 AM TO 1:00 PM • LUNCH WILL BE SERVED

In 2019 the average retiree is living much longer than previous generations. What will you do with all that additional time? Are you financially prepared?

The Massachusetts Institute of Technology AgeLab, led by Joesph Coughlin has performed fascinating new research on aging. At BWFA we are committed to the whole retirement experience, including client wellness and navigating the ups and downs of the entire retirement journey. We encourage you to join us for a robust discussion on the four distinctly different phases of retirement. Discover how each phase will impact you and your loved ones.

Sincerely,

Robert Carpenter

Robert Carpenter
President and CEO

To register for the event: Email Eve Kennedy at ekennedy@bwfa.com



Business Services



RECORD KEEPING FOR YOUR OWN BUSINESS

BRIAN MACMILLAN
MANAGING DIRECTOR
MERGERS & ACQUISITIONS
bmacmillan@bwfa.com

Keeping good business records will not only help you stay in business but may also help you increase profits. Your business records let you analyze where your business is and where it's going. They point out potential trouble spots and serve as a guide to where you want your business to be.

CRITERIA FOR RECORD-KEEPING SYSTEMS

Your record-keeping system should be easy to use. If it's too complicated, it might be neglected, defeating its purpose. It should reflect information accurately, completely, and consistently throughout all of its applications, and it should do so in a timely fashion; you don't want to base important business decisions on partial or outdated information. Finally, it should present results in an easily understandable manner. If you can't comprehend the data that your record-keeping system provides, you might ignore their implications.

Some commercial record-keeping systems are generic in format and applicable to many types of business. Others are designed for specific types of business operations (e.g., retail sales and manufacturing). Most generally will offer the ability to summarize your business activity with appropriate periodic financial reports.

Many websites allow you to see a demonstration version of the software before you purchase the software.

You can decide whether to keep your own books or hire someone to do it for you. Your decision depends in part on how much time and ability you have for the task. You can hire a company that specializes in payroll services to handle the paperwork and withholdings for your employees. Ideally, you will have an accountant prepare your tax returns and year-end statements. In many cases, an accountant can also offer advice on various aspects of financial management, such as cash flow analysis, borrowing for the business, tax considerations, and suggestions for which software to buy for record keeping. Whichever way you go, you should stay involved in the record-keeping process. After all, it's your business, and ultimately you are responsible for its success or failure.

WHAT YOUR RECORDS SHOULD DO FOR YOU

Like a medical diagnostic tool, your records help you assess the health of your business.

- Bank statements measure cash on hand, and accounts receivable predict future income. Together, these records help determine cash flow requirements and may point to a need for short-term borrowing.

- In addition to providing income tax information to your employees, payroll records help you determine the appropriateness of your pricing and customer billing policies.
- If your business keeps merchandise on hand, your records help you manage the size of your inventory, thus avoiding the loss of profits from obsolescence, deterioration, or simply being out of stock.
- Expense records help you plan to meet obligations in a timely fashion. They also help you assess whether the income generated supports the expense involved.

- Statements of income, or profit and loss statements, help pinpoint unprofitable departments, products, or services, alerting you to make changes or eliminations if necessary.
- The balance sheet captures the condition of your business at a given moment in time, allowing you to measure its reality against either your own budget projections or similar businesses.

BE PREPARED: THE TAXMAN COMETH

One of the most important functions of business records is to prepare you (or your accountant) for filing tax returns for the business. Thus, you may want to set up a record-keeping system that captures information in a way that matches the demands of the IRS. If you are a sole proprietor, you'll want to familiarize yourself with the requirements for completing Form 1040, Schedule C.

Here are some tax considerations to remember in relation to your record-keeping system design:

- If your small business is one that carries no inventory, then you can generally use the cash method of accounting.
- If you produce, purchase, or sell merchandise, you typically must keep an inventory and use the accrual method of accounting. However, there are exceptions to this rule if you are a "qualifying taxpayer" or a "qualifying small business taxpayer."
- The business-related portion of deductible car or truck expenses may be the actual expenses incurred, or you may elect to take the standard mileage rate.
- Depreciation may be taken on property that is used in the business or held to produce income, provided it has "substantial" and "determinable" useful life.
- You may deduct any contributions to employee benefit plans (such as health insurance plans and other fringe benefits) or contributions to pension or profit-sharing plans that are for the benefit of employees.
- You may deduct real estate or personal property taxes on business assets, Social Security and Medicaid taxes paid to match required withholdings on employee wages, state disability and federal and state unemployment taxes paid. Sales tax should be treated as part of the cost of goods or merchandise purchased.

- Depending on whether you use your home or other real estate for business purposes, you may deduct some or all of any mortgage interest paid, as well as some or all of the maintenance and repair expenses associated with the property.
- You may deduct the cost of business supplies purchased during the tax year.
- You may deduct the cost of utilities associated with business use.
- You can deduct professional fees, such as those paid to your accountant.

Remember to save any records and underlying documentation, such as invoices or receipts, relevant to your tax return for at least three years. Ask your accountant how long he or she suggests keeping the documentation.

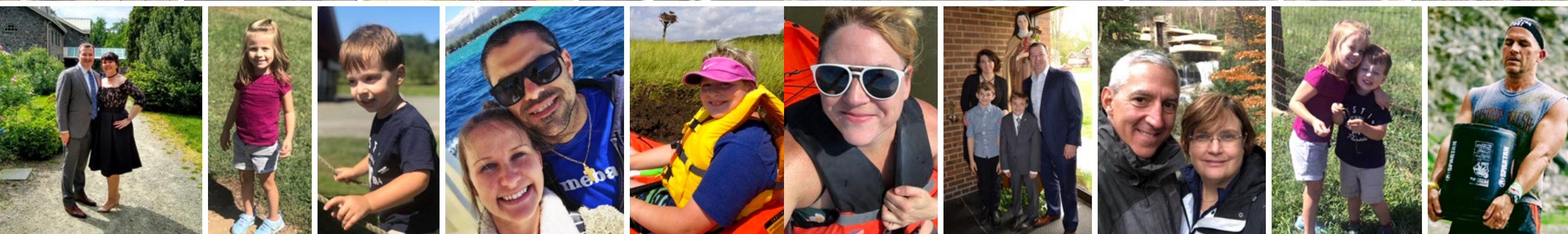
MANAGING YOUR BUSINESS RECORDS

Records management is vital to any business. You should have a good system in place that will ensure that both your paper (physical) records and your electronic or digital records are retained as long as they need to be. Make sure your records are easily identifiable and accessible, and keep them well-organized. Shred (and recycle) paper records that you do not need or no longer need. Keep your electronic records safe and secure by adding a firewall to your computer and using software that provides adequate security. Back up your computer regularly using a CD, external hard drive, or an online remote back-up service (i.e., in the "cloud"), and be sure to use logins and passwords that are secure. Dispose of e-records carefully.

MAIN PHOTO: The Pena Palace is a Romanticist castle in São Pedro de Penaferrim, in the municipality of Sintra, on the Portuguese Riviera. CIRCLE: Porto, Portugal old town cityscape on the Douro River with traditional Rabelo boats.



BWFA SUMMER FUN 2019

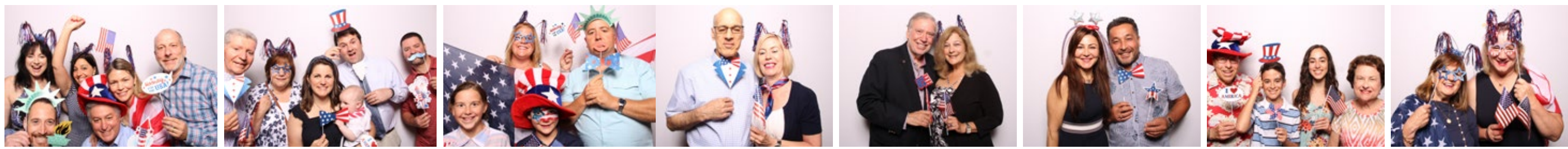
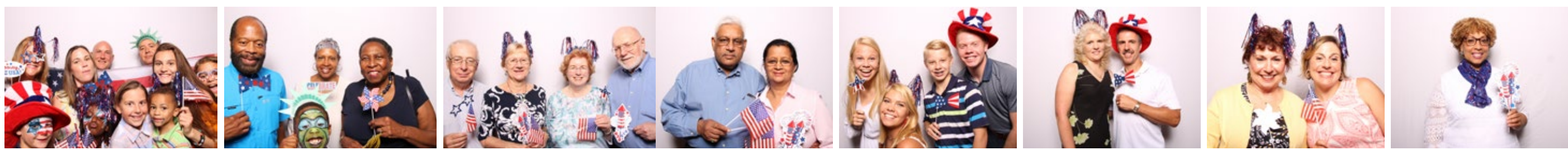


BWFA Fourth of July 2019



FIREWORKS • FUN • PHOTO BOOTH

A great time was had, and captured, by all
at the BWFA Fourth of July Celebration!



Upcoming Events

All Seminars are from 11:45 A.M. to 1:00 P.M. unless noted otherwise. Please join us and bring a friend.

October

OCTOBER 1, 2019

Tax Planning w/ Lex Ruygrok, CPA

OCTOBER 3, 2019

Hospice Care and End of Life Issues
w/ Gary Greenwald, Esq.

OCTOBER 8, 2019

6:00 PM - 7:30 PM

Book Review w/ Jim Osterhaus, PhD.
"Questions Couples Ask Behind Closed
Doors: Exploring the Most Common
Conflicts in Marriage"

OCTOBER 10, 2019

Wellness Series: Self Care for the
Caregiver w/ Dr. Emily Telfair, N.D.

OCTOBER 15, 2019

Pitfalls of Annuities

OCTOBER 17, 2019

Elder Law w/ Elville and Associates

OCTOBER 18, 2019

8,000 Days in Retirement at Cured
Table & Tap w/ Elville and Associates

OCTOBER 22, 2019

State of Residence in Retirement

OCTOBER 24, 2019

Making the Most of Medicare

OCTOBER 24, 2019

6:00 PM - 9:00 PM

BWFA Book Club "Calm Sea
and Prosperous Voyage"

OCTOBER 29, 2019

What's Your Retirement Number?

OCTOBER 31, 2019

BOO! Investing & Retirement Planning
Doesn't Have to be Scary

November

NOVEMBER 5, 2019

Disability Planning w/ Gary Greenwald, Esq.

NOVEMBER 6, 2019

8,000 Days in Retirement at Cured
Table & Tap w/ Elville and Associates

NOVEMBER 12, 2019

Why a Cash Balance Plan is a Huge
Tax Strategy w/ Pollard & Associates

NOVEMBER 14, 2019

CST: Client Information Workshop

NOVEMBER 19, 2019

Tax Planning w/ Lex Ruygrok, CPA

NOVEMBER 21, 2019

Estate Planning for the LGBTQ+
Community w/ Elville and Associates

December

DECEMBER 3, 2019

Top 10 Reasons You Should Fire
Your Financial Advisor

DECEMBER 5, 2019

Hospice Care and End of Life Issues
w/ Gary Greenwald, Esq.

DECEMBER 10, 2019

Business Owner Series: Estate Planning

DECEMBER 12, 2019

State of Residence in Retirement

DECEMBER 13, 2019

Wellness Series: Deepen Your State
of Relaxation w/ Dagmar Bohlmann,
Certified Yoga Teacher

DECEMBER 17, 2019

8,000 Days in Retirement

DECEMBER 20, 2019

BWFA Internship Open House

January

JANUARY 7, 2020

Tax Planning w/ Lex Ruygrok, CPA

JANUARY 9, 2020

Wellness Series: Boost Immune Health this
Cold & Flu Season w/ Dr. Emily Telfair, N.D.

JANUARY 14, 2020

Planning for Social Security

JANUARY 16, 2020

Estate Planning: Legacy & Charitable
Giving w/ Elville and Associates

JANUARY 16, 2020

6:00 PM - 9:00 PM

BWFA Book Club (TBD)



Check out BWFA.COM
for latest list of seminars.

B | W | F | A

BOO!

Investing & Retirement Planning Doesn't Have to be Scary!



OCTOBER 31, 2019 • 11:45 AM TO 1:00 PM • LUNCH WILL BE SERVED

COSTUME OPTIONAL

Baltimore-Washington Financial Advisors invite you to enjoy an educational discussion on investing and retirement planning while having some fun on Halloween! Our financial education will ensure you don't get tricked and enjoy treats.

TOPICS WILL INCLUDE:

- What is the Halloween investment strategy?
 - Is the October effect real?
 - How to avoid the return gap?
- How to avoid the "Tax Boogey Man"
- Does your advisor trick or treat you?

Sincerely,

Robert Carpenter

Robert Carpenter
President and CEO

To register for the event: Email Eve Kennedy at ekennedy@bwfa.com



The 25 de Abril Bridge connects the city of Lisbon to the municipality of Almada on the left bank of the Tagus river.



B | W | F | A

Baltimore-Washington

FINANCIAL ADVISORS

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

5950 SYMPHONY WOODS ROAD | SUITE 600 | COLUMBIA, MD 21044 | P: 410.461.3900 | TF: 888.461.3900 | F: 443.539.0330 | BWFA.COM