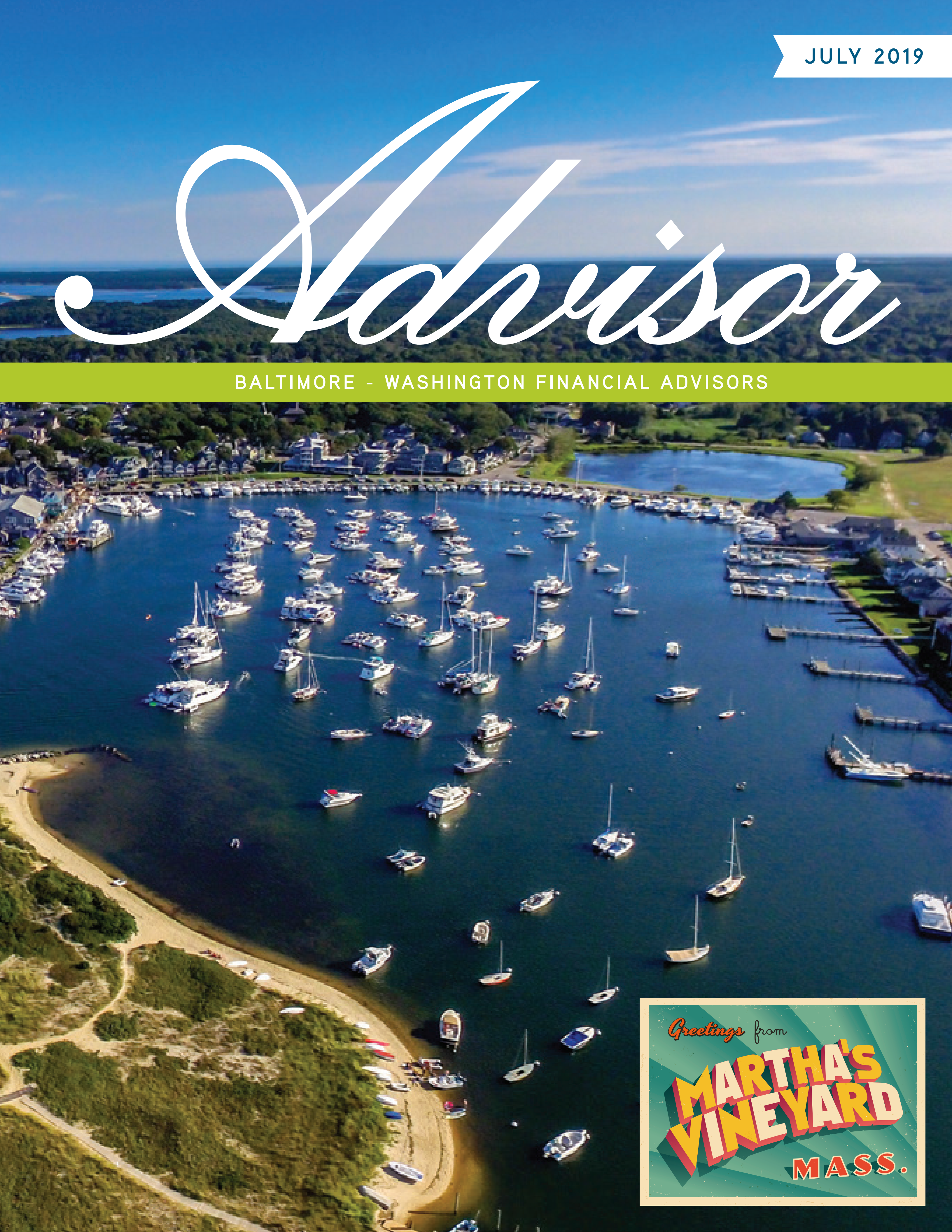
JULY 2019

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS



B | W | F | A

President's Address

PERSONAL RESIDENCE ISSUES IN RETIREMENT

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

WHAT IS IT?

As you grow older, housing issues become an integral part of your retirement plans. You may be living on a fixed income and want to get additional cash by borrowing against the equity in your home. You may feel isolated in that big house you bought 30 years ago when your children were young. Perhaps your health isn't what it used be, and you may desire more convenient access to medical services or may need around-the-clock care. Maybe you want to leave your home to your children and avoid estate taxes if possible.

These are just a few of the personal residence issues you may be facing in retirement. It is important to make a timely examination of the primary residence issues in your life. Financial, emotional, and physical considerations will drive your decisions. Careful planning may allow you to enrich the quality of your retirement years, get the health care and services you need, and maximize the financial benefits of homeownership for you and your family.

GETTING THE MOST OUT OF YOUR CURRENT HOME

If you are living on a fixed income, you may want to use the equity in your home to obtain additional cash. One way in which you can tap the equity in your home is by obtaining a reverse mortgage.

One advantage of a reverse mortgage is that repayment is deferred until a later time. A home equity loan or second mortgage may also provide you with cash, but repayment is not deferred. Renting your home may provide you with additional cash flow and tax benefits and seeking relief from real estate taxes may allow you to lower the expense of maintaining your home.

If you plan to leave your home to your family, you may be able to avoid estate taxes and continue using the home as your principal residence. A qualified personal residence trust allows you to transfer the home to your intended heirs now and retain the right to use the home for several years.

A gift- or sale-leaseback transaction also involves a current transfer of your home but requires you to rent the home thereafter. If instead you decide to sell the house and move to a more agreeable climate or closer to the grandchildren, you should know that under the current tax laws, you may be able to exclude up to $250,000 ($500,000 for married couples filing jointly) of gain.

OTHER RESIDENCE OPTIONS

You should carefully consider your housing options before pulling up stakes and moving out. There may be advantages to staying where you are and financial products to help you do so. You may also be able to take advantage of in-home care programs if you need in-home healthcare services, household help, or personal care assistance. However, if you decide to move on, you also have choices.

Moving in with (or near) your children often seems the obvious choice but be aware of your emotional and physical needs before taking over the spare room in your child's house. If you need independence but don't want to buy another house, consider an independent living community (retirement community) where you can rent or own a condominium or townhouse. Someone else will mow the lawn and shovel the sidewalk, but you can enjoy the privacy of your own living space.

If you are faced with physical or medical limitations, assisted living options may be your best bet. Typical assisted living arrangements provide you with a room or apartment, housekeeping services, meals, transportation, and, in some cases, nursing services. When you need more care, your last resort may be a quality nursing home.

CHOOSING A CONTINUING CARE RETIREMENT COMMUNITY

Continuing care retirement communities are an increasingly popular assisted living arrangement for retirees. If you are currently in good health, a CCRC will agree to provide you with housing and nursing home care throughout your life. When seeking the CCRC that is right for you, compare entrance fees, monthly fees, additional insurance requirements (if any), and the financial condition of the facility. In addition, check the quality of the facility and medical care provided. Be aware that a portion of your fees may be tax deductible as medical expenses.

CHOOSING AND PAYING FOR A NURSING HOME

The prospect of entering a nursing home can be a frightening one. However, there are good facilities that provide care and services not available elsewhere.

You must choose carefully. Examine the quality of medical care and the cost of the care. Look at the appearance of the facility and grounds. Find out about safety and security. Ask about recreational activities and staff-to-resident ratios.

There are several ways to pay for nursing home care. You may have enough savings, or you may have long-term care insurance. Long-term care (LTC) insurance premiums may be tax deductible, and you may be able to exclude LTC insurance reimbursements from income. Government benefits may also pay for a portion of your nursing home costs.

BWFA is here to help every step of the way. We are happy to review and discuss the tax consequences and potential costs of a move and help you weigh your options so you can make your optimal choice. What we have found is that everyone's situation is different and there is no single right answer for everyone. We encourage you to attend our workshops that speak to some of those big questions you might be wrestling with; **"How to Downsize into a New Lifestyle"**, **"Selecting Your State of Residence"**, and **"8000 Days in Retirement"** are excellent discussions that help you start that process. Anytime you have any questions please let us know if you'd like to meet and have a personalized discussion with your Advisory Team.

Robert Carpenter

PHOTO: Paved jetty walkway to Edgartown lighthouse on Martha's Vineyard

PHOTO: Historic Gay Head lighthouse and Gay Head cliffs of clay, westernmost point of Martha's Vineyard

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: Aerial view of Oak Bluffs, a colorful and historic town on the Massachusetts island of Martha's Vineyard.

JULY 2019 TABLE OF CONTENTS

2 PRESIDENT'S ADDRESS
ROB CARPENTER | President & CEO

5 HOW TO DOWNSIZE INTO A NEW LIFESTYLE

6 FINANCIAL PLANNING
JOSEPH DEPATIE | CFP®
Associate Financial Planner

8 FINANCIAL PLANNING
TYLER KLUGE | CFP®
Associate Financial Planner

10 INVESTMENT MANAGEMENT
CHRIS KELLY | CPA, CFP®, M. Accy
Financial Advisor and Portfolio Manager

14 COME CRUISE WITH US!
Rhine Getaway: Basel to Amsterdam

15 TAX SERVICES
JOSEPH MANFREDI | MBA
Chief Operating Officer & Sr. Portfolio Manager

16 TAX SERVICES
AMY CUDIA | CPA
Tax Advisor

18 WHAT'S HAPPENING AT BWFA

21 BWFA Q&A: EMPLOYEE SPOTLIGHT
RAECHELLE NORTON
Client Service Associate

22 BWFA UPCOMING EVENTS

23 WELLNESS SERIES
"Stress Less" w/ Dr. Emily Telfair, N.D.

Northrop REALTY A Long & Foster Company | BWFA | Let's Move®

CORDIALLY INVITE YOU TO ATTEND

HOW TO DOWNSIZE INTO A NEW LIFESTYLE

THURSDAY, SEPTEMBER 12, 2019 • 11:45 AM TO 1:00 PM • LUNCH WILL BE SERVED

Baltimore-Washington Financial Advisors and special guest speakers Stephanie McClellan, Realtor® from Northrop Realty and Kim McMahon, Founder of Let's Move invite you to a discussion on "How to Downsize into a New Lifestyle".

TOPICS WILL INCLUDE:

- How to downsize into a new lifestyle
- Getting the most money for your home
- Exploring with a professional about new places to live in the state and beyond
- Tax advantages savings
- Moving tips to making the experience most efficient

PRESENTERS:

STEPHANIE MCCLELLAN
REALTOR®, RENTAL CERTIFIED
NORTHROP REALTY

KIM MCMAHON
FOUNDER,
LET'S MOVE, LLC

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

Financial Planning

INHERITANCE: STRATEGIES FOR SUCCESSFULLY NAVIGATING SUDDEN WEALTH

JOSEPH DEPATIE
CFP®
ASSOCIATE FINANCIAL PLANNER
jdepatie@bwfa.com

What would you do with an extra $10,000? Maybe you'd pay off some debt, get rid of some college loans, or take a much-needed vacation. What if you suddenly had an extra million or 10 million or more?

We are on the verge of the greatest wealth transfer in history. There is an estimated $68 trillion dollars of wealth from 45 million households that will transfer over the next 25 years, according to Asger Cheses a research analyst and lead author of a new report from financial services research firm Cerulli Associates. Baby boomers are the wealthiest generation in American history and hold most of the nation's wealth. As these assets are passed down to the younger generations, millions of Americans will suddenly become wealthy.

Should you be one of the lucky beneficiaries of this wealth transfer, it is important to make decisions that can secure your financial stability. You will need to evaluate your new financial position and consider how your sudden wealth will affect your financial goals.

EVALUATE YOUR NEW FINANCIAL POSITION

Just how wealthy are you? You'll want to figure that out before you make any major life decisions. Your first impulse may be to go out and buy things, but that may not be in your best interest. Even if you're used to handling your own finances, now's the time to watch your spending habits carefully. Sudden wealth can turn even the most cautious person into an impulse buyer. Of course, you'll want your current wealth to last, so you'll need to consider your future needs, not just your current desires.

Answering these questions may help you evaluate your short- and long-term needs and goals:

- Do you have outstanding debt that you'd like to pay off?
- Do you need more current income?
- Do you plan to pay for your children's education?
- Do you need to bolster your retirement savings?
- Are you planning to buy a first or second home?
- Are you considering giving to loved ones or a favorite charity?
- Are there ways to minimize any upcoming income and estate taxes?

The answers to these questions may help you begin to formulate a plan. Remember, though, there's no rush. You can put your funds in an accessible interest-bearing account such as a savings account, money market account, or short-term certificate of deposit until you have time to plan and think things through.

Once you've taken care of these basics, set aside some money to treat yourself to something you wouldn't have bought or done before, it's OK to have fun with some of your new money!

Note: Experts, such as your team at BWFA, are available to help you with all of your planning needs, and guide you through this new experience.

IMPACT ON INSURANCE

It's sad to say, but being wealthy may make you more vulnerable to lawsuits. Although you may be able to pay for any damage (to yourself or others) that you cause, you may want to re-evaluate your current insurance policies and consider purchasing an umbrella liability policy. If you plan on buying expensive items such as jewelry or artwork, you may need more property/casualty insurance to cover these items in case of loss or theft. Finally, it may be the right time to re-examine your life insurance needs. More life insurance may be necessary to cover your estate tax bill so your beneficiaries receive more of your estate after taxes.

IMPACT ON ESTATE PLANNING

Now that your wealth has increased, it's time to re-evaluate your estate plan. Estate planning involves conserving your money and putting it to work so that it best fulfills your goals. It also means minimizing your taxes and creating financial security for your family.

Is your will up to date? A will is the document that determines how your worldly possessions will be distributed after your death. You'll want to make sure that your current will accurately reflects your wishes.

If your newfound wealth is significant, you should meet with your attorney as soon as possible. You may want to make a new will and destroy the old one instead of simply making changes by adding a codicil.

Carefully consider whether the beneficiaries of your estate are capable of managing the inheritance on their own. For instance, if you have minor children, you should consider setting up a trust to protect their interests and control the age at which they receive their funds.

It's probably also a good idea to consult a tax attorney or financial professional to look into the amount of federal estate tax and state death taxes that your estate may have to pay upon your death; if necessary, discuss ways to minimize them.

GIVING IT ALL AWAY — OR MAYBE JUST SOME OF IT

Is gift giving part of your overall plan? You may want to give gifts of cash or property to your loved ones or to your favorite charities. It's a good idea to wait until you've come up with a financial plan before giving or lending money to anyone, even family members. If you decide to give or lend any money, put everything in writing. This will protect your rights and avoid hurt feelings down the road.

In particular, keep in mind that:

- If you forgive a debt owed by a family member, you may owe gift tax on the transaction
- You can make individual gifts of up to $15,000 (2019 limit) each calendar year without incurring any gift tax liability ($30,000 for 2019 if you are married, and you and your spouse can split the gift)
- If you pay the school directly, you can give an unlimited amount to pay for someone's education without having to pay gift tax (you can do the same with medical bills)
- If you make a gift to charity during your lifetime, you may be able to deduct the amount of the gift on your income tax return, within certain limits, based on your adjusted gross income

Note: Because the tax implications are complex, you should consult a tax professional for more information before making sizable gifts.

If you or someone you know has received an inheritance and is struggling with developing a plan for their new found wealth, call your partners at BWFA. By taking the time and committing to a well designed strategy, the newly wealthy population can secure their financial standing.

PHOTO: Panoramic view of Lagoon Pond on Martha's Vineyard at sunset

Financial Planning

CHOOSING A BENEFICIARY FOR YOUR IRA OR 401(K)

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

Selecting beneficiaries for retirement benefits is different from choosing beneficiaries for other assets such as life insurance. With retirement benefits, you need to know the impact of income tax and estate tax laws in order to select the right beneficiaries. Although taxes shouldn't be the sole determining factor in naming your beneficiaries, ignoring the impact of taxes could lead you to make an incorrect choice. In addition, if you're married, beneficiary designations may affect the size of minimum required distributions to you from your IRAs and retirement plans while you're alive.

PAYING INCOME TAX ON MOST RETIREMENT DISTRIBUTIONS

Most inherited assets such as bank accounts, stocks, and real estate pass to your beneficiaries without income tax being due. However, that's not usually the case with 401(k) plans and IRAs. Beneficiaries pay ordinary income tax on distributions from pretax 401(k) accounts and traditional IRAs. With Roth IRAs and Roth 401(k) accounts, however, your beneficiaries can receive the benefits free from income tax if all of the tax requirements are met. That means you need to consider the impact of income taxes when designating beneficiaries for your 401(k) and IRA assets. For example, if one of your children inherits $100,000 cash from you and another child receives your pretax 401(k) account worth $100,000, they aren't receiving the same amount. The reason is that all distributions from the 401(k) plan will be subject to income tax at ordinary income tax rates, while the cash isn't subject to income tax when it passes to your child upon your death. Similarly, if one of your children inherits your taxable traditional IRA and another child receives your income-tax-free Roth IRA, the bottom line is different for each of them.

NAMING OR CHANGING BENEFICIARIES

When you open up an IRA or begin participating in a 401(k), you can complete paperwork in order to name your beneficiaries. Changes to beneficiaries are made in the same way—you can complete a new beneficiary designation form. A will or trust does not override your beneficiary designation form. However, spouses may have special rights under federal or state law. It's a good idea to review your beneficiary designation form at least every two to three years. Also, be sure to update your form to reflect changes in financial circumstances. Beneficiary designations are important estate planning documents.

DESIGNATING PRIMARY AND SECONDARY BENEFICIARIES

When it comes to beneficiary designation forms, you want to avoid gaps. If you don't have a named beneficiary who survives you, your estate may end up as the beneficiary, which is not always the best result. Your primary beneficiary is your first choice to receive retirement benefits. You can name more than one person or entity as your primary beneficiary. If your primary beneficiary doesn't survive you or decides to decline the benefits (the tax term for this is a disclaimer), then your secondary (or "contingent") beneficiaries receive the benefits.

HAVING MULTIPLE BENEFICIARIES

You can name more than one beneficiary to share in the proceeds. You just need to specify the percentage each beneficiary will receive (the shares do not have to be equal). You should also state who will receive the proceeds should a beneficiary not survive you. In some cases, you'll want to designate a different beneficiary for each account or have one account divided into subaccounts (with a beneficiary for each subaccount). You'd do this to allow each beneficiary to use his or her own life expectancy in calculating required distributions after your death. This, in turn, can permit greater tax deferral (delay) and flexibility for your beneficiaries in paying income tax on distributions.

AVOIDING GAPS OR NAMING YOUR ESTATE AS A BENEFICIARY

There are two ways your retirement benefits could end up in your probate estate. Probate is the court process by which assets are transferred from someone who has died to the heirs or beneficiaries entitled to those assets. First, you might name your estate as the beneficiary. Second, if no named beneficiary survives you, your probate estate may end up as the beneficiary by default. If your probate estate is your beneficiary, several problems can arise. If your estate receives your retirement benefits, the opportunity to maximize tax deferral by spreading out distributions may be lost. In addition, probate can mean paying attorney's and executor's fees and delaying the distribution of benefits.

NAMING YOUR SPOUSE AS A BENEFICIARY

When it comes to taxes, your spouse is usually the best choice for a primary beneficiary. A spousal beneficiary has the greatest flexibility for delaying distributions that are subject to income tax. In addition to rolling over your 401(k) or IRA to his or her IRA or plan, a surviving spouse can generally decide to treat your IRA as his or her own IRA. These options can provide more tax and planning options.

If your spouse is more than 10 years younger than you, then naming your spouse can also reduce the size of any required taxable distributions to you from retirement assets while you're alive. This can allow more assets to stay in the retirement account longer and delay the payment of income tax on distributions. Although naming a surviving spouse can produce the best income tax result, that isn't necessarily the case with death taxes. At your death, your spouse can inherit an unlimited amount of assets and defer federal death tax until both of you are deceased (note: special tax rules and requirements apply for a surviving spouse who is not a U.S. citizen). If your spouse's taxable estate for federal tax purposes at his or her death exceeds the applicable exclusion amount, then federal death tax may be due. In other words, one possible downside to naming your spouse as the primary beneficiary is that it may increase the size of your spouse's estate for death tax purposes, which in turn may result in death tax or increased death tax when your spouse dies.

NAMING OTHER INDIVIDUALS AS BENEFICIARIES

You may have some limits on choosing beneficiaries other than your spouse. No matter where you live, federal law dictates that your surviving spouse be the primary beneficiary of your 401(k) plan benefit unless your spouse signs a timely, effective written waiver. And if you live in one of the community property states, your spouse may have rights related to your IRA regardless of whether he or she is named as the primary beneficiary. Keep in mind that a non-spouse beneficiary cannot roll over your 401(k) or IRA to his or her own IRA. However, a non-spouse beneficiary can directly roll over all or part of your 401(k) benefits to an inherited IRA.

NAMING A TRUST AS A BENEFICIARY

You must follow special tax rules when naming a trust as a beneficiary, and there may be income tax complications. Seek legal advice before designating a trust as a beneficiary.

NAMING A CHARITY AS A BENEFICIARY

In general, naming a charity as the primary beneficiary will not affect required distributions to you during your lifetime. However, after your death, having a charity named with other beneficiaries on the same asset could affect the tax-deferral possibilities of the noncharitable beneficiaries, depending on how soon after your death the charity receives its share of the benefits.

PHOTO: One of the many beaches of Martha's Vineyard

Investment Management

GROWTH VS. VALUE: WHAT'S THE DIFFERENCE?

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

There are generally two schools of thought about how to choose stocks that may be worth investing in. **Value investors generally buy stocks that appear to be bargains relative to the company's intrinsic worth. Growth investors prefer companies that are growing quickly, and are less concerned with undervalued companies than with finding companies and industries that have the greatest potential for appreciation in share price.** Either approach can help you better understand just what you're buying — and why — when you choose a stock for your portfolio.

Even if you don't want to select stocks yourself — and many people would much prefer to have a professional do the work of researching specific investments — it can be helpful to understand the concepts that professionals use in evaluating and buying stocks.

Value Stocks	Growth Stocks
Relatively low P/E ratio	High P/E ratio
Low price-to-book ratio	High price-to-book ratio
Relatively slow earnings growth	Rapid earnings growth
High dividend yield	Low or no dividend yield
Sluggish sales growth	Rapid sales growth

VALUE INVESTING

Value investors look for stocks with share prices that don't fully reflect the value of the companies, and that are effectively trading at a discount to their true worth. A stock can have a low valuation for many reasons. The company may be struggling with business challenges such as legal problems, management difficulties, or tough competition. It might be in an industry that is currently out of favor with investors. It may be having difficulty expanding. It may have fallen on hard times. Or it could simply have been overlooked by other investors.

A value investor believes that eventually the share price will rise to reflect what he or she perceives as the stock's fair value. Value investing takes into account a company's prospects, but is equally focused on whether it's a good buy. A stock's price-earnings (P/E) ratio — its share price divided by its earnings per share — is of particular interest to a value investor, as are the price-to-sales ratio, the dividend yield, the price-to-book ratio, and the rate of sales growth.

VALUE-ORIENTED DATA

Here are some of the questions a value investor might ask about a company:

- What would the company be worth if all its assets were sold?
- Does the company have hidden assets the market is ignoring?
- What would the business be worth if another company acquired it?
- Does the company have intangible assets, such as a high level of brand-name recognition, strong new management, or dominance in its industry?
- Is the company on the verge of a turnaround?

CONTRARIANS: MARCHING TO A DIFFERENT DRUMMER

A contrarian investor is one example of a value investor. Contrarians believe that the best way to invest is to buy when no one else wants to, or to focus on stocks or industries that are temporarily out of favor with the market.

The challenge for any value investor, of course, is figuring out how to tell the difference between a company that is undervalued and one whose stock price is low for good reason. Value investors who do their own stock research typically comb the company's financial reports, looking for clues about the company's management, operations, products, and services.

GROWTH INVESTING

A growth-oriented investor looks for companies that are expanding rapidly. Stocks of newer companies in emerging industries are often especially attractive to growth investors because of their greater potential for expansion and price appreciation despite the higher risks involved. A growth investor would give more weight to increases in a stock's sales per share or earnings per share (EPS) than to its P/E ratio, which may be irrelevant for a company that has yet to produce any meaningful profits. However, some growth investors are more sensitive to a stock's valuation and look for what's called "Growth At a Reasonable Price" (GARP). A growth investor's challenge is to avoid overpaying for a stock in anticipation of earnings that eventually prove disappointing.

GROWTH-ORIENTED DATA

A growth investor might ask some of these questions about a stock:

- Has the stock's price been rising recently?
- Is the stock reaching new highs?
- Are sales and earnings per share accelerating from quarter to quarter and year to year?
- Is the volume of trading in the stock rising or falling?
- Is there a recent or impending announcement from or about the company that might generate investor interest?
- Is the industry going up as a whole?

WHY UNDERSTAND INVESTING STYLES?

Growth stocks and value stocks often alternate in popularity. One style may be favored for a while but then give way to the other. Also, a company can be a growth stock at one point and later become a value stock. Some investors buy both types, so their portfolio has the potential to benefit regardless of which is doing better at any given time. Investing based on data rather than stock tips or guesswork can not only assist you as you evaluate a possible purchase; it also can help you decide when to sell because your reasons for buying are no longer valid.

PHOTO: If you love marine life, consider whale watching off the coast of Massachusetts, which is known to have some of the best whale watching opportunities in the world. The best time for whale watching in MA is from April to October.

B|W|F|A

Baltimore-Washington

FINANCIAL ADVISORS

RECOGNIZED AS ONE OF THE *FINANCIAL TIMES* TOP 300 FINANCIAL ADVISERS 6 YEARS IN A ROW!

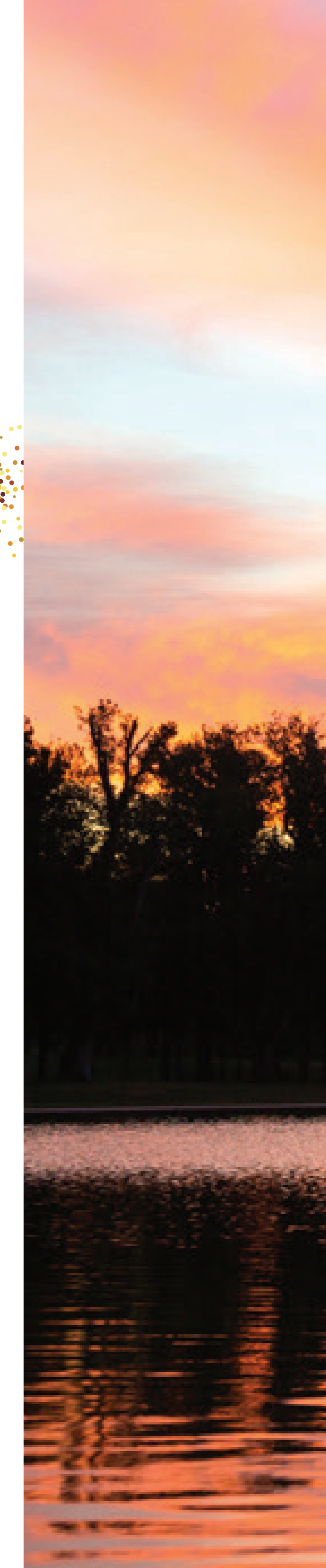
FT FINANCIAL TIMES | Top Financial Advisers 2014-2019

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.

*"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 300 Disclosure: The 2019 Financial Times Top 300 Registered Investment Advisors*** *is an independent listing produced by the Financial Times (June, 2019). 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.*



B|W|F|A

Baltimore-Washington

FINANCIAL ADVISORS

WEALTH MANAGEMENT ADVICE *from an* AWARD WINNING FIRM

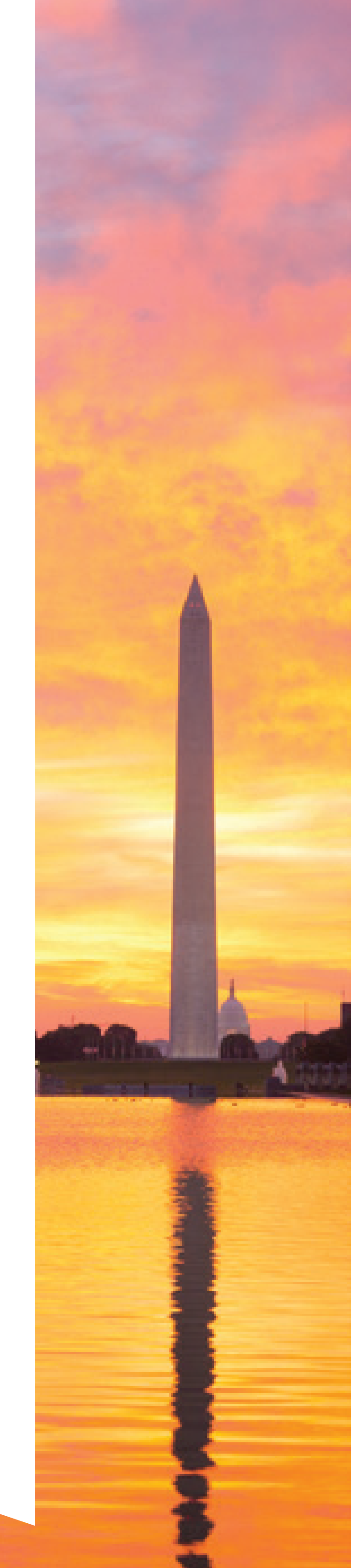
Honored by Financial Times, Forbes and Worth

BETTER SOLUTIONS. BETTER SERVICE. BETTER RESULTS.

Baltimore-Washington Financial Advisors, Inc. was founded in 1986 and is headquartered in Columbia, Maryland. BWFA is among the largest and oldest independent, Fee-Only financial advisory firms in the Baltimore/Washington metropolitan area. BWFA acts as a fiduciary and serves clients throughout the Mid-Atlantic area and nationally.

BWFA is recognized as a top firm in the industry, with appearances in *Worth*, *Forbes*, and *Fortune* magazine, among others. BWFA professionals are quoted in the *Wall Street Journal*, *Business Week*, *Washington Post*, *Baltimore Sun*, and *InvestmentNews* in addition to others. BWFA is honored to have earned the *Financial Times* FT 300 Award for six years in a row, 2014-2019, *Howard Magazine's* "Best of Howard County" Award for 2015-2018 and *Forbes* Leading Financial Advisor in the Mid-Altlantic.

Baltimore-Washington Financial Advisors invite you to experience the excellence that has formed our reputation as a leading Registered Investment Advisor in the industry. **Contact us today to schedule your no cost or obligation consultation to learn more.**



Tax Services

MORE ON TAXES... WHAT HAPPENS TO MY CHARITIES?

JOSEPH MANFREDI
MBA
CHIEF OPERATING OFFICER / SENIOR PORTFOLIO MANAGER
jmanfredi@bwfa.com

Many of you are BWFA tax clients, and our team of tax professionals assist you with filing your annual tax returns, doing quarterly analysis of the proper amount of estimated taxes where necessary, and a host of other tax analyses.

The most recent "tax season" was one of the most challenging for all of us, with the U.S. taxpayer community extending their tax filing in record numbers throughout the country.

For the first time in 30 years, the U.S. tax code was changed, which meant more time was required to thoroughly review returns to ensure that each client optimizes their situation. The 2017 Tax Cuts and Jobs Act was a major overhaul, with lots of changes, and the first time in a generation we had to absorb such a drastic wide-ranging change in tax rules.

One of the major changes was the big increase in the standardized deduction, which resulted in many people who itemized in the past to now simply take the standard deduction, as it is proving to be more beneficial than itemizing. So, only 8% of filers are expected to itemize this year, down from over 20% in the past, according to the Tax Policy Center.

For retired clients with charitable inclinations, there may still be a tax benefit from your charitable contributions even if you are not able to itemize: those over 70½ with IRA investment assets can use a work around that will maintain the tax benefits from giving, even when not itemizing those donations going forward. As described in previous BWFA Advisor magazine articles, you can make up to $100,000 in donations per year as a qualified charitable distribution (QCD) which is a dollar for dollar decrease in your taxable required minimum distribution (RMD). Retirees have flexibility in how much of the $100,000 they want to give in "QCD" donations. Given the tax law changes and the benefit of reducing adjusted gross income by the amount of the QCD donations, this strategy will become more and more popular.

An ancillary benefit from the reduced adjusted gross income from the QCD offset would be potential reduction in Social Security taxes owed.

And since Medicare premiums are calculated from retirees' modified adjusted gross income, the QCD reduction to income could mean an additional benefit through savings on the Medicare premiums.

Just looking at the initial tax savings—a taxpayer in the 22% bracket who donates $10,000 will save $2,200 in federal taxes by not having to claim that amount of their normal RMD taxable income.

For those states that do not allow for itemized deductions, the QCDs will allow retirees to pay less in state tax as well.

If you haven't utilized this strategy before, note that there are a few things to keep in mind—all of which BWFA can assist with:

- In order for the QCD to work, the funds must come directly from the retirement account that requires a RMD. One must not ever take possession of the funds and then pay the charity themselves
- The QCD must occur within the calendar year for the offset to current year RMD income to be allowed
- Be sure that you do not miss the income and distribution offset on your tax return—the reporting from the custodian may not be clear enough for you, or an unsuspecting tax preparer, to notice—1099R reports are not completely clear
- Be sure the charity is a bona fide tax-exempt organization—with a good practice being to secure a letter from the charity stating they qualify for QCD

Your advisors are always available to assist you with this and any planning for tax optimization or other financial planning related matters.

PHOTO: Sailing in Edgartown harbor on Martha's Vineyard

Tax Services

TAX WITHHOLDING

AMY CUDIA
CPA
TAX ADVISOR
acudia@bwfa.com

A common question we encounter is: How much in taxes should I have withheld from my paycheck?

This is a frequent thought once the prior year's tax returns have been filed and individuals are looking ahead to the current year. Reviewing your withholding periodically is important because if you do not estimate your income tax withholding properly, it may result in an underpayment of taxes. If you were not planning on owing tax, it may be difficult or at least inconvenient to gather the funds for payment quickly. You may also be subject to an underpayment penalty from the IRS or state taxing authority in addition to the payment of the tax due.

The general guidelines are that you must have paid in through a combination of withholdings and/or estimated tax payments at least 90% of your current year tax or 110% of your prior year tax to not be subject to an underpayment penalty on your Federal tax return come tax time. Many states follow similar guidelines, but some states do have their own specific rules regarding tax payments and underpayment penalties.

Your tax advisors are available to review your current withholdings and make recommendations on any changes that may be necessary given your personal tax situation. However, we would also like to provide information on how withholdings are calculated and what goes into determining your tax withholdings.

FORM W-4: HELPS YOU DETERMINE THE PROPER WITHHOLDING AMOUNT

Two factors determine the amount of income tax that your employer withholds from your regular pay: the amount you earn and the information you provide on Form W-4. This form asks you for three pieces of information:

- The number of withholding allowances you want to claim: You can claim up to the maximum number you're entitled to, claim less than you're entitled to, or claim zero.
- Whether you want taxes to be withheld at the single, married, or married with tax withheld at single rate: The married status, which is associated with a lower withholding rate, should generally be selected only by those taxpayers who are married and file a joint return. Those who are married and file separately should select married with tax withheld at single rate.
- The additional amount (if any) you want withheld from your paycheck: This is optional; you can specify any additional amount of money you want withheld.

COMPLETE THE WORKSHEETS TO CLAIM THE CORRECT NUMBER OF ALLOWANCES

An important part of completing the Form W-4 is the number of withholding allowances you are entitled to claim. As stated earlier, you can claim up to the maximum number of allowances you are entitled to based on your individual tax situation or you can claim fewer (including zero) if you want more in withholdings from your paycheck. The more allowances you claim, the less taxes are taken from your paycheck. Therefore, the net paycheck you receive each payperiod would be higher. You can maximize the amount withheld from your paycheck by claiming zero allowances. This will increase your withholdings and reduce the amount of money you take home in your paycheck. The following factors determine your number of allowances:

- The number of jobs that you work
- The deductions, adjustments to income, and credits that you expect to take during the year
- Your filing status
- Whether your spouse works

To calculate the correct number of allowances for your personal tax situation, you will need to complete the Form W-4 worksheets. Your tax advisor can help explain the worksheets and provide an analysis of the impact on your withholdings if you claim fewer allowances than the maximum you are entitled to claim.

CHECK YOUR WITHHOLDING

There can be additional considerations besides your wage income when reviewing your withholdings. In the following cases, accurate completion of the Form W-4 worksheets alone won't guarantee that you'll have the correct amount of tax withheld:

- When you're married and both spouses work, or if either of you start or stop working
- When you or your spouse are working more than one job
- When you have significant non-wage income, such as interest, dividends, alimony, unemployment compensation, or self-employment income, or the amount of your nonwage income changes
- When you'll owe other taxes on your return, such as self-employment tax or household employment tax
- When you have a lifestyle change (e.g., marriage, divorce, birth or adoption of a child, new home, retirement) that affects the tax deductions or credits you may claim
- When there are tax law changes that affect the amount of tax you'll owe

While this discussion focused largely on Federal withholding and Form W-4, most states have a similar withholding form to complete to adjust your with-holdings. If you find that you need to make changes to your withholding, you can do so at any time by submitting a new Form W-4 (or equivalent state form) to your employer. If you would like to have a review of your tax withholdings, please contact your tax advisor. We can discuss your individual situation and make a recommendation regarding your tax withholdings going forward.

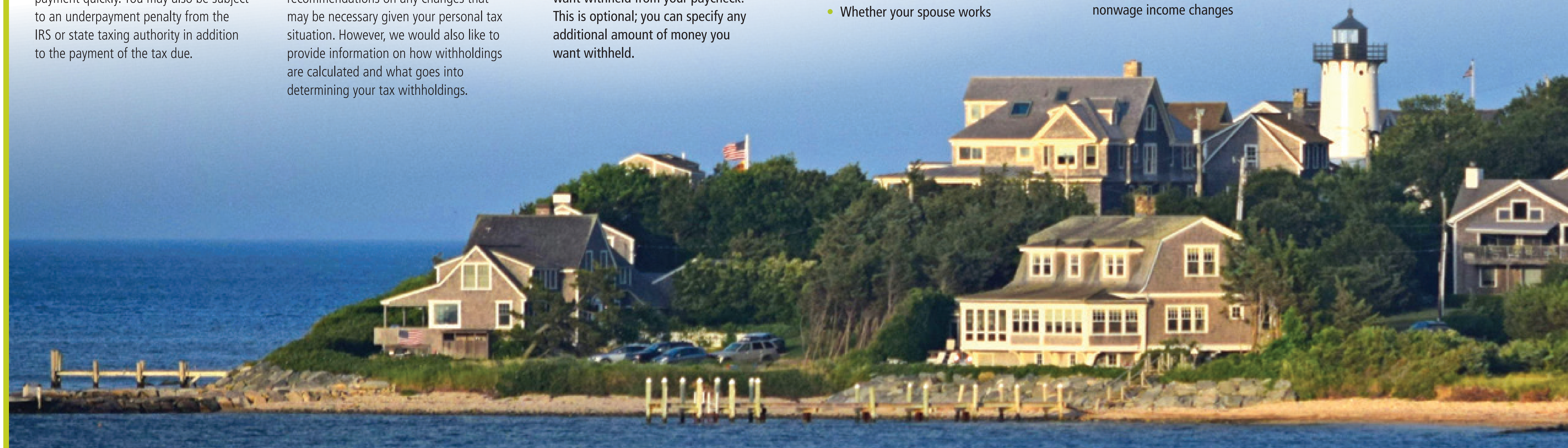
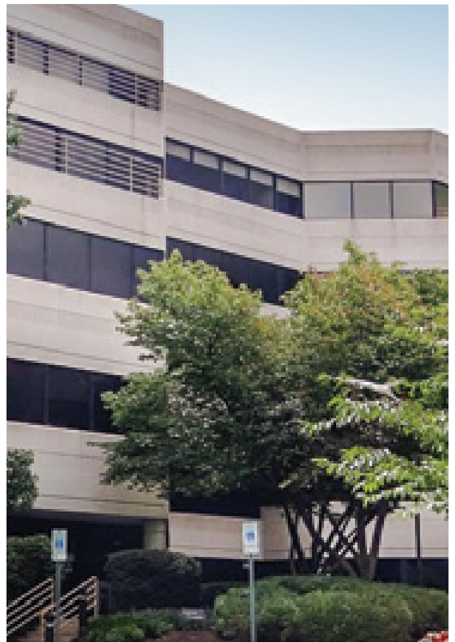


PHOTO: Beautiful houses and East Chop lighthouse overlooking Vineyard Haven Harbor and Vineyard Sound, Oak Bluffs, Martha's Vineyard

What's Happening at BWFA

SIGNAGE ON OUR BUILDING

5950 Symphony Woods Road has gotten an upgraded exterior! **Our logo was added to the front and back of the building in April.**



THEN

NOW

SUMMER POPS CONCERT

For the third year in a row, BWFA was proud to sponsor A Columbia Orchestra Concert at the Chrysalis.

BWFA GETS FIT!

For the second year, the BWFA team set a goal to each complete an Ironman Triathlon for the month of May. The challenge consisted of Biking 100 miles, Swimming 3.5 miles/Rowing 7 miles, Running/Walking/Elliptical 30 miles. **17 team members participated with 11 of us finishing! Way to go team!**

CONGRATULATIONS NICK!

Our intern of 2 years, **Nick Borsh**, graduated from University of Maryland on May 24th, Majoring in Finance & Information Systems

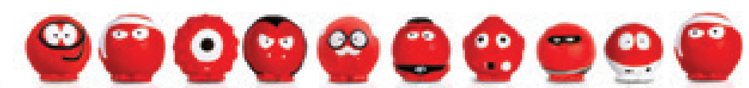
BWFA BAKE-OFF!

We hosted our first ever employee bake-off! Round 1: Chocolate chip cookies and after tallying the votes, **Eve came out on top!**

CASEY CARES FOUNDATION'S ANNUAL ROCKFISH TOURNAMENT

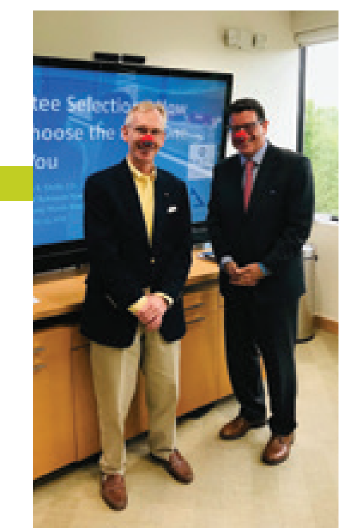
We caught three 20" rockfish but the winning fish was 33" long. The **Casey Cares Foundation** provides ongoing, uplifting programs with a special touch to critically ill children and their families.

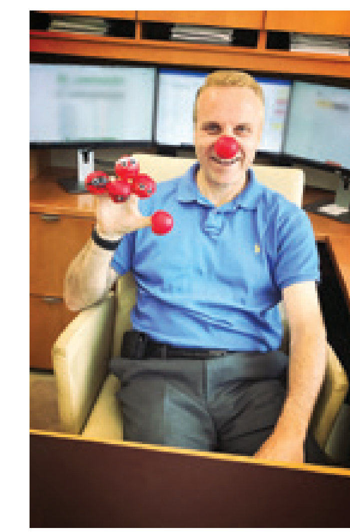
RED NOSE DAY



BWFA WAS PROUD TO SUPPORT RED NOSE DAY 2019!

Everyone joined the fun — staff, interns, Sandy Hornor & Steve Elville even presented their seminar sporting red noses! President & CEO, Rob Carpenter collected all 5 red noses! Thanks to all that support the mission to end child poverty.



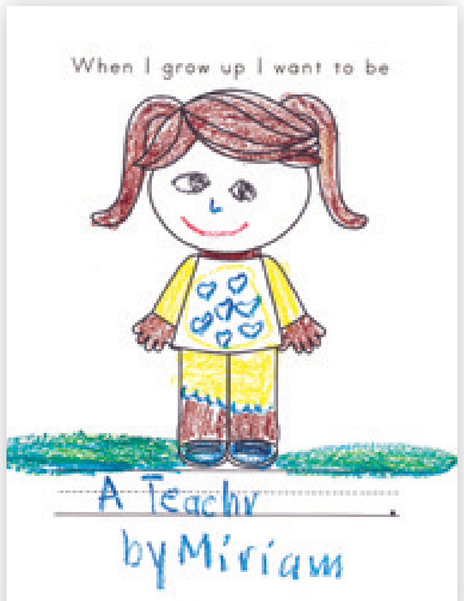


WELCOME TO OUR SUMMER INTERNS!

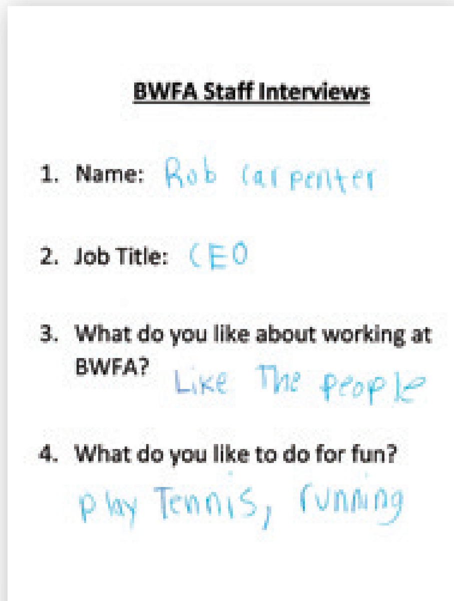
BWFA is honored to have these bright young students working with us this summer! **SPENCER LIN**, a senior at James Madison University, **CONNOR SCHLICHTING**, a sophomore at Duquesne University, **ANDREW CADE,** a sophomore at University of Maryland, College Park, **JACK FRANZ**, a senior at University of Maryland, College Park, **JENNIFER HORNOR**, a junior at University of Pittsburgh.

TAKE YOUR KID TO WORK DAY!

We love take your kid to work day here at BWFA! Our special guests, **CALVIN TORBERT**, **TUCKER DUNCAN**, **MIRIAM MANAS** and **JOE CAPUTO, JR.** had a busy day. They colored pictures of what they want to be when they grow up, they interviewed each staff member about their job & hobbies and had a blast snapping photos!



Created by: Miriam Manas


BWFA Staff Interviews

1. Name: Rob Carpenter
2. Job Title: CEO
3. What do you like about working at BWFA? Like The people
4. What do you like to do for fun? play Tennis, running

Interviewing the staff!

Created by: Tucker Duncan

BWFA Q&A

EMPLOYEE SPOTLIGHT

RAECHELLE NORTON
CLIENT SERVICE ASSOCIATE
rnorton@bwfa.com

Q. MOST REWARDING PART OF WORKING AT BWFA?

A. The most rewarding part of working at BWFA is all the different people I get to meet each day. The clients come from all different backgrounds and are always sharing stories about their families, vacations, books they have read, places they have eaten, and a myriad of other fascinating tidbits of information.

Q. TELL ME ABOUT A MEMORABLE TRAVEL EXPERIENCE.

A. My husband and I recently took a trip to Europe. We traveled through Germany and Switzerland, and were able to attend Oktoberfest, take a train and cable car up the Alps, and even catch a Ravens game at a small bar in Zurich.

Q. FAVORITE SONG AND/ OR BAND OF ALL TIME?

A. There are too many to name, but I was in high school when all the Seattle grunge bands became really popular. I have a special place in my heart for Pearl Jam, Soundgarden, and Nirvana.

Q. WHO/WHAT INSPIRES YOU?

A. I find inspiration in my oldest daughter's extraordinary work ethic, my middle daughter's strength of character, and my youngest daughter's love and kindness toward others.

Q. FAVORITE THINGS TO DO OUTSIDE OF BWFA?

A. Spend time with my family at the beach.

Q. FUN FACT ABOUT YOURSELF?

A. My sister and I run 3-4 half-marathons a year. My two daughters, who are 12 and 13, have also recently started running smaller races with us.

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.

July

JULY 9, 2019
Business Owner Series:
Selling Your Business

JULY 16, 2019
Planning for Social Security

JULY 18, 2019
Estate Planning: Retirement Benefits
w/ Elville and Associates

JULY 23, 2019
Estate Planning: Providing Creditor
Protection w/ Gary Greenwald, Esq.

JULY 25, 2019
6:00 PM - 9:00 PM
BWFA Book Club "Little Fires
Everywhere" By: Celeste Ng

JULY 30, 2019
Roth vs. Traditional IRA

August

AUGUST 6, 2019
Volatility in the Markets

AUGUST 8, 2019
Top 10 Mistakes Retirees Make

AUGUST 13, 2019
CST: Client Information Workshop

AUGUST 15, 2019
End of Life Planning
w/ Gary Greenwald, Esq.

AUGUST 20, 2019
Required Minimum Distributions

AUGUST 22, 2019
Healthy Living in a Toxic World
w/ Dr. Emily Telfair, N.D.

AUGUST 27, 2019
Retirement 101: Strategies for Success

AUGUST 29, 2019
The Difference Between Alzheimer's and
Dementia w/ Elville and Associates
and Jill Rosner, R.N.

September

SEPTEMBER 5, 2019
Planning for Social Security

SEPTEMBER 10, 2019
Estate Planning: How to Avoid
Probate Court w/ Gary Greenwald, Esq.

SEPTEMBER 12, 2019
How to Downsize into a New Lifestyle
w/ Stephanie McClellan, Realtor® from
Northrop Realty and Kim McMahon,
Founder of Let's Move, LL

SEPTEMBER 17, 2019
8,000 Days in Retirement

SEPTEMBER 19, 2019
Estate Planning: Aging in Place or CCRC
w/ Elville and Associates

SEPTEMBER 24, 2019
Business Owner Series:
Financial Planning

SEPTEMBER 26, 2019
Protecting Against Identity Theft
w/ Howard Tech Advisors

Check out BWFA.COM
for latest list of seminars.

PHOTO: It's just a 45 minute ferry ride from Woods Hole, MA to Martha's Vineyard.
Ferries run from the Memorial Day holiday through Columbus Day weekend.

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

HEALTHY LIVING IN A TOXIC WORLD WITH DR. EMILY TELFAIR, N.D.

PRESENTER:

HeartSpace
NATURAL MEDICINE

DR. EMILY TELFAIR, N.D.
NATUROPATHIC DOCTOR
HEARTSPACE NATURAL MEDICINE

WHEN:
Thursday, August 22nd
11:45 AM to 1:00 PM EDT

***Lunch will be served**

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

Baltimore-Washington Financial Advisors and Baltimore-based naturopathic doctor Emily Telfair, N.D. invite you to the next edition of our wellness series.

Preventative medicine extends beyond routine doctors visits and screening tests. The choices we make each day to expose ourselves to or avoid a myriad of toxic chemicals ranging from pesticides to cleaning products can have a significant impact on our risk for chronic disease.

In this eye-opening presentation, Dr. Emily will reveal the health impacts of exposure to environmental toxins and empower you with tools and resources to make "greener choices" which will benefit your health and the health of the planet!

To register for the event:

Email Eve Kennedy at ekennedy@bwfa.com

We look forward to seeing you there!

Sincerely,
Eve Kennedy | Client Associate | BWFA
emailus@bwfa.com | 410-461-3900

B | W | F | A

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