APRIL 2020

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS

BWFA President's Address

NAVIGATING THROUGH MARKET VOLATILITY

WHY SHOULD I INVEST IN THE STOCK MARKET NOW?

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WHERE IS THE MARKET HEADED?

Volatility may have some investors contemplating when they should pull out of the market or if they should sit on the sidelines and wait for the best time to invest. If you're wondering if now is a good time to invest, consider some of the reasons that may have kept investors from out of the market in years past.

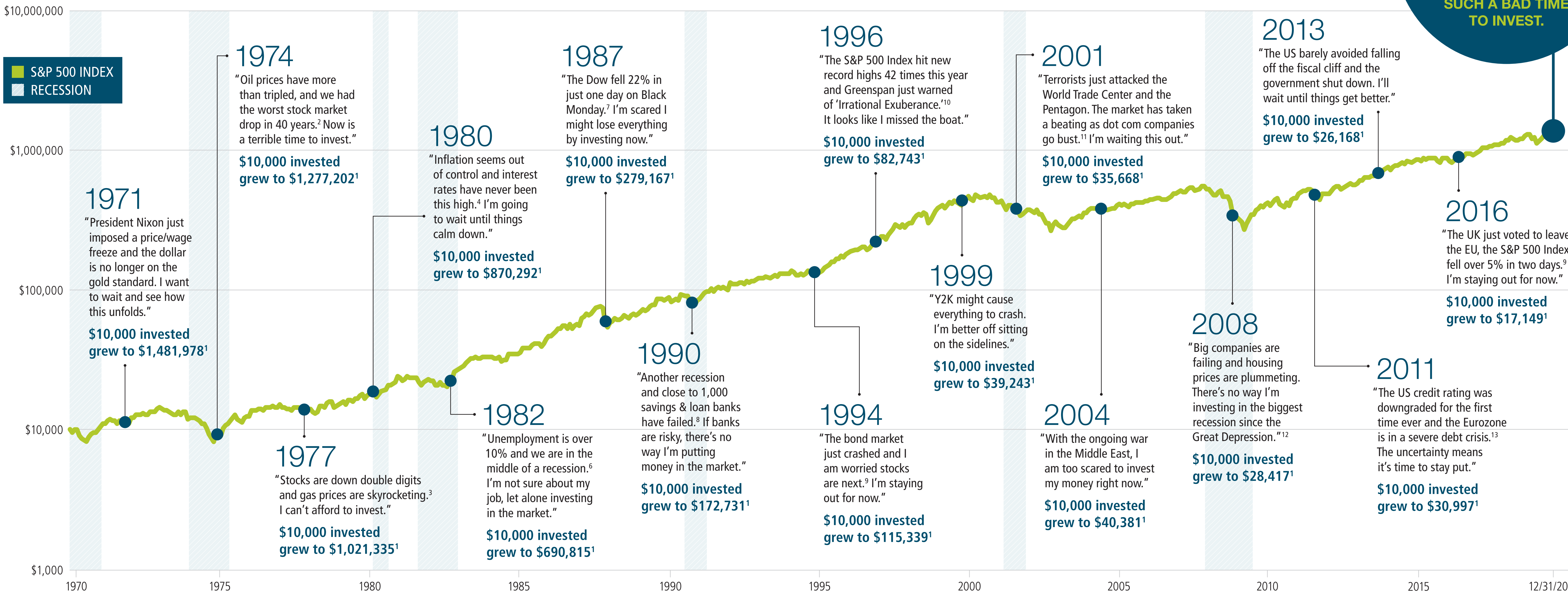
The stock market in general is forward-looking—it moves in anticipation of expected events. Because of this, market recoveries often start before a recession is officially over, as can be seen in the chart below. In fact, on average, stocks hit bottom four months before a recession has ended.[5] Of course, past performance cannot guarantee future results.

Despite short-term ups and downs, over the long term the stock market has trended up. And often the best buying opportunities were when things still seemed quite bleak. By waiting for the perfect time to start investing, you may be too late.

(CONTINUE READING ON PAGE 4)

$1,539,136
WHILE PAST PERFORMANCE CANNOT GUARANTEE FUTURE RESULTS, MAYBE NOW ISN'T SUCH A BAD TIME TO INVEST.

S&P 500 INDEX PERFORMANCE OVER THE LAST HALF CENTURY (December 31, 1969 – December 31, 2019)



The unmanaged S&P 500 Index represents the general stock market and is used for illustrative purposes only. All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Past performance does not guarantee future results.

[1] Assumes a $10,000 investment made on 12/31 of the prior year that is held through 12/31/2019.
[2] Sources: Federal Reserve Bank of St. Louis (FRED), © 2020 Morningstar, Inc.
[3] Sources: © 2020 Morningstar, Inc., US Bureau of Labor Statistics.
[4] Source: Federal Reserve.
[5] Source: Standard and Poor's, FactSet, © 2020 Morningstar.
[6] Source: US Bureau of Labor Statistics.
[7] Source: FactSet, DJIA daily index close as of 10/19/1987.
[8] Sources: National Bureau of Economic Research, Federal Deposit Insurance Corporation (FDIC).
[9] Source: © 2020 Morningstar, Inc. Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index.
[10] Source: FactSet.
[11] Source: © 2020 Morningstar, Inc.
[12] Sources: Case-Shiller, US Bureau of Economic Analysis. Housing prices are represented by the S&P/Case-Shiller Composite-20 Home Price Index.
[13] Source: Standard & Poor's, United States of America Long-Term Rating Lowered To 'AA+' On Political Risks And Rising Debt Burden; Outlook Negative.

(CONT'D FROM PAGE 3) *Why Should I Invest in the Stock Market Now?*

PULLBACKS ARE NORMAL

Consistently predicting when stock market declines or rallies will happen, or how long they are going to last, is impossible. While no one looks forward to market volatility, a historical perspective on the frequency and severity of past drops can provide a valuable perspective. The table to the right shows how frequently stock market declines of various amounts have occurred over the 50-year period ended December 31, 2019.[14]

MARKET DECLINE	AVERAGE FREQUENCY
5% or more	Every 10 Months
10% or more	Every 2 Years
15% or more	Every 4 Years
20% or more	Every 8 Years
25% or more	Every 8 Years
30% or more	Every 13 Years

IT'S TIME IN THE MARKET, NOT TIMING THE MARKET

Buying stocks at market bottoms and selling only when prices are high is difficult, if not impossible. A better strategy is to focus on your investment goals, your risk tolerance and how long you plan to invest. Over the 50-year period ended December 31, 2019, stocks have averaged a 10.59% one-year return.[14] But you can't expect that return every year.

The chart below shows how the longer you were invested, the less likely you were to experience negative returns, and the more likely you were to experience an overall return closer to the long-term average.

For more information on the importance of long-term investing and how to deal with market volatility, contact us at BWFA or visit www.bwfa.com.

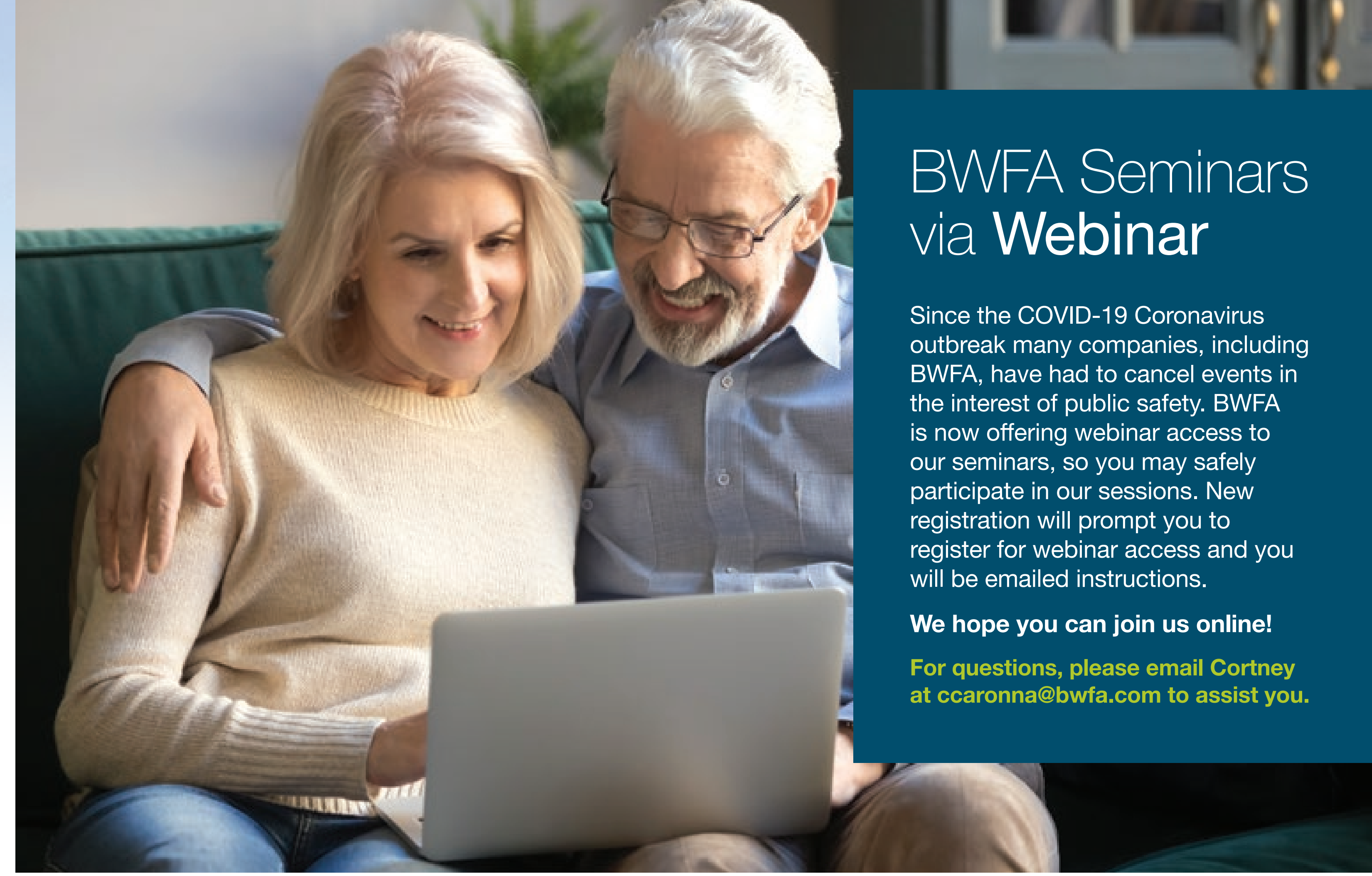
Robert Carpenter
President and CEO

RANGE OF AVERAGE ANNUAL TOTAL RETURNS FOR THE S&P 500 INDEX[14]

Monthly rolling periods from December 31, 1969 – December 31, 2019

The charts above are for illustrative purposes only.
[14] Sources: © 2020 Morningstar, Standard and Poor's.

PHOTO: 5,000 years old Polnabrone Dolmen in Burren, Co. Clare, Ireland



BWFA Seminars via **Webinar**

Since the COVID-19 Coronavirus outbreak many companies, including BWFA, have had to cancel events in the interest of public safety. BWFA is now offering webinar access to our seminars, so you may safely participate in our sessions. New registration will prompt you to register for webinar access and you will be emailed instructions.

We hope you can join us online!

For questions, please email Cortney at ccaronna@bwfa.com to assist you.

B|W|F|A PODCAST

HEALTHY WEALTHY & WISE

BWFA has launched a new Podcast!
We'll be covering everything from finance, investments and taxes, to wellness, health and mindfulness.

TUNE IN AT:
www.bwfa.com/podcasts

COVER PHOTO: Carrick-a-Rede Rope Bridge, Northern Ireland

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18TH & 21ST
COCKTAILS · FINE DINING · LIVE MUSIC

VOTED HOWARD MAGAZINE READER'S POLL 2019 BEST RESTAURANT

***Brunch will be served in a private dining room**

Baltimore-Washington Financial Advisors invites you to enjoy brunch at 18th & 21st featuring a private jazz concert and silent auction in support of The Columbia Orchestra. Tickets are $65 and include a delicious brunch, bottomless Mimosas and Bloody Marys, a silent auction, and music by the Fred Hughes Trio with vocalist Darden Purcell.

BWFA has been a long-standing patron of the arts in our community, supporting such organizations as the Columbia Orchestra. I am honored to serve on the Orchestra's Board of Directors and am excited to sponsor this event to benefit the orchestra. As always, BWFA appreciates your support and we hope to see you at the Jazz Brunch. Your ticket purchase will support The Columbia Orchestra's ongoing mission.

We appreciate your support of music and the arts in our community and look forward to seeing you there!

Robert Carpenter

Robert Carpenter
President and CEO

To purchase tickets: Email Cortney Caronna at ccaronna@bwfa.com

Financial Planning

TIPS FOR THOSE CAUGHT IN THE SANDWICH GENERATION

ROBERT G. CARPENTER
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At a time when your career is reaching a peak and you are looking ahead to your own retirement, you may find yourself in the position of having to help your children with college expenses or the financial challenges of young adulthood while at the same time looking after the needs of your aging parents. Squeezed in the middle, you're in the "sandwich generation" — a group loosely defined as people in their 40s to 60s who are "sandwiched" between caring for children and aging parents.

As more men and women have children later in life and more parents live longer lives, the ranks of the sandwich generation are likely to grow in the years ahead. If you find yourself sandwiched between caregiving demands, here are some strategies to navigate this life phase.

SETTING PRIORITIES

The first thing to do is get yourself in the proper mindset. This life phase could last one or two years, or it could last many more. In any case, try to treat this stage as a marathon and pace yourself.

Encourage open communication with your family to figure out ways to share the financial, emotional, and time burdens. Hold regular meetings to discuss issues, set priorities, and delegate tasks.

It's important for caregivers to get their own financial house in order. Ironically, at the very time you need to do this, the demands of caregiving may cause you to lose income because you have to step back at work. Here are some tips to get your finances on track:

- Establish a budget and stick to it. Having a realistic budget can help you balance your income and expenses and keep your finances on track.
- Invest in your own future by putting as much as you can into your retirement plan, and avoid raiding it to pay for your parent's care or your child's college education.
- If you need more time off from work, ask your employer if you can telecommute, flex your hours, reduce your hours temporarily, or take unpaid leave. Another option is to enroll your parent in an adult day-care program or hire a home health aide to fill the gaps. Permanently leaving your job should be a last resort — time out of the workforce will reduce not only your earnings but possibly your Social Security benefit at retirement as well.

CARING FOR YOUR PARENTS

Talk to your parents about their financial resources. Do they have retirement income? Long-term care insurance? Do they own their home? Learn the whereabouts of all their documents and accounts, as well as the financial professionals and friends they rely on for advice and support.

Much depends on whether your parent is living with you or out of town. If your parent lives a distance away, you'll have to monitor his or her welfare from afar — a challenging task. Though caregiving can be a major stress on anyone, distance can magnify it — daily phone calls or video chats might not be enough, and traveling to your parent's home can be expensive and difficult to manage with your work and family responsibilities.

If your parent's needs are great enough, you may want to consider hiring a geriatric care manager, who can help oversee your parent's care and direct you to the right community resources, and/or a home health aide, who can check in on your parent during the week. Here are some things you should do:

- Take inventory of your parent's assets and consolidate his or her financial accounts.
- Get a current list of the medicines your parent takes and the doctors he or she sees.
- Have your parent establish a durable power of attorney and health-care directive, which gives you legal authority to handle financial and health-care decisions if your parent becomes incapacitated. And make sure your parent has a will.
- Consider consulting a tax professional to see if you might be entitled to potential tax benefits as a result of your caregiving; for example, you might be able to claim your parent as a dependent.
- If your parent's needs are great enough, you might need to go a step further and explore assisted-living options or nursing homes.

Eventually, you might decide that your parent needs to move in with you. In that case, here are some suggestions to make that transition:

- Talk with your parent in advance about both of your expectations and concerns.
- If possible, set up a separate room and phone for your parent for some space and privacy.
- Research local programs to see what resources are offered for seniors; for example, the senior center may offer social gatherings or adult day care that can give you a much needed break.
- Ask and expect adult siblings to help out. Siblings who may live far away and can't help out physically on a regular basis, for example, can make a financial contribution that can help you hire assistance. They can also research assisted-living or nursing home options.

MEETING THE NEEDS OF YOUR CHILDREN

Your children may be feeling the effect of your situation more than you think, especially if they are teenagers. At a time when they still need your patience and attention, you may be preoccupied with your parent's care, meeting your work deadlines, and juggling your financial obligations. Here are some things to keep in mind:

- Explain what changes may come about as you begin caring for your parent. Be sympathetic and supportive of your children (and your spouse) as they try to adjust.
- Discuss college plans. Encourage realistic expectations about the college they may be able to attend.
- If you have "boomerang children" who've returned home, make sure to share your expectations with them. Expect help with chores, occasional simple caregiving, and a financial contribution to monthly household expenses.

CONSIDERING YOUR NEEDS

This stage of your life could last many years, or just a few. Try to pace yourself so you can make it for the long haul. Don't feel guilty about taking time for yourself when you need it. When you look after yourself, you'll be in a better position to care for those around you.

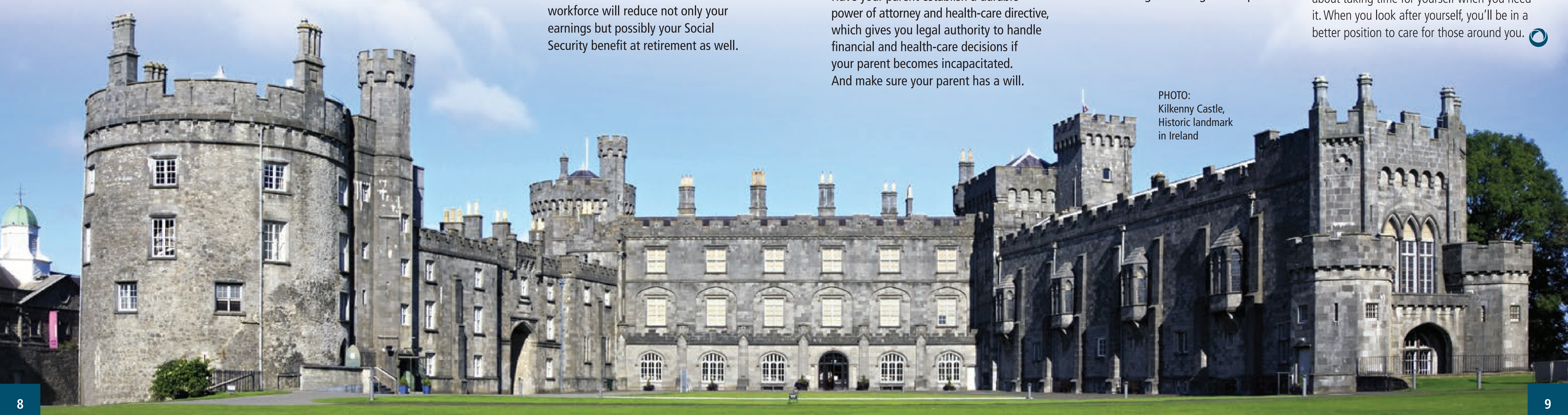
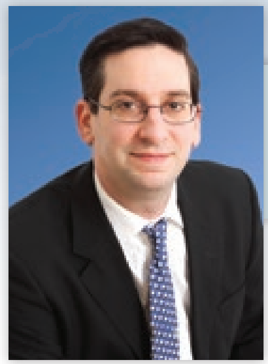


PHOTO:
Kilkenny Castle,
Historic landmark
in Ireland

Financial Planning



Spring Cleaning Your Way to Better Finances

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Spring is a good time to clean out the cobwebs, and not just in your home or apartment. Your personal finances can benefit from a good spring cleaning, too. Here are some questions to ask yourself regarding your budget, debt, and taxes.

IS THERE ROOM IN MY BUDGET TO SAVE MORE?

A budget is the centerpiece of any good personal financial plan. After tallying your monthly income and expenses, you hopefully have money left over to save. But... is there room to save even more? Review your budget again with a fine-tooth comb to see if you might be able to save an additional $25, $50, $100, or $200 per month. Small amounts can add up over time.

If you participate in a workplace retirement plan, you might not even notice your slightly smaller paycheck after you increase your contribution amount.

If your expenses are running neck and neck with your income, try to cut back on discretionary spending. If that's not enough, look for ways to lower your fixed costs or explore ways to increase your current income. Budgeting software and/or smartphone apps can help you analyze your spending patterns and track your savings progress.

DO I HAVE A STRATEGY TO REDUCE DEBT?

When it comes to your personal finances, reducing debt should always be a priority. Whether you have debt from student loans, credit cards, auto loans, or a mortgage, have a plan to pay down your debt as quickly as possible. Here are some tips.

- **Credit cards.** Keep track of your credit card balances and be aware of interest rates and hidden fees; manage your payments so you avoid late fees; pay off high-interest debt first; and avoid charging more than you can pay off at the end of each billing cycle.
- **Student loans.** Are you a candidate for income-based repayment? You can learn more at the **Federal Student Aid** website.
- **Additional payments.** Making additional loan payments above and beyond your regular loan payments (or the minimum payment due on credit cards) can reduce the length of your loan and the total interest paid. Online calculators can help you see the impact of making additional payments. For example, if you're halfway through a 30-year, $250,000 mortgage with a fixed 4.5% interest rate, an additional principal payment of $150 a month can shave two years off your mortgage. An extra $250 a month can shave off three years!
- **Refinancing.** If you currently have consumer loans, such as a mortgage or auto loan, take a look at your interest rate. If you're paying a higher-than-average interest rate, you may want to consider refinancing. Refinancing to a lower interest rate can result in lower monthly payments and potentially less interest paid over the loan's term.

  Keep in mind that refinancing often involves its own costs (e.g., points and closing costs for mortgage loans), and you should factor these into your calculation of how much refinancing might save you.
- **Loan consolidation.** Loan consolidation involves combining individual loans into one larger loan, allowing you to make only one monthly payment instead of many. Consolidating your loans has several advantages, including saving you time on bill paying and record keeping and making it easier for you to visualize paying down your debt. In addition, you may be able to get a lower interest rate.
- **Paying down debt vs. investing.** To decide whether it's smarter to pay down debt or invest, compare the anticipated rate of return on your investment with the interest rate you pay on your debt. If you would earn less on your investment than you would pay in interest on your debt, then using your extra cash to pay off debt may be the smarter choice. For example, let's say you have $2,000 in an account that earns 1% per year. Meanwhile, you have a credit card balance of $2,000 that incurs annual interest at a rate of 17%.

  Over the course of a year, your savings account earns $20 interest while your credit card costs you $340 in interest. So paying off your credit card debt first may be the better choice.

DO MY TAXES NEED SOME FINE-TUNING?

Spring also means the end of the tax filing season. You might ask yourself the following questions:

- Am I getting a large tax refund or will I owe taxes? In either case, you may want to adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.
- What else can I learn from my tax return? Now is also a good time to assess tax planning opportunities for the coming year, when you still have many months left to implement any strategy. You can use last year's tax return as a reference point, then make any anticipated adjustments to your income and deductions for the coming year.

Is it time to review your IRA estate planning strategies?

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The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was passed in December 2019 as part of a larger federal spending package, included a provision that warrants special attention from those who own high-value IRAs. Specifically, the "stretch" IRA provision — which permitted no spouse beneficiaries who inherited IRAs to spread distributions over their lifetimes — has been substantially restricted. IRA owners may want to revisit their estate planning strategies to help prevent their heirs from getting hit with higher-than-expected tax bills.

THE OLD "STRETCH" RULES

Under the old rules, a no spouse beneficiary who inherited IRA assets was required to begin minimum distributions within a certain time frame. Annual distributions could be calculated based on the beneficiary's life expectancy. This ability to spread out taxable distributions over a lifetime helped minimize the annual tax burden on the beneficiary.

In the past, individuals could use this stretch IRA strategy to allow large IRAs to continue benefiting from potential tax-deferred growth for possibly decades.

Consider the hypothetical case of Margaret, a single, 52-year-old banking executive who inherited a million-dollar IRA from her 85-year-old father. Margaret had to begin taking required minimum distributions (RMDs) from her father's IRA by December 31 of the year following her father's death. She was able to base the annual distribution amount on her life expectancy of 32.3 years. Since she didn't really need the money, she took only the minimum amount required each year, allowing the account to continue growing. Upon Margaret's death at age 70, the remaining assets passed to her 40-year-old son, who then continued taking distributions over the remaining 13.3 years of Margaret's life expectancy. The account was able to continue growing for many years.

THE NEW RULES

As of January 2020, the rules for inherited IRAs changed dramatically for most no spouse beneficiaries.[1] Now they generally are required to liquidate the account within 10 years of the account owner's death. This shorter distribution period could result in unanticipated and potentially large tax bills for high-value inherited IRAs.

Under the new rules, Margaret would have to empty the account, in whatever amounts she chooses, within 10 years. Since she stands to earn her highest-ever salaries during that time frame, the distributions could push her into the highest tax bracket at both the federal and state levels. Because the account funds would be depleted after 10 years, they would not eventually pass to her son, and her tax obligations in the decade leading up to her retirement would be much higher than she anticipated.

NOTABLE EXCEPTIONS

The new rule specifically affects most no spouse designated beneficiaries who are more than 10 years younger than the original account owner. However, key exceptions apply to those who are known as "eligible designated beneficiaries" — a spouse or minor child of the account owner; those who are not more than 10 years younger than the account owner (such as a close-in-age sibling or other relative); and disabled and chronically ill individuals, as defined by the IRS. The 10-year distribution rule will also apply once a child beneficiary reaches the age of majority and when a successor beneficiary inherits account funds from an initial eligible designated beneficiary.

A WORD ABOUT TRUSTS

In the past, individuals with high-value IRAs have often used what's known as conduit — or "pass-through" — trusts to manage the distribution of inherited IRA assets. The trusts helped protect the assets from creditors and helped ensure that beneficiaries didn't spend down their inheritances too quickly. However, conduit trusts are now subject to the same 10-year liquidation requirements, so the new rules may render null and void some of the original reasons the trusts were established.

WHAT CAN IRA ACCOUNT OWNERS DO?

IRA account owners should review their beneficiary designations with their financial or tax professional and consider how the new rules may affect inheritances and taxes. Any strategies that include trusts as beneficiaries should be considered especially carefully. Other strategies account owners may want to consider include converting traditional IRAs to Roth's; bringing life insurance, charitable remainder trusts, or accumulation trusts into the mix; and planning for qualified charitable distributions.

[1] *For account owners who died prior to December 31, 2019, the old rules apply to the initial beneficiary only (i.e., successor beneficiaries will be subject to the 10-year rule). If you have follow up questions, please call BWFA or email to set up a meeting with an Advisor to discuss in more detail your specific needs.*

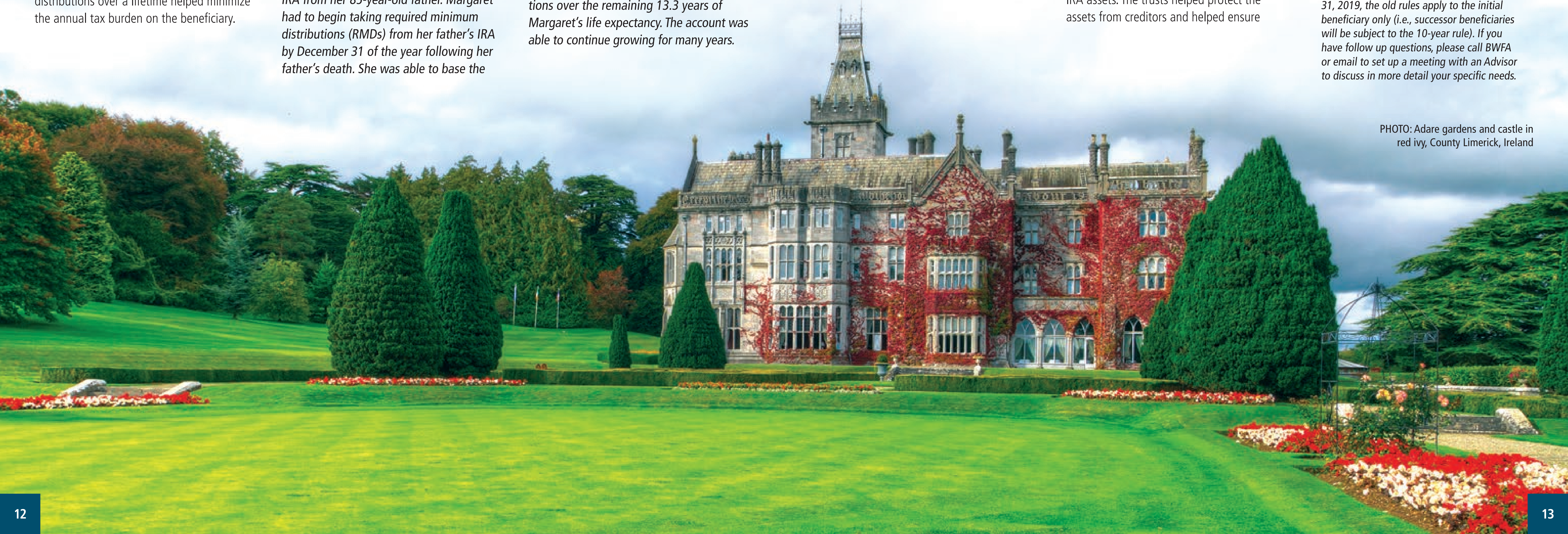

PHOTO: Adare gardens and castle in red ivy, County Limerick, Ireland

Investment Management

RISK MANAGEMENT AND YOUR RETIREMENT SAVINGS

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By investing for retirement, you are helping to manage a critically important financial risk: the chance that you will outlive your money. But choosing to invest is just one step in your financial risk management strategy. You also need to manage risk within your portfolio to help it stay on track. Following are steps to consider.

FAMILIARIZE YOURSELF WITH THE DIFFERENT TYPES OF RISK

All investments, even the most conservative, come with different types of risk. Understanding these risks will help you make educated choices in your retirement savings plan mix. Here are just a few.

- **Market risk:** The risk that your investment could lose value due to falling prices caused by outside forces, such as economic factors or political and national events (e.g., elections or natural disasters). Stocks are typically most susceptible to market risk, although bonds and other investments can be affected as well.
- **Interest rate risk:** The risk that an investment's value will fall due to rising interest rates. This type of risk is most associated with bonds, as bond prices typically fall when interest rates rise, and vice versa. But often stocks also react to changing interest rates.
- **Inflation risk:** The chance that your investments will not keep pace with inflation, or the rising cost of living. Investing too conservatively may put your investment dollars at risk of losing their purchasing power.
- **Liquidity risk:** This is the risk of not being able to quickly sell or cash-in your investment if you need access to the money.
- **Risks associated with international investing:** Currency fluctuations, political upheavals, unstable economies, additional taxes — these are just some of the special risks associated with investing outside the United States.

KNOW YOUR PERSONAL RISK TOLERANCE

How much risk are you willing to take to pursue your savings goal? Gauging your personal risk tolerance — or your ability to endure losses in your account due to swings in the market — is an important step in your risk management strategy.

Because all investments involve some level of risk, it's important to be aware of how much volatility you can comfortably withstand before you select investments.

One way to do this is to reflect on a series of questions, which may include the following:

- How much do you need to accumulate to potentially provide for a comfortable retirement? The more you need to save, the more risk you may need to take in pursuit of that goal.
- How well would you sleep at night knowing your investments dropped 5%? 10%? 20%? Would you flee to "safer" options? Ride out the dip to strive for longer-term returns? Or maybe even view the downturn as a good opportunity to buy more shares at a value price?
- How much time do you have until you will need the money? Typically, the longer your time horizon, the more you may be able to hold steady during short-term downturns in pursuit of longer-term goals — and the more risk you may be able to assume.
- Do you have an easily accessible emergency savings account with at least six months worth of living expenses? Having a safety net set aside may allow you to feel more confident about taking on risk in your retirement portfolio.

DEVELOP A TARGET ASSET ALLOCATION

Once you understand your risk tolerance, the next step is to develop an asset allocation mix that is suitable for your investment goal while taking your risk tolerance into consideration.

Asset allocation is the process of dividing your investment dollars among various asset categories, typically stocks, bonds, and stable value investments. Generally, the more tolerant you are of investment risk, the more you may be able to invest in stocks. On the other hand, if you are more risk averse, you may want to invest a larger portion of your portfolio in conservative investments. However, consider that within bond asset classes, there are many different varieties to choose from that are suitable for different risk profiles.

BE SURE TO DIVERSIFY

All investors — whether aggressive, conservative, or somewhere in the middle — can potentially benefit from diversification, which means not putting all your eggs in one basket. Holding a mix of different investments may help your portfolio balance out gains and losses. The principle is that when one investment loses value, another may be holding steady or gaining (although there are no guarantees).

What about more conservative investors, such as those nearing or in retirement? Even for these individuals it is generally advisable to include at least some stock investments in their portfolios to help assets keep pace with the rising cost of living. When a portfolio is invested too conservatively, inflation can slowly erode its purchasing power.

PERFORM REGULAR MAINTENANCE

During regular portfolio reviews, you'll want to determine if your risk tolerance has changed and check your asset allocation to determine whether it's still on track. You may want to rebalance — or shift some money from one type of investment to another — to bring your allocation back in line with your original target, presuming it still suits your situation. Or you may want to make other changes in your portfolio to keep it in line with your changing circumstances. Such regular maintenance is critical to help manage risk in your portfolio.

When developing a plan to manage risk, a BWFA professional can help take emotion out of the equation so that you may make clear, rational and informed decisions.

PHOTO: Idyllic Irish Landscape

Tax Services

CHARITABLE GIFTING

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WHAT CONSTITUTES A GIFT TO CHARITY?

A gift to charity is simply a gratuitous transfer of property to a charitable organization. The key is that your gift must be some kind of property — your time or personal services do not count. There are several different types of property that can be donated to charity, and a gift is limited only by your imagination. Are you the type who wants to donate cash, stock, or your lunch box collection from a 1960s sitcom?

HOW DO YOU DECIDE WHETHER TO DONATE TO CHARITY?

The decision to donate to charity is a personal one. Although the IRS does not require that you have any charitable motivation when you donate to charity — you can do it strictly for the tax benefits — most people who decide to donate to charity have a charitable intent.

There are an infinite number of charities from which to choose. Most people have a particular charity in mind when they decide to make a contribution.

WHAT ARE THE TAX BENEFITS OF DONATING TO CHARITY?

Through tax legislation, Congress has attempted to encourage charitable giving because it is good social policy. Most every charity depends on individual contributions to remain financially solvent, especially in this era of fewer direct government dollars. As a result, charitable giving has become interconnected with the tax laws, which have grown more and more complex.

Congress has sweetened the pot for taxpayers who donate to qualified charities. First, you generally receive an income tax deduction in the year you make the gift. Second, you do not have to worry about gift tax because federal gift tax does not apply to charitable gifts. Third, charitable gifts serve to reduce your taxable estate, thus reducing your potential estate tax liability. For more information, see Charitable Deduction. It is this last area — estate tax — where charitable giving may produce the greatest tax benefits. Over the next 30 years, an estimated $8 trillion of assets will pass from one generation to the next, resulting in the assessment of significant estate taxes. One solution to minimize these estate taxes is charitable giving.

WHAT OPTIONS DO YOU HAVE FOR DONATING TO CHARITY?

An outright gift

In the typical situation, your gift will be for the charity's benefit only, and the charity will take possession of the gift immediately. This type of gift is called an outright gift. This arrangement satisfies the general rule that a gift to charity must be paid to the charity in the form of money or property before the end of the tax year to be deductible for income tax purposes.

Split interest gift in trust

Another option is for your gift to be split between a charity and a noncharitable beneficiary. Here, one party (usually the noncharitable beneficiary) receives the use of the donated property for a specific period of time, which means he or she is paid a certain sum every year out of the donated property. Then, after this time period is up, the remaining property passes to the charity. Such gifts can be used to provide for a dependent child or a surviving spouse. In this arrangement, the charity's right to enjoyment and possession of the gift is delayed because the noncharitable beneficiary has the first interest in the donated property. Ordinarily, this delay would mean no tax deductibility for your gift. However, Congress has voiced its approval of such arrangements as long as the gift is set up as one of a number of special trusts expressly created for this purpose. If your split interest gift is set up as one of these trusts, you receive federal income, gift, and estate tax deductions.

CRAT (charitable remainder annuity trust)

A CRAT is a split interest gift between a noncharitable beneficiary and a charitable beneficiary. The noncharitable beneficiary has the first interest, and the charity has the remainder interest or second-in-line interest. The trust pays out a fixed amount of income every year (an annuity) to the noncharitable beneficiary for the term of the trust, and the remaining assets pass to the charity at the end of the term.

CRUT (charitable remainder unitrust)

A CRUT is a split interest gift between a noncharitable beneficiary and a charitable beneficiary. As with a CRAT, the noncharitable beneficiary has the first interest, and the charity has the remainder interest. However, instead of paying out a fixed amount each year, a CRUT pays the noncharitable beneficiary a fluctuating amount each year, depending on the value of the trust assets for that year. This amount is calculated as a percentage of the assets in the trust on a specified date each year. At the end of the trust term, the remaining assets pass to the charity.

***TIP:** There are several varieties of CRUTs (NI-CRUT, NIMCRUT, or Flip CRUT), each with slightly different rules regarding how the noncharitable beneficiary is paid.*

Pooled income fund

A pooled income fund is a split interest gift between a noncharitable beneficiary and a charitable beneficiary. Like the CRAT and CRUT, the noncharitable beneficiary has the first interest and the charity has the remainder interest. A pooled income fund is managed by the charity (much like a mutual fund) and is made up of donations from several donors. The charity pays the noncharitable beneficiary a fluctuating amount each year, depending on the value of the fund in that year. These income distributions are made to the noncharitable beneficiary for his or her lifetime, after which the portion of the fund assets attributable to the noncharitable beneficiary is severed from the fund and used by the charity for its charitable purposes.

Charitable lead trust

A charitable lead trust is a split interest gift between a noncharitable beneficiary and a charitable beneficiary. Here, the charity has the first or lead interest and the noncharitable beneficiary has the remainder interest. The charity is paid a certain amount every year for the term of the trust, and then the remaining assets pass to the noncharitable beneficiary at the end of the trust term.

Bargain sale

A bargain sale in the context of charitable giving is a sale to charity at a bargain price (i.e., a price below the fair market value of the item sold, fair market value being the price a willing buyer would pay a willing seller in an arm's length transaction). The difference between the sale price and the actual fair market value of the asset equals your donation to charity. A bargain sale involves two separate transactions for tax purposes: a sale and a charitable gift. The IRS treats each event as a separate transaction. Consequently, each is reported separately on your income tax return.

Private foundation

Donors with sufficient resources may want to create a private foundation. A private foundation is a separate legal entity (often named for the donor) that can endure for many generations after the original donor's death. The donor creates the foundation, then transfers assets (typically appreciated assets) to the foundation, which in turn makes grants to public charities. The donor and his or her descendants retain complete control over which charities receive grants.

Community foundation

A type of organization related to a private foundation is called a community foundation. A community foundation concentrates its activities within a defined geographic area and is typically controlled by a representative group of community members, which may include the donor. In practice, a community foundation is a public charity, though it appears to share some of the characteristics of a private foundation.

Donor-advised fund

Similar in some respects to a private foundation, a donor-advised fund (DAF) offers an easier way for a donor to make significant charitable gifts over a long period of time. A DAF actually refers to an account that is held within a charitable organization. The charitable organization is a separate legal entity, but the donor's account is not — it is merely a component of the charitable organization that holds the account. Once the donor has transferred assets to the account, the charitable organization becomes the legal owner of the assets and has ultimate control over them. The donor can only advise — not direct — the charitable organization on how the donor's contributions will be distributed to other charities.

PHOTO: Fanad Head Lighthouse at sunset, Donegal, Ireland

Business Services

HOW TO PROTECT YOUR BUSINESS FROM FUTURE UNCERTAINTIES

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A new decade always comes with a slew of predictions that can be scary for small business owners. Without a crystal ball, you might feel helpless.

There are three practical steps you can take to protect yourself from whatever the coming years will bring:

Strategy #1:
STOP TRYING TO TIME THE MARKET

Many founders try to time the sale of their business to coincide with the peak of an economic cycle, reasoning they will get the best price for their business when the economy is booming.

While this is true in theory, when you sell your company, you need to do something with the money. Perhaps you will consider investing in real estate or buying stocks.

Still, most investments are impacted by the same macro-economic environment your business enjoys, which means you will be buying into just as frothy a market.

The alternative to timing the market is to consider selling when your business meets two criteria:

First, if your company is on a winning streak, it will command a premium compared with average performers in your industry. Pick a time to sell when your revenue is growing, gross margin is improving, employees are happy, and customers are satisfied.

Second, never sell before you have all of the information you will need to survive due diligence. After you agree to terms with an acquirer, they will need some time to verify your business is as advertised. A sophisticated buyer will look into every aspect of your operations, including your financials, customer contracts, employee agreements, the way you produce your product or service, your sales and marketing approach, and just about every other facet of your business.

You cannot wait until due diligence to prepare this package of information. The volume of questions will suck up too much of your time. React slowly to an acquirer's request for information and "deal fatigue" will set in. This malaise happens when an acquirer loses interest in closing an acquisition because it is taking too long.

The way to immunize yourself against whatever the economy may be in the years ahead is to sell when you are on a winning streak and you have the data assembled to skate through due diligence with ease.

Strategy #2:
PICK YOUR LANE

The global economy has been expanding for several years, fueled by low-interest rates and optimistic consumers, which can be a dangerous time for founders. When the economy is hot, it is tempting to expand outside of your original product and service category as customers seem to be willing to buy just about anything from you.

The problem with diversifying too broadly is that you can become less attractive to an acquirer over time. Acquirers buy what they could not quickly build on their own. When you diversify too broadly, a buyer may pass reasoning that it would be relatively easy to compete with your similar products or services. Buyers know you will want to get paid for all of your business, yet they may only want a small part of it.

Remember that acquirers only buy what they could not quickly build themselves, so they place a premium on buying a business with a definite competitive advantage — for example, a proven brand that consumers prefer or a protected technology innovation.

No matter what the economy has in store for the years ahead, do one thing better than anyone else, and you will always have a ready pool of potential acquirers for your business.

Strategy #3:
CREATE A VISION BOARD

A vision board is a display of images that illustrate where you want to be in the future. Create one by grabbing a stack of magazines and cut out pictures that appeal to you and communicate the life you want to lead.

A vision board is a compelling way to immunize yourself from the inertia that sets in once the startup years of your company are behind you. When you're no longer struggling to find the next customer or wondering how you'll make payroll, running a business may become less exciting. When you no longer need to draw on your creativity and problem-solving skills, one day may flow into the next, and you can become content, but perhaps not truly happy.

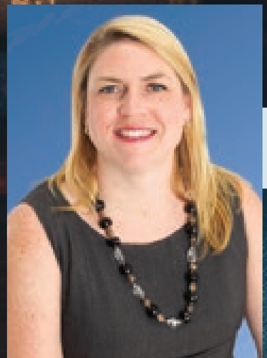
Think about a time when you were happiest. You were probably doing something new, perhaps in a new place with new people, learning, contributing and growing. Most owners are happiest when they are starting and growing a business, but when a company matures, it can become stifling.

The problem is it can be challenging to leave a successful business. Your lifestyle needs are satisfied through your company, so why go? That's where a vision board can be handy. It allows you to decipher the difference between being happy and merely content. When you find yourself feeling comfortable but not necessarily happy, that might be the perfect time to sell – regardless of what is happening in the economy at the time.

PHOTO: Famous illuminated Ha Penny Bridge at sunset, Dublin, Ireland

BWFA | BOOK CLUB

Eve Kennedy's BWFA BOOK NOOK



AUTHOR SPOTLIGHT

EVE KENNEDY
CLIENT ASSOCIATE
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IT HAS BEEN A TRUE PLEASURE RUNNING THE BWFA BOOK CLUB!

Our group is currently reading *The Toss of a Lemon* by Padma Viswanathan. If you are interested in joining the BWFA Book Club, our next meeting is scheduled for July 16, 2020 where we will be discussing *Pachinko* by Min Jin Lee. Please keep your eye out for the invitation and be sure to register quickly! The BWFA Book Club has been growing and we welcome any and all who wish to join.

I hope you take this time while self-distancing during the COVID-19 outbreak to catch up with your reading. If you need any suggestions, please feel free to reach out to me at ekennedy@bwfa.com.

This quarter, the spotlight is on Catherine Asaro!

BWFA has so many wonderful and interesting clients with varying backgrounds. I thought it would be a wonderful idea to showcase our amazing authors that are a part of our BWFA Family.

ABOUT CATHERINE ASARO

Catherine Asaro has authored about thirty books, including science fiction, thrillers, and fantasy. Her works *The Quantum Rose* and "The Spacetime Pool" both won the Nebula® Award, and she is a multiple Hugo nominee. Among her many other distinctions, she is a multiple winner of the AnLab from Analog magazine. Her upcoming books are *The Vanished Seas* (Baen, July 2020), and the eBook *Lightning Strike Book II*. Taken together, *Lightning Strike Book I and Book II* form a revised and expanded version of *Catch the Lightning*.

Catherine has a doctorate in chemical physics and masters in physics, both from Harvard, and a BS in chemistry from UCLA. She directed the Chesapeake Math Program for many years, serving as a teacher and coach in math, physics, and chemistry. Catherine has appeared as a speaker at many institutions, including Harvard, the National Academy of Sciences, and the US Naval Academy.

She danced for about 35 years in ballet and jazz. She and her husband, John Kendall Cannizzo, were married thirty-three years until he passed. They have one daughter, a mathematician and ballet dancer. Catherine can be reached a **www.catherineasaro.net**, and she has a Patreon page at **www.patreon.com/CatherineAsaro**

ABOUT *THE VANISHED SEAS*

MAJOR BHAAJAN RETURNS.

Book three in the Skolian Empire Major Bhaajan series. Bhaajan grew up in the Undercity, a community hidden in the ruins buried beneath the glittering City of Cries. Caught between the astonishing beauty and crushing poverty of that life, and caught by wanderlust, she enlisted in the military. Now retired, Major Bhaajan is a private investigator who solves cases for the House of Majda, a powerful royal family centered in Cries. The powerful elite of the City of Cries are disappearing, and only Bhaajan, who grew up in the Undercity, can find them—if she isn't murdered first.

BWFA Q&A

EMPLOYEE SPOTLIGHT

BRIAN MURRAY
TAX ADVISOR
bmurray@bwfa.com

Q. **TELL US A BIT ABOUT YOUR BACKGROUND AND WHAT LEAD YOU TO THIS CAREER?**

A. I happened to get lucky. My sister worked at one of the bigger accounting firms in the country and I was able to get my foot in the door though I had no prior accounting experience. After a few years, many hours, and lots of hard work later here I am at BWFA. And I couldn't be happier to be here.

Q. **IF YOU WERE NOT IN THE FINANCIAL WORLD, WHAT DO YOU THINK YOU WOULD BE DOING?**

A. I'm not sure I would *actually* be doing this, but I'd love to be an astrophysicist, or astronomer looking at the stars. More likely I'd be doing something to do with history.

Q. **MOST REWARDING PART OF WORKING AT BWFA?**

A. This is cliché but the people. Everyday you can feel the positive energy and attitude they bring.

Q. **FAVORITE THINGS TO DO OUTSIDE OF BWFA?**

A. I love learning new things and playing sports. You name it and I've probably played it and I probably watch it.

Q. **A MEMORABLE TRAVEL EXPERIENCE?**

A. My first time traveling abroad. Dortmund, Germany to see my favorite soccer team play, Borussia Dortmund. The chills walking into Westfalenstadion, the sounds, the chanting, the views, the smell — I'll never forget it.

Q. **WHO/WHAT INSPIRES YOU?**

A. My sister. She's just so put together, thoughtful, caring, driven and smart.

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

A. Group/Singer: Usher or Taylor Swift (I'm a nerd). But right now I'm really into Latin hip hop, so my favorite songs are usually what's currently on Top 40 lists.

Q. **FUN FACT ABOUT YOURSELF?**

A. I played some college hockey.

What's Happening at BWFA

BWFA

BWFA Wedding Bells!

Joe DePatie, Associate Financial Planner at BWFA, proposed to **Alyssa DeLand** over Thanksgiving weekend surrounded by family and friends!

CONGRATULATIONS JOE & ALYSSA!

Best wishes for a life filled with much joy and love! – Your BWFA Family

SPRING CLEANING AT BWFA!

To register for any BWFA event: Email Cortney Caronna at ccaronna@bwfa.com

Meet **HENRY SIRWAGSALOT**, the newest member of the **Manas Family**!

Meghan Manas, Director of Client Services at BWFA, her husband Eric, and kids Miriam & Ezra are excited and delighted to welcome the adorable Golden Retriever puppy to their family!

Henry even has his own Instagram page, follow him at henry_sirwagsalot

B|W|F|A
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FINANCIAL ADVISORS

AN EVENING WITH OUR EXECUTIVE TEAM AT AWARD WINNING RESTAURANT, THE IRON BRIDGE WINE COMPANY

THURSDAY, APRIL 23, 2020
6:00 PM TO 9:00 PM

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Baltimore Washington
FINANCIAL ADVISORS

TRIATHLON

#BWFAgetsFIT

3RD ANNUAL

BWFA GETS FIT!

Use the hashtag #BWFAgetsFIT to join in the fun and share your progress via social media!

DURING THE MONTH OF MAY

Bike 100 Miles

Swim 3.5 Miles or Row 7 Miles

Run, Walk or Elliptical 30 Miles

Upcoming Events

All Seminars are from **11:45 A.M. to 1:00 P.M.** unless noted otherwise.

PLEASE NOTE: These events are being offered as WEBINARS ONLY until further notice.
Check our website at www.bwfa.com for the latest updates. We hope you can join us online!
For questions or help registering for any event: Email Cortney Caronna at ccaronna@bwfa.com

April

APRIL 7, 2020
How to Downsize into a New Lifestyle w/ Stephanie McClellan, Realtor® and Kim McMahon, WayForth

APRIL 9, 2020
Retirement 101

APRIL 14, 2020
Making the Most of Medicare

APRIL 16, 2020
BWFA Lifestyle: Food Shopper's Guide to Health w/ Dr. Emily Telfair, N.D.

APRIL 19, 2020
11:00 AM - 3:00 PM
The Columbia Orchestra Jazz Brunch Fundraiser at 18th & 21st

APRIL 21, 2020
Alzheimer's vs Dementia w/ Elville and Associates and Jill Rosner, R.N.

APRIL 22, 2020
8,000 Days in Retirement at Cured Table & Tap w/ Elville and Associates

APRIL 23, 2020
Estate Planning: SECURE Act

APRIL 23, 2020
6:00 PM - 9:00 PM
Executive Managers Prospect Dinner at The Iron Bridge Wine Company

APRIL 25, 2020
10:00 AM - 2:00 PM
Shred-It Event at BWFA

APRIL 28, 2020
Business Series: Selling Your Business

APRIL 28, 2020
6:00 PM - 9:00 PM
BWFA Book Club "The Toss of a Lemon" by Padma Viswanathan

APRIL 30, 2020
Identity Theft w/ Howard Tech Advisors

May

MAY 4-11, 2020
BWFA Rhine River Cruise

MAY 5, 2020
Estate Planning for Second Marriages w/ Gary Greenwald, Esq.

MAY 7, 2020
BWFA Lifestyle: Demystifying Mindfulness & Meditation w/ Dagmar Bohlmann, Certified Yoga Teacher

MAY 8, 2020
8,000 Days in Retirement at Miller's Grant

MAY 12, 2020
Estate Planning: Selecting a Trustee w/ Elville and Associates

MAY 13, 2020
8,000 Days in Retirement at Cured Table & Tap w/ Elville and Associates

MAY 14, 2020
State of Residence in Retirement

MAY 15, 2020
11:30 AM - 2:00 PM
BWFA Client Advisory Board Meeting

MAY 16, 2020
7:30 PM - 9:30 PM
Columbia Orchestra: Beethoven & Bizet

MAY 19, 2020
CST: Client Information Workshop

MAY 21, 2020
Options in Aging w/ Elville and Associates and Jill Rosner, R.N.

MAY 26, 2020
Long Term Care

MAY 28, 2020
Estate Planning for the LGBTQ+ Community w/ Elville and Associates

June

JUNE 2, 2020
Making the Most of Medicare

JUNE 4, 2020
Estate Planning: How to be a Trustee w/ Gary Greenwald, Esq.

JUNE 9, 2020
Keeping Up With Technology

JUNE 11, 2020
BWFA Lifestyle: Natural Approach to a Good Night's Sleep w/ Dr. Emily Telfair, N.D.

JUNE 14, 2020
5:00 PM - 7:00 PM
Columbia Orchestra Summer Pops Concert at the Chrysalis

JUNE 16, 2020
Estate Planning: Caring for Someone with Special Needs w/ Elville and Associates

JUNE 18, 2020
8,000 Days in Retirement at Cured Table & Tap w/ Elville and Associates

JUNE 19, 2020
11:00 AM - 2:00 PM
Ice Cream Social Open House

JUNE 23, 2020
BWFA Cruise Information Seminar

JUNE 25, 2020
Business Series: Financial Planning

JUNE 30, 2020
Family Wealth Office

July

JULY 4, 2020
6:00 PM - 10:00 PM
Fourth of July Client Appreciation Event at Four Seasons Hotel Baltimore

JULY 7, 2020
Estate Planning: Selecting a CCRC

JULY 9, 2020
Planning for Social Security

JULY 14, 2020
Estate Planning: Retirement Benefits w/ Elville and Associates

JULY 15, 2020
BWFA Lifestyle: Brain Re-set w/ Dagmar Bohlmann, Certified Yoga Teacher

JULY 16, 2020
Estate Planning: End of Life Planning w/ Gary Greenwald, Esq.

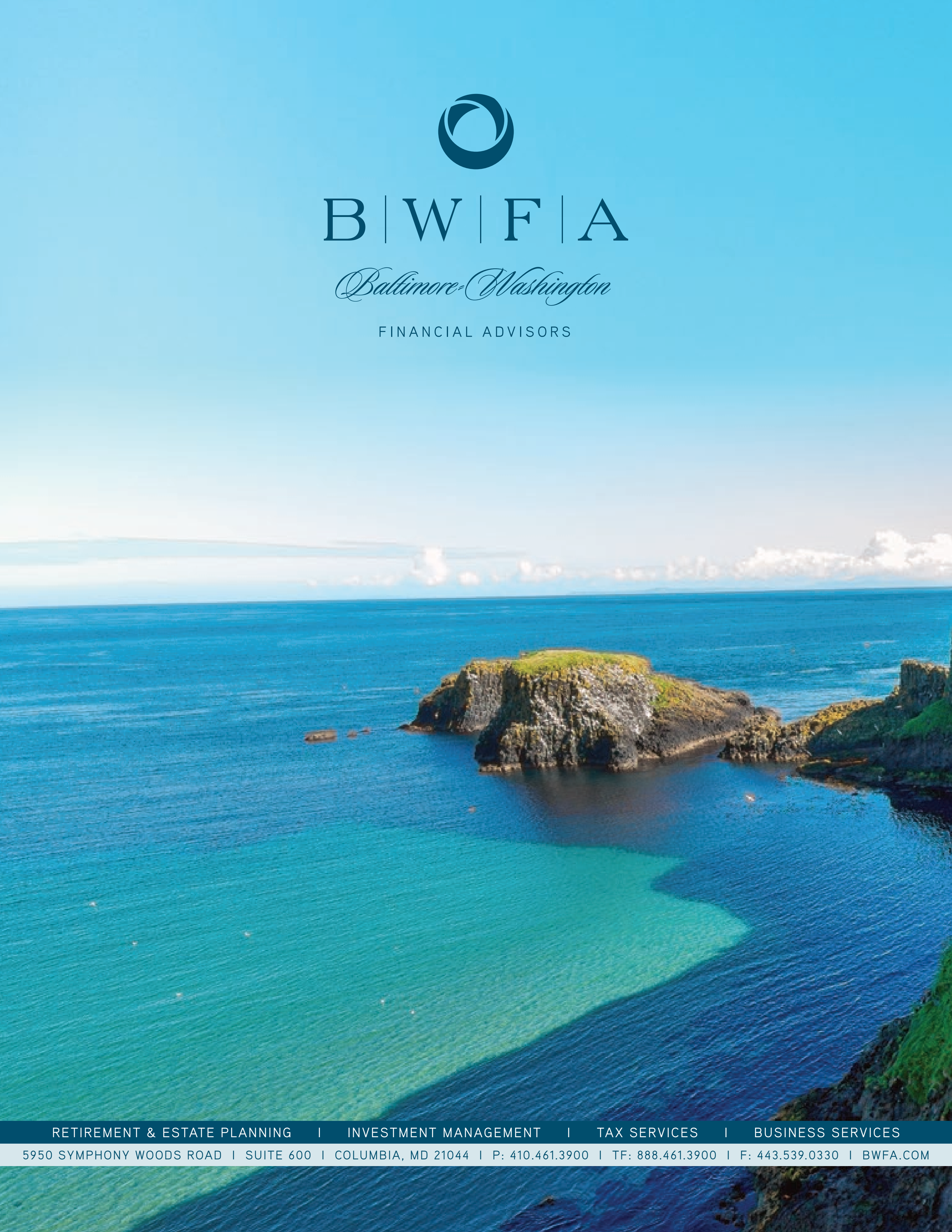
JULY 16, 2020
6:00 PM - 9:00 PM
BWFA Book Club (TBD)

JULY 21, 2020
Roth vs. Traditional IRA

JULY 23, 2020
Family Law w/ McCabe Russell, PA

JULY 28, 2020
BWFA Cruise Seminar w/ Mary Davis, The Pollin Group

JULY 30, 2020
Estate Planning for the LGBTQ+ Community w/ Elville and Associates



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