

CLIENT MEMO

The official
Newsletter of
**Carver Financial
Services, Inc.**



carver financial services, inc.

established 1990 | an independent practice



MARCH | 2020
features in this issue

*Simplify your Life,
**Enhance your
Standard of Living** SM*

2020 UPCOMING EVENTS
UPDATED LEGISLATIVE CORNER
OPEN HOUSE RECAP
LEGENDARY EVENTS & EXPERIENCES

Welcome!

The year is off to an interesting start with all that is going on in the world and domestically. The media would have you believe that we are facing new issues ranging from Coronavirus to the impact of Social Media.

Newsweek wrote a post-recession article that said:

The economy is booming, and Americans revel in prosperity after bouncing back from a recession, although not everyone is participating. Advancements in technology are changing the way we live, and there is hope that the new century will bring even more

progress. But anxiety lurks beneath the New Year's optimism. Will these new technologies change the world beyond recognition? Has the environment been dangerously damaged? A global epidemic is raging, with no cure in sight. And in the business world, the public wavers about whether to admire or hate a tycoon who's somehow gained control of one of the most important economic engines of the century.

Sound familiar? Did you think the reporter was writing about the aftermath of the 2007–09 recession? No...go back much, much farther — the article was written in December 1899, 121

years ago! The business titan mentioned was John D. Rockefeller, and the technology concerns that were discussed had to do with the Industrial Revolution, not social media and the internet. The “global epidemic” was polio, not coronavirus.

Like today, the media back then focused on the sensational and apocalyptic. A story in *The New York Times* in October 1899 quoted scientists who forecast that eventually, with the turn of the century “The sun will become a solid and go out, leaving the solar system in darkness — the earth will become a lifeless, uninhabited ball of ice.” The doomsayers were wrong, obviously! Immigration was also a concern in 1899. Many were concerned that the influx of immigrants was a threat. The cities were rapidly filling up with immigrants from Poland, Russia, Germany, Ireland and Italy. Char Miller, chair of the history department at Trinity College in San Antonio, wrote, “People said there is a tide seeping in on us, and good, white Protestant Americans have to get up there and defend the country from this cesspool.”

Even way back in 1751, Benjamin Franklin complained about the “Palatine Boors” who were trying to Germanize the province of Pennsylvania and refused to learn English.

The issues people worried about 120 years ago, and farther back, are not that different from those that people are concerned about today. The more things change, the more they stay the same.

INCREASED VOLATILITY IS LIKELY

As we move toward the November 2020 election, we expect to see increased volatility in the broader markets, which is reflected in your portfolio. We have developed and refined a process that accounts for this volatility. Although many firms have moved to standard models, we continue to take a customized approach to your planning, so we are prepared for any expected needs you have.

It’s important to note that as portfolios, and the level of the broad indices, have increased in size, relatively small changes reflect as larger dollar or point swings. For more details about this topic, take a look at the article on “Big Corrections.”

We wrote last year, “We believe that a policy of less regulation and lower taxes bodes well for investors over the next few years, and this is being reflected in the broader market reaction.” We believe this continues to be the case for 2020.

POLITICS AS USUAL

We saw an increased onslaught of media attention for the 2018 midterm election, and we expect to continue to see this with regard to politics in general this year, with a continuation of polarized and partisan reporting.

We believe the economy is strong, as reflected by record low unemployment, high corporate profits and growth of the economy. The economic and geopolitical landscapes will continue to evolve. We are often asked what we feel the markets will do. We believe this may not be the right question. A more appropriate question is, “How will what the markets are doing affect me?” With proper planning, the month-to-month swings in broader markets, regardless of how extreme, should not impact your ability to live the life you want.

EXCITING EVENTS COMING UP

We have planned several great events for 2020, including a return of Don Connolly and the Singer Songwriter event. We have also planned several exciting trips and fun experiences for you and your family; details are included.

KEEP YOUR EYE ON THE PRIZE — YOUR DREAM FOR THE FUTURE

You have heard me say, “Never has the pace of change been this fast, and never will be it be this slow again.” We are being inundated

with information and are required to make more decisions than ever as we face new challenges, both financially and personally. When our firm was founded 30 years ago, a large part of what we did was provide access to information. Now a large part of what we do is sort through massive amounts of information and provide access to what is relevant to you.

Our team is here to help you achieve your personal vision while simplifying your life. We hope you find the information in this memo useful. As always, our entire team is here to discuss any questions, concerns or ideas you have.

We believe in a proactive approach to wealth management, tax planning and helping you achieve your vision. Although we do not have a crystal ball about the markets — no one does —

we plan based on your personal goals and vision. We call this *Personal Vision Planning®*.

We will continue to face a number of challenges, including a more complex tax and investment-planning climate, potentially higher interest rates, inflation and market volatility. But regardless of what happens, we stand by the simple vision on which our firm was founded in 1990: making people’s lives better. Although much has changed with the world, the economy and investments, our commitment to this important vision remains steadfast.

Please contact our team whenever we may be of service to you, your family or your friends.

Randy Carver,
*President & Founder CFS /
RJFS Registered Principal*

MEET THE TEAM!

CONGRATS on each of your accomplishments!



Bobbi BRUNER, CFP®
CFS Chief Operating Officer / RJFS Financial Advisor
Congratulations to Bobbi for earning her 63 license!



Deanna KOCHENSPARGER
Sr. Registered Associate
Congratulations to Deanna for passing her Ohio Life and Health Exam!

LEGISLATIVE CORNER

New Bipartisan Law Encourages Retirement Savings

True bipartisan support of just about anything in Washington has become as rare as sightings of the Loch Ness monster — and almost as much of a fantasy. Yet on December 17, 2019, the Setting Every Community Up for Retirement Enhancement (SECURE) Act passed in the House with a 417–3 vote. Two days later, it also passed in the Senate with bipartisan support. Late in the evening on Friday, December 20th, President Trump signed the SECURE Act into law as part of the year-end appropriations package.

This is the first major retirement plan legislation since the Pension Protection Act of 2006, and it affects millions of Americans. The bill includes significant provisions aimed at increasing access to tax-advantaged accounts and preventing Americans from outliving their assets. According to GOBankingRates' sixth annual savings survey in 2019, 69 percent of respondents said they had less than \$1,000 in a savings account.

So, what does this mean for you? The Secure ACT has 29 major provisions. Here are seven key provisions that could have an immediate impact on you. As always, we are happy to speak with you to discuss how this may impact you personally.

1 Section 113 of the SECURE Act raises the required minimum distribution age (RMD) from 70½ to 72. This means that people can now wait to begin making their RMDs. The age 70½ was first applied in the retirement-plan context in the early 1960s, and has never been adjusted to take into account increases in life expectancy. If you were already 70½ in 2019, you must continue taking your RMD.

2 Section 106 of the new law removes the age limitation on IRA contributions. In the past, once you reached age 70½, you could no longer contribute to a traditional IRA, if working, although you could contribute to a Roth IRA. With the new law, there is no age limitation on contributing to a traditional IRA, as long as you have earned income.

3 Section 401 of the bill reduces the “stretch IRA” provision for nonspouses. Previously, a nonspouse beneficiary could stretch payments from a retirement plan over his or her life. The SECURE Act requires a nonspouse beneficiary to draw inherited retirement plans like 401(k)s, traditional IRAs and Roth IRAs over a period no longer than 10 years.

4 Some 401(k) plans will automatically enroll you and start deferring part of your salary, unless you actively opt out. Currently, the maximum percentage of employee compensation that may be deferred under a 401(k) plan that includes a “qualified automatic contribution arrangement” (QACA), unless the participant affirmatively elects otherwise, is 10 percent of eligible compensation. Section 101 of the SECURE Act raises this maximum to 15 percent.

5 Section 112 of the Act provides the ability to draw up to \$5,000 from a retirement plan without penalty for the birth or adoption of a child.

6 Section 204 creates new rules that expand lifetime income options within retirement plans, such as annuities.

7 Section 302 allows 529 plan owners to withdraw up to \$10,000 tax-free, for payments toward qualified education loans. However, there is no double-dipping when it comes to federal education tax benefits. Any student loan interest paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction. Also, the \$10,000 limit is a lifetime limit that applies to the 529 plan beneficiary and each of their siblings.

One important item to note is the potential impact on IRA's with a trust named as beneficiary or a trustee IRA. We believe it is always good practice for all beneficiary designations of retirement accounts to be periodically reviewed, to see if they are still in line with your wishes. The changes introduced by the SECURE Act make it important to review any situations where trusts are named as retirement account beneficiaries. This is something you should discuss with your estate planning attorney.

In general, trusts created to serve as the beneficiary of a retirement account are drafted in such a manner as to comply with the “see through trust” rules, which allow the trust to stretch distributions over the oldest applicable trust beneficiary. Both Conduit and Discretionary trusts could be treated unfavorably by the provisions in the SECURE Act. For instance, many Conduit Trusts are drafted in a manner that only allows for the required minimum distribution to be disbursed from an inherited IRA to the trust each year, with a corresponding requirement for that amount to be passed directly out to the trust beneficiaries. In light of the changes made by the SECURE Act, for those beneficiaries subject to the 10-Year Rule, there is only one year where there is an RMD... the 10th year! As a result of this change, Conduit Trusts drafted with this type of language may not allow distributions of the inherited account until the 10th year after death (because prior to that 10th year, any IRA distributions would be ‘voluntary’). And then, in the 10th year, the entire balance would have to come out in one year to the trust... and be

passed entirely along to the trust beneficiaries (as a mandated RMD that under the Conduit provisions ‘must’ be passed through). The end result could be what would amount to a very high tax bill, as the entire value of the retirement account is lumped into a single tax year as a distribution to the beneficiary.

Discretionary Trusts may not fare much better though, if at all. It is not yet clear whether the IRS will allow all See-Through Trusts to actually see through the trust to an Eligible Designated Beneficiary. The SECURE Act specifically provides that such trusts can (subject to certain rules) be treated as an Eligible Designated Beneficiary, when the applicable trust beneficiary is a disabled or chronically ill person. The law is silent, however, as to how a trust benefiting other Eligible Designated Beneficiaries (i.e., a spouse, a minor child, or a beneficiary within 10 years of the deceased retirement owner's age) should be treated. Thus, it remains ambiguous. Future IRS guidance will likely be needed to address this question.

Because each person's planning needs and situation are unique, it's important to work with your financial advisor to develop a plan that is best for you. Ultimately, the government and regulations will not make financial security a reality for everyone. We have to take some personal responsibility, and the end results are largely dependent on our own actions. We are here to help you design, implement, monitor and update a plan based on your personal vision, needs and goals. Please contact our team with questions on the SECURE Act or if we can otherwise be of service to you, your family or friends. There is neither a cost nor any obligation for us to meet with someone that you refer.

It's your vision, and we are here to help you achieve it!

OPEN HOUSE RECAP THANK YOU!

Thank you to everyone who stopped by to celebrate the completion of our expansion at our Open House on Thu, Feb 13th. Everyone had a wonderful time! Please visit our website to watch a one-minute highlight video of the event.



BIG CORRECTIONS

OR
ARE
THEY?

We expect to see increased volatility in both the general markets and individual portfolios as we approach the November elections. We believe that both the point swings in the DOW and the dollar movement in portfolios will be larger – not because there is more volatility – but because both the markets and portfolios continue to do well.

No doubt the media will focus on the larger point swings with apocalyptic headlines portending doom and gloom and that the changes may not be more than normal movements. For example:

On August 14, 2019, the headlines were dire:

“Dow Plummets 800 Points on Worsening Global Recession Fears” (Fox Business)

“Dow Plummets More Than 800 Points on Recession Red Flag” (New York Post)

“Dow Tanks 800 Points in Worst Day of 2019 After Bond Market Sends Recession Warning” (CNBC)

Yet the dip was only about 3% over the last 90 years.

Market corrections 1928–2018:

- 5 percent—About every 2 months
- 10 percent—About every 8 months
- 20 percent—About every 30 months

(source DOW Jones/ Wikipedia)

Consider if, or when, the DOW were to drop 10%. This would be about 2,900 points today – far more than the 800 drop in August. Yet this would be a normal fluctuation that we have seen on average every 8 months over the last 90 years.

The same is true of your portfolio. As the value gets larger the dollar amount of fluctuations will be larger, yet the percentage may be less. For example, if you have \$100,000 and it fluctuates 10% that's \$10,000. Yet if you have \$1 million and it fluctuates as much (5%) that is \$50,000, or more than five times the dollar amount.

As we move forward, it's important to keep in mind that greater swings in value for both the markets and portfolios do not indicate more volatility. Moreover, the media will focus on the negative and short-term. In August of 2019, the DOW closed at 25,479 and the media talked about an inverted yield curve and pending recession. Today, less than a year later (1/30/2020), the DOW is at 28,734 – a gain of 12.7%! Short-term concerns and media panic should not distract you from your long-term plan. We are here to help. As always, if you have questions or concerns please contact our team. We are here for you! Your vision is our passion.

This information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of the professionals at Carver Financial Services, Inc., and not necessarily those of Raymond James. The performance shown is not indicative of any particular investment. Past performance is not a guarantee of future results. Individuals cannot invest directly in any index. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.

LEGENDARY EVENTS & EXPERIENCES

HEALTHY, WEALTHY & WISE

Fight fatigue with your fork

Wednesday | May 13th, 2020

7:00 PM | *Light Snacks & Beverages provided*

LaMalfa | 5783 Heisley Rd., Mentor, OH 44060

Join us for an informative evening with Kylene Bogden, nutritionist for the NBA and the Cleveland Cavaliers. Kylene will be discussing ways to fight fatigue with your fork to get the most out of your daily life, as well as preparing yourself physically for the future. She will examine some of the biggest pitfalls when attempting to fight fatigue and share eating strategies to help you feel your best/optimize your health.

TALKING POINTS:

- Do you constantly ask yourself, "Why am I always so tired?"
- What does great nutrition look like for the average person?
- Learn about classic nutrition myths debunked.
- Take home nutrition tips for long-term health success.

Kylene Bogden is an NBA dietitian, specializing in functional nutrition, a whole-body, immune centric approach to health and performance. Kylene specializes in food sensitivities, gut health and nutrient deficiencies as it relates to overall health.

By creating personalized fueling strategies, she has helped thousands of individuals lose weight, improve energy, and reverse chronic health issues such as joint pain, sinusitis, eczema, and irritable bowel.

Kylene has been quoted as an expert source in publications such as U.S. News and World Report, O Magazine, Time, Prevention, The Huffington Post, CBS.com and Women's Health Magazine. Additionally, she has been invited to speak on local, regional and national levels. She is the creator of the functional sports nutrition blog: **fwdfuel.com**.



23RD ANNUAL CHARITY GOLF OUTING

Tim Groves Memorial

Monday | June 8th, 2020

SHOT GUN START | 11:00 AM

Little Mountain Country Club

7667 Hermitage Rd, Painesville, OH 44077



Register before **April 10th, 2020** and SAVE! Online Registration

NOW AVAILABLE! <https://carverfinancialservices.com/v2/23rd-annual-golf-outing>

All of the net proceeds benefit the Rotary National Marrow Donor Program.

2021 CLIENT TRIP EXPERIENCE

Venice to Venice

Silver Moon | 7 Days

September 2nd, 2021 - September 9th, 2021

Venice is the perfect starting point for our voyage through the Adriatic Sea to Corfu, Greece and back on the luxurious Silversea Silver Moon (launching August 2020). More than 20 years ago, we began inviting clients to join us and other like-minded people on trips to exciting destinations around the world. This one includes one of the hottest spots - Croatia! All trips are open to our clients, their friends and family. Our Silversea Privilege Fares include economy class airfare from most U.S. cities. Upgrades to Business Class are available! Please join us for this incredible experience in 2021.

Whats Included?

Spacious, ocean-view suites • Butler service in every suite • Unlimited free WiFi for all guests • Personalized service - nearly one crew member for every guest • Multiple restaurants, diverse cuisine, open seating dining • Beverages in suite and throughout the ship, including champagne, select wines and spirits • Inclusive room service • Enrichment lecturers • Onboard gratuities



For more details and information, please contact

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SERVICE YOUR WAY!

GENERAL CONTACT INFORMATION

CarverFinancialServices.com

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Our team approach allows us to deliver individualized service, providing you with the ability to speak with any member of our team immediately, all of whom can assist with answering your questions. Our passion to serve you at the absolute highest level possible is one of the many ways we differentiate ourselves. Our goal is to make things as simple as possible for you to enjoy the life you deserve.

Below are a few of the amenities we provide to better serve you, whenever our doors are open:

- If your primary advisor is not available, any of our advisors can assist you with questions related to your financial plan, investments or portfolio.
- Any of our associates can assist you with details such as account changes, copies of statements,

appointment requests, event registration, issuing checks or placing trades (registered reps only).

- We can notarize or signature guarantee documents for you.
- With advance notice, we can provide space for you to meet with your CPA, attorney, realtor or family members.
- We know that not everyone has fax machines or scanners at home anymore, so we can fax or email documents for you.
- Bring in documents that need shredding any time and we will take care of them for you.

Please feel free to contact us any time. We are here to serve you!

TAX TIME AGAIN

1099'S & DELAYED REPORTING

In 2019 much of the 2018 income tax reporting was delayed due in part to delayed clarification and legislation. We expect much the same in 2020. Although fine to prepare your income taxes as soon as you receive all tax documents, we strongly recommend that you wait until April to file your tax return and consider filing for an extension in the event corrected documents come in at the last minute. As in past years we expect delays in reporting.

EXPECT REPORTING DELAYS

If you file your taxes and then delayed documents come in, you may need to file an amended return. While Raymond James does everything they can to get information out in a timely and accurate fashion we expect some delayed reporting.

Because there are often last-minute corrections and delays, many companies will not mail the first round of 1099s until February this year. The first round of 1099s is expected to be sent between February 15th and 28th, 2020. What the IRS terms "delayed 1099s" will not be sent until March 14th. Raymond James has told us they will be mailing 1099s as soon as they receive information from investment companies, however, they expect delays just like in 2019.

All tax documents are available via the Client Access online portal as soon as they are generated. You may also give your CPA access to these electronic documents by setting up

Third-Party Investor Access. Our client concierge team can help you set up Investor Access and third-party access if you wish to do so.

It is imperative to remember that certain investment types are prone to income reallocation. Because these reallocations frequently result in delayed or amended 1099s, the IRS grants reporting extensions for clients who hold these types of investments. It is also important to note how some distributions are reported so that you avoid paying unnecessary tax.

For example, if you took a Qualified Charitable Distribution (QCD) from your IRA you do not need to pay tax on this amount. The full distribution is reported on the 1099R – there is no reporting that this is tax exempt. It is suggested that the full distribution is reported on line 15a of the 1040 that on 15b you write, \$0 for the taxable amount (if you have no other taxable distributions). It is also suggested that you write 'QCD' next to the line to explain why the distribution is tax-exempt.

The other place that we see clients sometimes overpaying tax is by missing the cost basis information and reporting on all proceeds versus just realized capital gains. This is another reason to use an experienced tax preparer or CPA.

FORMS YOU MIGHT RECEIVE

The types of tax forms you receive will depend on the types of investments and income you have. *Please note the following:*

• **Widely Held Fixed Investment Trusts (WHFITs)**
Under the IRS definition, the affected market segments include Unit Investment Trusts (UITs), Royalty Trusts, Commodity Trusts and Mortgage Pools such as Fannie Mae. Trustees and middlemen of WHFITs are required to report all items of gross income and proceeds on the appropriate Form 1099. The reporting deadline for these items is March 16th, so you may receive a delayed 1099 (early April) if you own these types of investments.

• **1099-B**
If you receive a 1099-B ("Proceeds from Broker and Barter Exchange Transactions"), please keep in mind that you are responsible for reporting the gain or loss on what you sold, not the entire amount. This means that you are responsible for the difference between what you originally paid for an asset and what you sold it for. We will provide cost-basis information on holdings that we have the data for. If you have transferred an asset or cost basis is not showing on your statement, please call our office.

• **W-9**
You might receive a W-9 form from your mutual fund and/or annuity companies. These are used to confirm and/or update your Social Security number. These are mailed as a matter of routine every few years.

• **Nontaxable transactions**
You might receive a 1099 for nontaxable transactions such as an IRA rollover or 1035 exchange of an annuity. A 1035 exchange is reported as Code 6 in box 7, a direct rollover to an IRA is reported as code G in box 7, and a direct rollover to a qualified plan or TSA is reported as Code H in box 7. Receiving one of these 1099s does not necessarily mean you owe taxes, but you should follow the IRS instructions carefully for reporting this type of transaction. You will also receive a 1099 for QCDs as noted above.

• **K-1 forms**
Schedule K-1 forms ("Partner's Share of Income, Deductions, Credits, etc.") are issued by partnerships, S-corporations, trusts and estates to report a taxpayer's prorated share of net income or loss from the entity, along with various separately stated income and deduction items.

By law, these forms must be sent by the first March 15th following the close of the partnership's tax year. Therefore, you might not receive your K-1 until late March or even the first week of April.

WORK WITH A CPA TO HELP ENSURE ACCURATE RETURNS

If you have a question about your tax documents, please give us a call. Tax laws are very complex. Extreme care must be used in reporting accurate tax information. Both our office and the Raymond James 1099 Tax Reporting Department can answer many of your questions; however, we are not accountants and cannot provide specific tax or legal advice. We can recommend a qualified Certified Public Account (CPA) if you need assistance in preparing your taxes. We are happy to provide a referral if you need a CPA.

You can also get answers to many of your questions by reading free IRS Publications. You can obtain copies by calling 1-800-TAX-FORM (1-800-829-3676) or by visiting the IRS website at www.irs.gov, where you can also print tax forms.

IMPORTANT TO NOTE - SCAMS

The IRS never demands payment or personal information over the phone or via email. The IRS never asks for a credit card. If you receive such a phone call, it is most likely a scam. The IRS will only contact you in writing via postal if there are any questions or issues.

The IRS will never threaten to bring in local police, immigration officers or other law enforcement to have you arrested for not paying. The IRS also cannot revoke your driver's license or immigration status. Threats like these are common tactics scam artists use to trick victims into buying into their schemes.

Please contact us with any questions regarding your tax reporting or if we can otherwise be of service!

DID YOU KNOW?

Beginning in May 2017, for profit debt-collection companies the IRS hired to collect taxes were allowed to keep about 25 percent of the money they recover for the government. The IRS also gets 25 percent, while the rest goes to the Treasury Department.

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DROPPED YOUR LANDLINE?

Are you no longer using a landline?

Make sure to let our office know if you have dropped your landline, have a new cell number or changed any other contact information. We want to ensure that we are always able to reach you in order to better serve you!



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Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

Keep in mind that there is no assurance that any strategy/system will ultimately be successful or profitable nor protect against a loss. Diversification does not ensure a profit or guarantee against a loss.

Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

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