

# The Light

Winter 2020

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## Year End Market Review

By Greg Emmons CFP®, Investment Advisor Rep.



The market just had one of the strongest years on record. The bull run that we've been on will be 11 years old this spring! As we look back on 2019, I think it's important to do so with a sense of gratitude. Anyone that has invested for a long enough time knows that returns in the market aren't always like the one we just had. Multiple times this year we hit all-time highs for a few different indices. The S&P 500 finished the year up 29%. The DOW Jones was up 22%. And the bond market had a year that would be considered a good return for equity markets, finishing up 8%.



This past year was a banner year, no doubt. I'll bet if you looked back and read just the headlines from various news outlets, you wouldn't have guessed we'd be where we are today. The market seemingly shrugged off many different concerns. We have the trade war with China, geopolitical concerns with North Korea and Iran, weaker manufacturing surveys, the Federal Reserve rate adjustments, and most recently impeachment hearings for the POTUS. If you look at those five things by themselves it would be very difficult to predict the returns we had for 2019. Last year provides all of us investors with one valuable lesson: we can't put too much weight into the news. Yes, the news is important and valuable. It may move the needle of the market in short time frames, but it's almost always the underlying fundamentals in the economy and corporate earnings that move the market up or down in the longer run. So let's take a look at some of that data.



To start, the unemployment rate now sits at a 50 year low of 3.5%. The topic of jobs is always an important barometer indicating to us how the consumer is doing, but does that always equate to spending? By all reports we've seen the consumer activity is as strong as ever. One way we can tell is by how much people are spending. Black Friday sales notched \$7.4 billion, and Cyber Monday hit

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## Chris Bevington Becomes a CFP® and Shareholder of Lighthouse

By Cheri Smeltzer, Office Manager/ Compliance Specialist

Chris Bevington, CPA and Investment Advisor Representative here at Lighthouse Wealth Management, has passed the exam and met the rigorous requirements set forth by the CFP board to become a CERTIFIED FINANCIAL PLANNER™ or CFP®.



To become a CFP® the CFP board requires specific levels of education and coursework including an approved college-level program of study and a bachelor's degree, adherence to a high standard of ethics including a background check, several years of experience in the finance field, and the passing of the CFP certification exam. Chris also holds a master's degree in taxation and is a CPA (Certified Public Accountant) and he is licensed to sell insurance in Ohio. Chris has over 20 years of experience in the financial services industry.

The CFP® designation is one of the most prestigious financial certificates a financial advisor can obtain and indicates a level of competence to ensure the individual can provide an honest fiduciary benefit to his clients.

As an Investment Advisor Representative, licensed insurance agent, CPA with a master's degree in taxation, and CFP®, Chris is able to provide comprehensive financial planning, investment advice, portfolio management, and tax planning services to our clients.

Chris has also become a shareholder here at Lighthouse Wealth Management, joining Tim Rowsey, Greg Emmons, and Aaron Rowsey as owners. Congratulations to Chris! We're thrilled to have him on our team! ■

Happy  
New Year

2020

Helping individuals navigate their financial lives.

*(continued from page 1)*

\$9.4 billion-up 20% from 2018. In both sales I was curious about what people are buying. The data shows that top-selling products included Frozen 2 toys, L.O.L. Surprise dolls, the Nintendo Switch, Samsung TVs and Apple laptops. Lower taxes have also been a positive for most people, freeing up some discretionary income. Another theme that appeared to help propel the market higher was a business environment with lower taxes. The United States now has a corporate tax rate of a flat 21% which is much more competitive from a global standpoint. France, for example, has a corporate tax rate of 31%. This has incentivized corporations around the world to do business here and help spur job growth.

Despite a lot of the positives that helped the market climb, there seemed to be an undertone of worry throughout the year. The financial crisis of 2008-2009 is still fresh in the minds of investors, which isn't necessarily a bad thing. Historically when there is angst about the market having a sell off, returns have been fairly strong. As an investor you want to especially be on guard when there's a euphoric sentiment in the market, which thankfully we haven't seen yet. The dawn of a new decade is upon us and I'm certain that 2020 will offer its own unique challenges to the market. It's not likely we'll see the types of returns we saw in 2019 but I'm still fairly encouraged that we can still have a good year. Healthy balance sheets for the consumer, a strong job market, and inflation in-line with the Federal Reserve all provide enough examples that 2020 can be another positive year for the markets. ■



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### Disclosure Statement

A copy of our Part 2 of Form ADV: Firm Brochure, which provides information about the qualification and business practices of Lighthouse Wealth Management is available upon request. To request a copy contact Cheri Smeltzer at:

**419-496-0016 or csmeltzer@lightwealth.com**

## Could You Benefit from “Bunching” Tax Deductions?

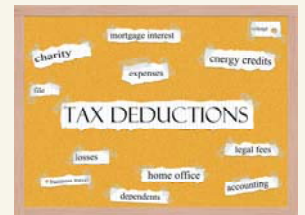
By Chris Bevington, CPA, MTAX, CFP®, Investment Advisor Rep.



Under the Tax Cuts and Jobs Act of 2017, fewer people receive financial benefit from itemizing deductions on their tax returns. Approximately 20% of taxpayers lost the ability to deduct charitable contributions. According to estimates, only 15% of taxpayers will itemize deductions on their 2019 tax returns, compared to 31% who would have done so under old tax law. However, “bunching” of expenses is a strategy to consider that may help more taxpayers itemize.

Most taxpayers wait until tax time, add up their deductions, and then use the greater of the standard deduction or their itemized deductions to reduce their tax liability. However, taxpayers may benefit by taking a more proactive approach. By timing the payment of certain tax deductions, a taxpayer may be able to maximize itemized deductions in one tax year, and take the standard deduction the next.

The most common itemized deductions include property taxes, state and local income taxes, home mortgage interest, charitable contributions, and to a lesser extent, medical expenses. The bunching strategy is most commonly associated with tax payments and charitable deductions, although there may be other opportunities to consider.



Charitable contributions are the most flexible tax deduction for bunching because they are payable at the taxpayer's discretion. As an example, if you normally tithe at your church, to bunch your expenses you would make your normal contributions during the year, and then prepay the entire subsequent year's tithe in a current year December lump sum payment. Stated another way, you are doubling up on your church contribution one year and having no charitable deduction for the next. *(When donating to one charity, bunching is fairly straight forward. It can also be accomplished when donating to multiple charities using “donor-advised funds.” For details, ask your investment advisor.)*

Property taxes paid on real estate are another example where bunching can make sense. *(Taxpayers need to be aware that state, local and property taxes are capped at \$10,000 annually for itemizing, so tax deductions provide less flexibility.)* Real estate taxes are typically due in January and July, and are billed in arrears for the preceding year's property tax expense. However, as a tax planning strategy, you can contact your county auditor in mid-to-late December to “prepay” the upcoming tax bill coming due. By doing so, you are “bunching” two years' worth of expense in one tax year, and paying none the next.

Here's an example to further illustrate the bunching concept.

The 2019 standard deduction for married filing joint is \$24,400, (\$12,200 for single taxpayers), meaning itemized deductions would need to exceed this amount to provide a tax benefit. In December of 2019, a couple estimates they will have \$20,000 of itemized deductions, a significant amount, but not enough to exceed the standard deduction. Included in these deductions are \$10,000 they tithed throughout the year to their church, and \$3,000 of real estate taxes paid in January/July. They are receiving no tax benefit for these deductions.

Let's say the couple decides to use the "bunching" strategy. In December, they prepay their \$3,000 real estate tax bill coming due in 2020, and also prepay the \$10,000 they would normally tithe in 2020 to their church. This increases their 2019 tax year deductions to \$33,000, which allows them to itemize in the current tax year. Then in 2020, when their tax deductions are "reduced," they will take advantage of the standard deduction. Their overall expenses remain the same, but by "bunching" the timing of when they are paid, the couple is able to take better advantage of when they qualify as tax deductions.

If a bunching strategy is something you might like to explore further, and you have questions or concerns, feel free to reach out to our office to discuss this. If you are unable to take advantage in the current tax year, keep the strategy in mind for future tax years. ■

Video coming soon!



Watch for a new video on our website coming later in January! [www.lightwealth.com](http://www.lightwealth.com)

## Our Continued Growth

*By Cheri Smeltzer, Office Manager/ Compliance Specialist*

Lighthouse Wealth Management is now an SEC registered Investment Advisor! Previously, we were registered with the Ohio Division of Securities, but because our assets have now grown to over \$110 million under management, we are now registered with the Federal Securities and Exchange Commission (SEC). We also now have 2 CPAs, 2 CFP®s, 3 licensed insurance agents and 4 owner/advisors to meet the needs of our clients. We are so thankful to all of our clients for putting their trust in us and we look forward to continuing to serve their financial needs for many years to come! ■

## Market Recap

How the major indices performed in the 4th Quarter 2019

### DOW JONES INDUSTRIAL AVERAGE

4<sup>th</sup> Quarter return 7.4% YTD return 22.8%

### S & P 500 COMPOSITE

4<sup>th</sup> Quarter return 9.9% YTD return 29.3%

### RUSSELL 2000

4<sup>th</sup> Quarter return 11.7% YTD return 23.7%

### BARCLAYS AGGREGATE BOND

4<sup>th</sup> Quarter return 2.3% YTD return 8.5%

\*All indices are reported Total Return which includes Dividends

## New limits for 2020

*By Chris Bevington, CPA, MTAX, CFP®, Investment Advisor Rep.*

Limitation	2019	2020
IRA Contribution limit	\$6,000	\$6,000
IRA Catch up contribution (age 50 and over)	\$1,000	\$1,000
401(k) elective deferrals	\$19,000	\$19,500
401(k) catch-up deferrals (age 50 and over)	\$6,000	\$6,500
<b>Other information</b>		
Income subject to Social Security tax	\$132,900	\$137,700
Maximum earned income before SS benefits are reduced for those collecting SS before full retirement	\$17,640	\$18,240
Annual Gift Exclusion	\$15,000	\$15,000
Standard Mileage Rate	\$0.58/mile	\$0.575/mile
Social Security Cost of Living Adjustment	2.8%	1.6%

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Lighthouse Wealth Management is an independent, fee-only investment advisory firm. We partner with you to help you navigate all the financial challenges of life. We can answer your financial questions, help with tax planning and preparation, and guide you with your investments to help you reach your financial goals. Call for a free investment review!

To learn more about the benefits of working with an independent advisor go to <http://www.findyourindependentadvisor.com>.

Lighthouse Wealth Management believes in giving back. We give 10% of our profits to charities, including several local charities and CURE, International. [www.cure.org](http://www.cure.org)

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