Financial Services Advisory

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Protect Yourself Against Spearphishing

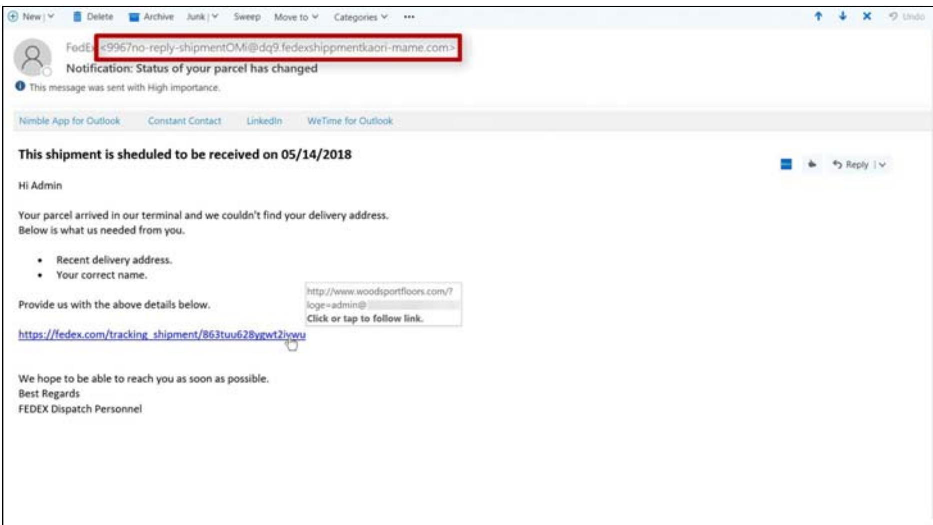
The Russian conspiracy to meddle in the 2016 presidential campaign relied on a common scam called "spearphishing." While the history-making scam may sound sophisticated, this form of digital fraud is running rampant. Anyone using email is likely to be attacked these days. Here are some tips to protect yourself.

In a spearphishing attack, a hacker sends you an email message to trick you into disclosing your username and password to a secure account. The message looks like it's from a legitimate source you trust.

You can click on the link and unbeknownst to you, you install a program that records your next 100 keystrokes. The email from a trusted source was a Trojan Horse, malicious software that sends your password and user ID to the hackers.

New variants of the scam are appearing so fast that anti-virus software can't keep up, which puts you on the front line in defending yourself from attack. Perhaps the most important way to thwart an attack is by looking at links in emails before clicking.

In this popular spearphishing scam, hovering over the link in the email displays a website address that is



(Continued on page 4)

New Employees and Clients at FSA!

I would like to take this opportunity to welcome a couple new employees to FSA! Introducing John Jones and Jessica Pavik!

John and Jessica came to FSA along with a group of new clients on April 1. While both will be helping in the servicing of new and existing clients, Jessica will also assist the investment management team in their day-to-day trading activities.

They came to us on the heels of a merger that was completed this year, bringing the clients of Dolan Financial Corporation (DFC) to the FSA family on April 1. After a successful career of nearly 40 years, their long-time advisor was looking to retire. He wanted to find a good home for John, Jessica and the DFC clients – and we are pleased and honored to have them join us. Please say hello the next time you call in!

On another note, we know this is a very challenging time for many investors. If you have any questions that we can help with, please call us. Also, we are bringing on new clients and welcome the opportunity to explain our story, including the FSA Safety Net®, to any of your family, friends or colleagues – just let us know.

Stay safe and healthy!

Jim Joseph, CFP®
President

Exceptions to the New Rule on Inherited IRAs

Yet another new tax reform law went into effect in 2020 under the SECURE Act. In addition to ultra-high-net-worth individuals, the many millions of mass affluent Americans are likely to be impacted by the 470-page SECURE Act's retirement income tax provisions. The SECURE Act is a sweeping and substantive effort to make retirement income tax more sensible, a rare legislative action to win bipartisan support in Congress and the president's signature.

The new rules force heirs to withdraw everything from an inherited IRA over 10 years. Requiring heirs to deplete an inherited IRA over 10 years is a tax hike. Your IRA beneficiaries are no longer allowed to stretch out withdrawals over their expected lifespan.

Forcing heirs to pay tax on distributions from an IRA over 10 years may result in your heirs paying additional income taxes annually during the 10-year withdrawal period. However, there are exceptions to the new 10-year rule for certain beneficiaries.

Spouses. Spouses can inherit your IRA with zero tax impact. A spouse who inherits an IRA is required to make withdrawals based on their actuarial life expectancy, which can be found in a table published by the IRS. Starting in 2020, a spouse who inherits an IRA may defer taking required minimum distributions (RMDs) until age 72 — not age 70½, as under the old law. An extra 18 months of tax deferral is significant. Deferring taxes for 18 months, when your IRA is hitting its peak value, lengthens the period of tax-free compounding just when a pre-retiree needs it.

Minor Children of an Employee. Minor children of the account owner who inherit a retirement account, are exempt from the 10-year distribution rule. This changes once they reach the age of majority at which point their 10 year clock begins.

Disabled. Disabled individuals who inherit an IRA are not subject to the 10-year distribution rule. Thus, they are eligible to take required minimum distributions (RMDs) based on more favorable terms.

Chronically Ill. Those suffering from a chronic illness are exempt from the 10-year rule.

Not 10 Years Younger. If an heir is not more than 10 years younger than the owner of the federally qualified plan account, the 10-year distribution rule will not apply.

The new RMD rules in the SECURE Act affect a hodgepodge of situations, reflecting Congress's effort to make tax laws more compassionate and sensible. The specific situations are just one aspect of the SECURE Act's wide-ranging effects. If you're among the exceptions to the 10-year rule, please contact us with your questions. ●

Business Owners: Paycheck Protection Program Update

PPP Loan Forgiveness Terms

Loan must be used to pay payroll and expenses

Salary and wages

Commissions

Retirement Benefit Payments

Employer-Paid Health Benefits

Paid Leave

Payments For Utilities

Tips

Mortgage Interest, Rent

Certain Independent Contractors

At least 75% of the loan must be used to compensate employees.

For business owners who have not yet submitted an application for Paycheck Protection Program (PPP) financial assistance from the U.S. Government, there's good news and bad.

PPP offers small businesses a forgivable loan to help retain employees during the social-distancing mandate spawned by the COVID-19 crisis. PPP is a $349 billion program offered on a first-come, first-served basis. So, unless your business is sitting on sufficient levels of available liquidity to fund

(Continued on page 3)

Navigating Required Minimum Distributions

When you are halfway through your 72 year on the planet, U.S. law says you must start taking money out of IRAs, SEPs and SIMPLE plans as well as 401(k), 403(b) and other U.S. Government qualified retirement plans. Only a Roth IRA account, which you fund with after-tax dollars, is exempt from federally-required minimum distributions (RMD).

From Uncle Sam's perspective, it's only fair to tax you; you avoided paying tax on money you placed in a non-Roth IRA account, and he wants his cut. From your perspective, it's time to maximize your life savings by paying as little as possible in income tax on your withdrawals.

When RMDs kick in at age 72, not following the rules can cost you real money. With a bit of strategic financial planning, however, you can turn the rules to your advantage.

Here are five tips that can add up to substantial savings in navigating the withdrawal maze:

Delay your first payment. You don't have to make your initial withdrawal right when you turn 72; you can delay it up to April 1 of the following year. So, if you hit 72 in October 2021, you could delay your withdrawal to March 31, 2022. The downside is that, in 2022, you must withdraw and pay taxes on two RMDs. That second withdrawal must occur by year-end of 2022. Planning matters!

Ask your plan custodian about how much you are required to withdraw. Firms like Fidelity and Vanguard will calculate how much you must withdraw. At age 72, in most cases, you must tap 1/25.6 of your account based on a 25.6-year life expectancy, according to the IRS Uniform Lifetime Table. By the way, your required minimum distribution stays the same from January 1st through December 31 and does not fluctuate with the performance of your portfolio.

Where the money comes from in your account is up to you. If you own several IRAs, you could withdraw from each of them, or you can add up all of your assets from the separate IRAs and take a large single withdrawal from one of them.

If you haven't left the labor force, you don't have to withdraw from your employer's 401(k) or other retirement plan. An exemption from RMDs is available if you are still working. To qualify for the "still-working exemption," you must own no more than 5% of the company for which you work and be employed throughout the entire year. While most qualified plans permit this exemption, it's best to confirm with your employer before doing so.

Implementing these tips requires knowing the rules regulating required minimum distributions and devising a strategic lifetime plan for maximizing retirement income. **All 2020 RMDs have been waived due to the CARES Act. Contact us if you have any questions or you want to waive your RMD.** ●

(Continued from page 2)

your business operations for the next six or twelve months, you may want to swiftly gather the necessary financial data and paperwork and submit your PPP application ASAP.

PPP is the primary program the U.S. Government has funded for small businesses owners with fewer than 500 employees. The portion of the loan the business owner uses for payroll and other specified eligible expenses will be forgiven by the U.S. Government.

This financial relief program may be used by restaurants, professional services and other small businesses. If you are a sole proprietor, independent contractor or are self-employed, you may also qualify for a PPP loan. Even if your business turns out to be more profitable during the crisis, you may still qualify for a forgivable loan due to the unprecedented level of uncertainty and the determination of the U.S. Government to rescue the economy.

Applying for a PPP loan can be a critically important business planning decision for a small business owner to make amid the swirling COVID-19 crisis.

Please contact us if you have any questions. ●

Harsh Truth: COVID-19 Correction is a Tax Planning Opportunity

The human toll of COVID-19, in sickness, suffering, and death is incalculable. Preliminarily, CNN's Dr. Sanjay Gupta says COVID-19 transmission rate is about the same as the common flu but 20 times more likely to be fatal. The ultimate toll remains unimaginable.

A harsh truth, however, for millions of Americans, is that the stock market plunge presents a tax and financial planning opportunity. Here's a short list of situations in which you may want to consider proactive tax planning after a historically quick drop in stock prices.

Next-Gen Strategy. If you have beneficiaries other than a spouse, converting traditional IRA or 401(k) assets to a Roth IRA suddenly became a serious consideration on January 1, 2020. That's when The SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) became effective. SECURE Act made Roth conversions advantageous to many more Americans. Converting to a Roth can be a way to manage your tax bracket, to reduce taxes owed on converting to a Roth IRA. Unlike a traditional IRA, income from a Roth account is not taxed under federal law. While you must pay income tax on the amount you convert from an IRA or 401(k) to a tax-free Roth account, your beneficiaries will benefit.

Wealth Transfers. For individuals with taxable estates, low interest rates make it smart to consider the use of specially designed trusts, such as a:

- Grantor Retained Annuity Trust (GRAT)
- Intentionally Defective Grantor Trust (IDGT)
- Generation Skipping Trust (GST)

Estates in Administration. If you are a beneficiary of an estate in the administrative process of distributing assets, the change in asset values may have created a tax-loss harvesting opportunity. In addition, the lower asset values make it prudent for spousal beneficiaries of a qualified retirement account under administration to evaluate a partial or complete disclaimer.

Bottom Line. COVID-19's ultimate price is unimaginable, but the economic and market impact has created some new strategic tax planning opportunities for individuals in situations described above. Tax advice in these situations requires knowing your personal situation. If you have a question about your personal situation, please contact us. ●

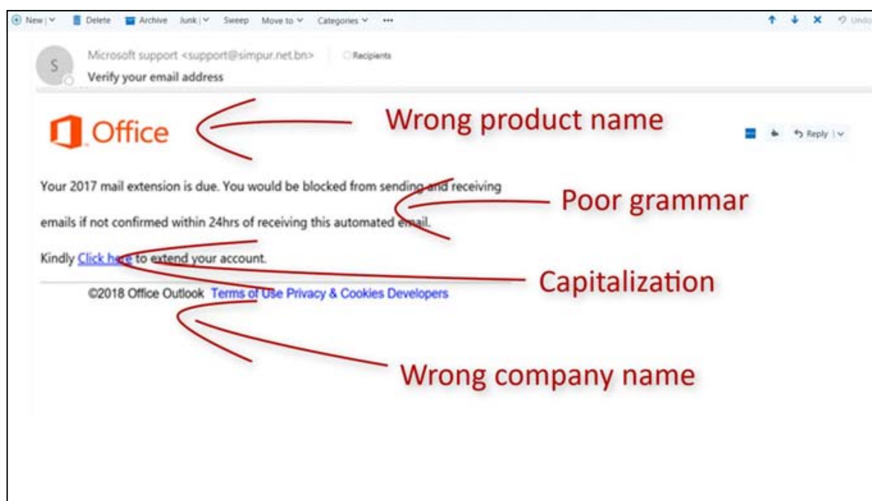
Protect Against Spearphishing

(Continued from page 1)

absolutely, positively not Federal Express. And the email address from which this message was sent is plainly NOT a legitimate Federal Express dot-com account. Often the “From” address will tip you off to a fraud.

Phishing emails, until recently, were easy to spot because they commonly contained misspellings, grammatical errors and company branding mistakes. A scan of hundreds of recent phishing messages indicates fewer of these telltale signs. The scammers are getting smarter.

While the cat versus mouse game has of late been won by the evildoers, software solutions are growing stronger. For example, Microsoft Office 365 online users now have a way of designating a message as “Phishing.” This new feature for “blacklisting” a malicious message prevents a scam from hitting you twice and gives Microsoft information about its origin. Of course, updating your anti-virus software is always a must. If you ever have any questions about emails you receive from us, please do not hesitate to call us. ●



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