

# the WealthWATCH<sup>SM</sup>



## Bipartisan Support in Congress to Make Retirement More Secure

by LFG Tax Director, Mark Sipos

On May 23rd, 2019, the U.S. House of Representatives voted overwhelmingly in favor of the SECURE Act, which stands for “Setting Every Community Up for Retirement Enhancement.” Most of the provisions in the act are designed to make it easier for more people to save for retirement, and for more employers to offer retirement plans for their employees.

One notable provision in the bill would essentially end what’s known as the “stretch IRA.” Under the current law, when a beneficiary inherits an IRA, the beneficiary can choose to have the IRA balance distributed in two ways: either in required minimum distributions based on his or her life expectancy, or during the five years after the original account holder passes. Making maximum use of the IRA’s tax-deferred compounding like this is known as a “stretch IRA.” Under SECURE, in most instances an inherited IRA would have to be fully distributed within 10 years of the original owner’s death, although there are some exceptions.

Some additional areas the bill covers are as follows:

- The repeal of the maximum age for traditional IRA contributions, which is currently 70½
- An increase of the required minimum distribution age for retirement accounts to 72 (up from 70½)
- Allowing long-term part-time workers to participate in 401(k) plans
- Increase of the auto-enrollment safe harbor cap to 15% from 10%
- Allowing more annuities to be offered in 401(k) plans
- Parents can withdraw up to \$5,000 from retirement accounts penalty-free within a year of birth or adoption for qualified expenses
- Parents can withdraw up to \$10,000 from 529 plans to repay student loans

A similar bill, titled the “Retirement Enhancement and Savings Act” (RESA) is in the Senate Finance Committee. This also would do away with the ‘stretch IRA,’ provision above. While the Senate (RESA) bill generally overlaps and shares a great deal with the House Bill (SECURE), the main difference between the two is that the Senate bill does not change the maximum age for Traditional IRAs from 70 ½.

While there is broad, bipartisan support, the Senate has yet to vote on RESA. If it does pass, and it’s materially different from the version in the House, the revised bill would come before the House again, and then move on to the President. While the timeline is uncertain, it certainly bears watching, as it will affect most of our retirement plans in some way. We will monitor the legislation and keep you informed of any changes.

A Quarterly Publication  
Volume 11: Issue 3

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# LETTER FROM THE PRESIDENT

*by Jim Lineweaver, CFP®, AIF® President and Founder*

## Sell in May and Go Away: Two Market Myths to Avoid this Summer

There's an old saying you've probably heard that says "Sell in May and Go Away." But is that good advice? What's the best thing for you and your investments over the historically slower summer months?

The phrase "sell in May and go away" is thought to originate from an old English saying, and it turns out it did have some validity, at least from 1950 to around 2013. During that time, the Dow had an average return of only 0.3% during the May to October period, according to Forbes. But, since 2013 there's good reason to believe that's no longer the case. For example, the S&P 500 rose nearly 7% from the beginning of May 2017 through the end of October, according to YCharts. The blue-chip index was up 5% during May through October of 2016 as well.

Another common myth is the October Effect, which is the perception that stocks tend to decline during the month of October. Most statistics go against the theory. Some investors may be nervous during October because the dates of some large historical market crashes occurred during this month. But fortunately, this seeming concentration of days is not statistically significant. From a historical perspective, October has marked the end of more bear markets than it has acted as the beginning.

We try to help all of our clients keep these things in mind when making decisions, and don't let these myths cloud their judgment. One of the most important things we can do is to take emotion out of your process, and to help you make decisions made on solid facts, trends, and your financial goals.

Lineweaver Wealth Advisors was named  
**TOP 25 | CLEVELAND INVESTMENT ADVISORS<sup>1</sup>**  
by Crain's Cleveland Business

The Financial Quarterback<sup>SM</sup>: Special Guests Sam Rutigliano and Ben Curtis







## HEALTHWATCH

There's no effective treatment for dementia, which affects 50 million people worldwide, but the World Health Organization (WHO) says there's much that can be done to delay or slow the onset and progression of the disease.

In May, WHO issued the following recommendations to reduce the risk of dementia globally, and combat cognitive decline:

- Regular physical exercise
- Don't use tobacco
- Drink less alcohol
- Maintain a healthy blood pressure
- Eat a healthy diet, particularly Mediterranean foods
- Avoid dietary supplements such as Vitamins B & E

WHO said there are 10 million new cases of dementia every year, and this figure is set to triple by 2050. The disease is a major cause of disability and dependency among older people and "can devastate the lives of affected individuals, their careers and families," the organization said.

Although the report stressed that social participation and social support are strongly connected to good health and individual well-being, it said there was insufficient evidence linking social activity with a reduced risk of dementia.

Experts said that the advice issued by WHO was comprehensive and sensible, but some cautioned that the evidence that these steps would reduce dementia risk was not always strong.

"Keep on doing the things that we know benefit overall physical and mental health, but understand that the evidence that these steps will reduce dementia risk is not strong," Robert Howard, a professor of old age psychiatry at University College London, told the Science Media Center.

"Like many colleagues, I already tell my patients that what is good for their hearts is probably good for their brains."

Source: <https://www.cnn.com/2019/05/14/health/who-guidelines-dementia-intl/>

## Investment Directions - Staycation or Vacation?

"Sell in May and go away" is an old maxim for investors. Evidence is mixed on its validity, but given this year's rally, the temptation now is understandable. Our take: consider taking some profits and rotating into exposures that offer more resilience if volatility returns. Think of it as the investor version of a "staycation" and catch up on chores. With that in mind, our take on the major investor themes for the weeks ahead:

### U.S. Equities: Reverting to Technology

We remain overweight U.S. equities, and one of our favored sectors is technology. Even with strong performance this year, we believe the sector remains appealing. Technology firms tend to have strong balance sheets and enjoy support from longer-term trends, attractive qualities in a late economic cycle. Furthermore, tech stocks have historically fared well through various yield curve regimes.

### Developed Markets: Europe Poised for Revival?

Investors in Europe have had little reason for optimism for some time. But we expect European growth to accelerate this year given solid domestic demand. Valuations look attractive relative to history, although political and trade risks linger. China's efforts to stimulate its own growth could help export-heavy economies, such as Germany.

### Emerging Markets: Brazil Waiting on Reform

Brazilian assets have underperformed the broad emerging market index this year, despite signs that economic growth is accelerating and earnings prospects remain intact. Instead, investors are focused on the negotiations around pension reform. We expect volatility around the negotiations to continue until reform is enacted.

### Fixed Income: Return of the Benign Regime

The Federal Reserve's rate hike pause has benefited fixed income sectors and assets across the board. Given the market expects rates to remain contained this year, these seemingly benign conditions could last for some time. In this environment, we favor quality, intermediate-term fixed income spread assets, such as agency MBS and high-grade corporates.

### Factors: Insight into Relative Strength

Our factor-tilting model examines multiple metrics including relative strength, which uses a simple measure of 12-month price momentum to determine the trending behavior of each factor and compare market sentiment in one factor versus the others. Changes in multiple factors' relative strength have particularly driven our updated outlook this quarter: We've upgraded quality from neutral to overweight while downgrading minimum volatility and momentum.



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## TRIVIA

Did you know that America isn't the only country to celebrate Independence Day? Denmark and Norway celebrate in honor of their citizens who migrated to the U.S. in the early 1900s.

Thomas Jefferson was the first U.S. President to celebrate the 4th of July at the White House.

## EMPLOYEE SPOTLIGHT

### Annika Traner



Annika is the office Marketing Coordinator. She assists with all marketing projects, seminars, and events such as the Financial Quarterback show on Fox 8, and the WealthWatch Education Series programs. She also works closely with our designers and print teams to create all outgoing marketing materials.

Annika graduated from Cleveland State with a Bachelor's degree in Film and Digital Media. In April, Annika also received her certification in Full-Stack Web Development from Case Western Reserve University.

Annika is a first-generation American, with citizenship in both Denmark and America, and speaks fluent Danish! In her spare time, she enjoys writing, riding her bike, and playing video games.

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