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HIGHLAND TRUST PARTNERS

# Four-Year Degree After High School?

*By Founding Partner Chris Caldwell, CFP®, AIF®, CRC conferred by InFRE®, MBA*

## College Isn't for Everyone

As a parent of teens getting ready to graduate from high school over the next two years, I envisioned a university degree for them even when they were very young, as many parents do. Are you sitting down? The reality is that a four-year college degree is not for


every kid and without it, they can still be successful. Ted Turner, Larry Ellison, Steve Jobs, Rachel Ray, Michael Dell, Dave Thomas, Bill Gates, Richard Branson, Walt Disney, and Ellen DeGeneres are all intelligent, creative, successful people who never completed this level of college education. Those are just a handful of the thousands who did not walk across a college diploma stage but are doing very well for themselves, their families, and their communities.

Many child psychologists reference the added pressure parents put on teens to attend a four-year institution does more harm than good. Parents (me included) worry that if our children do not earn that degree, their job and income potential will be limited. However, we all know plenty of young adults with a college degree who can not or choose not to find gainful employment. Earning self-sufficiency is as important (or more important) than a degree. And while many need a degree to accomplish this financial independence, there are plenty who do not.

According to a 2018 study by Burning Glass Technologies (a labor research company), 43% of recent college graduates were in jobs that do not require a college degree. Many cling to the idea that a four-year degree is vital, but why? Did you know that there is a shortage of technicians in the fields of HVAC, electrician, auto repair, and plumbing? These are people that we all need on a consistent basis. This is why we are seeing more technical and vocational schools expanding and opening satellite campuses. According to **Indeed.com**, the average salary for those in these types of vocations is $50k and climbing due to shortages of skilled labor in these fields.

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# Big Changes

*By Rodney Chandler, CPA,*
*Smith, Adcock & Company LLP*

## Retirement Plan Tax Changes for 2020

Death and taxes are well-known certainties of life. Based on recent history, though, I think tax changes should also make that list of certainties. On December 20, 2019, the President signed into law legislation known as the SECURE act. This bill quietly passed as a part of the larger Appropriations Act, but the changes related to how retirement plans are taxed make some loud noise. This article will focus on three key changes related to retirement planning. Two of them are positive for savers, but one could be costly to beneficiaries.

**The age limit is off for traditional IRAs**. The new law removes the age limit for contributing to traditional IRAs (Individual Retirement Accounts). This is a positive change for savers, as it provides more opportunity for tax deferred savings. (Under the old law, once a person reached age 70.5, they were no longer eligible to make contributions to a traditional IRA, even if they were otherwise eligible to do so.) Now, under the new law just signed, if a person meets the normal contribution requirements, then they may make traditional IRA contributions regardless of their age. To make a contribution to a traditional IRA, a person must have "earned income" (wages, or business income, generally), and their overall income must fall under certain limits if they are covered by another retirement plan at work.


**The starting age for RMDs is raised**. The new law raises the age at which Required Minimum Distributions must begin from most retirement plans by about 2 years, up to age 72. This is a positive change for savers, as it extends the time retirement account balances can remain tax deferred. (Under the old law, the key age for RMDs was age 70.5.) This change is effective for those who were not yet required to begin RMDs before 2020.

**Stretch IRAs are now severely limited**. This change relates to how the beneficiaries of retirement account are taxed after the death of the saver. This change largely eliminates a tax deferral tool known in planning circles as the Stretch IRA. The Stretch IRA strategy allowed most beneficiaries who inherited a tax deferred retirement account to 'stretch' the distributions from the account over the beneficiary's life expectancy. This tool allowed for enormous tax deferral benefits by allowing long-term tax deferred growth.

Under the new law, beneficiaries only have 10 years in which to withdraw inherited retirement accounts. Exceptions to the new 10-year rule exist only for the surviving spouse and for very few others. Withdrawing an account balance within 10 years instead of stretching it over a lifetime can dramatically change the total tax that the beneficiary will pay. This change calls for significant analysis of the plans to pass along money to the next generation. Planning is now more critical than ever.

**These changes call for renewed planning**. The quiet changes to the taxation of retirement plans in the December law highlights once again the important of having pro-active, knowledgeable, and thoughtful tax and retirement planners on your team. It is a great time to review your own plans to efficiently transfer retirement plans to the next generation while minimizing their tax burden.

## *Portfolio-oscopy*

*By Senior Financial Adviser Amy Parrish, AMWA®*

### Taking a Baseline at 50 to Ensure Financial Good Health

I turned 50 in August. One of the first things my friend, a physician, said to me was "You need to get a colonoscopy." Now, that sounded like a great way to celebrate the big 5-0!

Prior to age 50, we all know what we're supposed to do to maintain our physical health: eat right, exercise, get enough sleep, etc. But given the fact


that we don't always focus on each of those aspects of our lives to the degree that we should, by the time we are 50 years old, it's time to take some tests and get a baseline evaluation of our health.

In respect to our financial health, we likewise know what we should do prior to age 50: live within a spending plan, save regularly and invest to pursue our goals. However, by age 50, our financial lives can be considerably more complex than they were in our earlier years. Simply following the same earlier-years financial steps may be out of sync with our present specific life situation of 50 years (and beyond). For instance, the busyness of life at age 30 that comes from working hard, keeping up with kids, or a high-priority social life may now be slowing down. We may now have time to think outside our current financial strategies and envision the ideal life we want to create for our future. Thus, if we have done a stellar job saving money from ages 30 to 50, we may be able to reduce the risk of our portfolio or, possibly, look at retiring from our current career earlier. Conversely, those who have neglected their retirement accounts prior to the age of 50 may need to utilize an asset allocation model that prudently attempts to pursue a higher return. Or possibly, there may be a need to find ways to save more aggressively to address financial retirement goals. The point is, by the age of 50 we most definitely need a baseline picture of what our position is in terms of the adequacy of our retirement portfolio and the achievability of our ideal life in the next phase.

I am now telling my clients and friends as they turn 50 that it's time to schedule a portfolio-oscopy. I guarantee it will be more enjoyable than the "oscopy" provided by your physician.

### Save the Date

Highland Trust Partners opened on April 16, 2015. It is hard to believe we are preparing to celebrate our Fifth Anniversary. There are so many things of which we are proud over these last five years, and none of them would have been possible without our clients, family, and friends.

Save the date for **April 16, 2020 from 4:00 – 6:00 p.m.** to celebrate with us. More details to follow!

## Fighting Gravity

*By Founding Partner Jason Norton, CFP®*

### Grace for the Weightiness of Life

Alright, I am going to change up some stuff for this article. Over the past several newsletters, I have pondered subjects ranging from IPOs (income producing offspring) in the Summer 2018 edition, failed New Year's resolutions (Winter 2019), and in our last newsletter, a hard-hitting piece on divorcing penguins. This quarter, however, I will provide some insight into my family's story. My hope is to offer some understanding and, thus inspiration, from what our family dynamics are on a daily basis.

Let's go back a few years … it was January of 2016. I was sitting in a waiting room of the pediatric physical therapy clinic in Athens. Drew, my son, six years old at the time, had a major surgery called a Selective Dorsal Rhizotomy at the Saint Louis Children's hospital just a month earlier. His recovery was to take most of the year as he relearned how to use his legs again. I had an hour every morning in the waiting room for reflection. On this particular morning, I was thinking about how hard Drew has to work for everything. What was he fighting, I thought? After a few minutes, I realized that he was fighting gravity, a discovery of Sir Isaac Newton and the force that keeps us from being flung into space.

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## Four-Year Degree After High School?

### College Isn't for Everyone *(continued from page 1)*

According to **Salary.com**, the average plumber salary falls between $43k and $73k. It won't be long before the top average salary for a plumber could reach $100k! The nursing profession, too, is in high demand, requiring only an associates degree And, the median pay for a Registered Nurse is greater than $70k according to the Bureau of Labor Statistics. There is, also, now a trend of four-year degree earners going back to technical schools to acquire jobs that are able to provide their desired financial independence while also finding fulfilling and interesting careers.

With a senior and a junior in high school, I live with the worry about their next step and the future they want to build. The only things I have asked of them is to do well in high school and take time to decide a path that fits their aspirations. I have seen what can happen when a parent forces a child into a four-year college when the child really did not want to be there or attended only for the social aspect. My senior is going to require college experience in order to clarify his career path. Our junior already knows her path and will have many college credits achieved in high school before even heading to technical college! I anticipate that she will be earning a solid income before her older brother has decided his direction.

Here is my point: do not feel that you have to push your kids into a four-year school. And, don't become disappointed if they decide to complete their education in some other way. Challenge your children to be the best they can be with their talents and gain their independence as soon as possible. A four year-college degree, and the cost that is incurred, is not necessarily required for this to happen. Yes, some level of education after high school is necessary for everyone but a technical or community college may be the best means for this. Highland Trust Partners offers a program for high school students to help figure out what path might be best for them. Let me know if you would like to learn more.

## Technology Corner

Unroll.Me

**Unroll.Me**: Unroll.Me is an easy way to organize and declutter your inbox that saves you time and energy. Unroll.Me links to your email account and finds subscriptions/senders currently coming to your inbox. Once the app has identified your subscriptions, it allows you to sift through emails and either unsubscribe, add them to your Rollup, or allow them to keep coming straight to your inbox. Your Rollup is the daily digest of emails you've chosen to separate from your regular inbox. Emails from senders on your Rollup will only be shown to you at a specified time each day (morning, afternoon, or evening). This allows you to focus on the emails that are most important and set a time to go through emails that could just be a distraction throughout the day. This app is free.

Productive

**Productive**: Productive is an app designed to help you create and stick to new, positive habits. Once you've entered the habits you'd like to add into your schedule and set your goals for these habits, Productive is used to track your progress in meeting your goals. By setting reminders throughout the day, Productive can keep you on track to make your habits become second nature. The app also provides statistical data to show you which goals you're consistently meeting and which ones you may need to focus on more. This app is available only on Apple devices. The basic version of the app is free.

## A Reminder for the New Year

Happy 2020! Please call our office to confirm we have your correct contact information on file. It's also a great time to verify, add and/or update IRA beneficiary information. Our office can be reached at **706-850-4965**.

# *Fighting Gravity*

*By Founding Partner Jason Norton, CFP®*

## Grace for the Weights of Life *(continued from page 4)*

This was Drew's enemy. Then I looked around the room to a handful of other parents who also had special needs children. They were regulars to the waiting room like I. While their stories were different from my specific story, their reality was very much the same. For many parents this is their only time out of the house because it is too difficult to just "go out." (We are blessed in this respect with Drew because he really enjoys his adventures out of the house!) Then I thought to myself, this is gravity as well … family gravity. Whether it be the loss of their dreams for their child or the endless paperwork and complications of managing healthcare, insurance, government benefits (the list goes on and on), special needs families feel this strong downward pull every day.

Therefore, the next time you see a parent struggling with a wheelchair or a child who has a sensory issue and is finding it difficult to maintain control, take a minute to offer grace. It is impossible to understand an individual's gravity on the very first glance.

# *Don't Let Divorce Derail Your Retirement Plans*

*From EstatePlanning.com*

## Maintaining Your Retirement and Estate Plans

Divorce is never easy, but the divorce of a long-married couple can be especially hard, particularly when it comes to retirement and estate plans.

Assets, including retirement accounts, can be hard to divide, and the presence of children—and possibly grandchildren—can require the wholesale revision of existing estate plans.
If you're divorcing or moving on to a second marriage, it's important to work toward the fair and accurate division of assets, including retirement funds, so you don't wind up facing a shortfall later in life. You'll also need to update estate plans to make sure your wishes—no matter what your marital status—will be honored when you pass.
These four steps are key:

**1. Know what's yours**.
Marriage takes separate assets and intertwines them into joint assets, making things hard to untangle in the event of divorce. What's considered separate property? What's considered joint? Definitions vary by state, but in general:

- Separate property includes any property owned by either spouse prior to the marriage and any inheritances or gifts received by either spouse, before or after the marriage. The status of separate property can change, though, if it commingles with marital assets—say, an inheritance is deposited in a joint bank account.
- Marital property is typically any property that is acquired during the marriage, regardless of which spouse owns or holds title to the property.

It's important to remember that marital property isn't just houses and cars. It includes things like pension plans, 401(k)s, IRAs, stock options, annuities, life insurance, brokerage accounts and closely held businesses. And, again, that's regardless of which spouse holds ownership of those items.

However, interpretations of separate and marital property vary by state and pre-existing contracts—like prenuptial agreements—can change things, so it's important to speak with your attorney.

**2. Consider trusts**.
When it comes to estate planning, a trust can make a lot of sense for divorced individuals and those in their second marriage. Trusts can ensure that second spouses are unable to disinherit children from a previous marriage, for example.

When setting up any trusts, especially any irrevocable trusts, it's even more important to have property agreements—prenuptial or post-nuptial agreements—in place. These should clearly divide joint property into separate property, and then identify that property going into the trust.

**3. Update beneficiaries**.
Beneficiary designation forms govern the distribution of assets from life insurance and pension plans to annuities and 401(k)s, and they often override wills. While some states have laws that automatically terminate a former spouse as a beneficiary, you should never rely on those laws alone. To ensure your estate plans are honored, make sure all your beneficiary forms are updated following marriage, divorce, or re-marriage.

**4. Keep good records**.
Go through your retirement and estate planning documents at least every few years, ideally with

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# Chart of the Quarter

### Can the Stock Market Predict Who Will Be the Next President?

As shown in the LPL chart, if the S&P 500 is green the three months before the election, the incumbent party tends to stay in the White House. If stocks are down, though (like they were in 2016), this potentially could signal a change in power in the White House. The track record isn't perfect, but in 20 out of the past 23 elections, stocks have been correct.

| Election Day | Elected President | S&P 500 Index Return* | Incumbent Party | Stock Market Right? |
|---|---|---|---|---|
| 11/6/28 | Herbert Hoover (Rep) | 13.6% | Won | Yes |
| 11/8/32 | Franklin Roosevelt (Dem) | -2.6% | Lost | Yes |
| 11/3/36 | Franklin Roosevelt (Dem) | 7.9% | Won | Yes |
| 11/5/40 | Franklin Roosevelt (Dem) | 9.7% | Won | Yes |
| 11/7/44 | Franklin Roosevelt (Dem) | 2.3% | Won | Yes |
| 11/2/48 | Harry Truman (Dem) | 5.4% | Won | Yes |
| 11/4/52 | Dwight D. Eisenhower (Rep) | -3.3% | Lost | Yes |
| 11/6/56 | Dwight D. Eisenhower (Rep) | -3.2% | Won | No |
| 11/8/60 | John F. Kennedy (Dem) | -1.3% | Lost | Yes |
| 11/3/64 | Lyndon Johnson (Dem) | 3.9% | Won | Yes |
| 11/5/68 | Richard Nixon (Rep) | 6.0% | Lost | No |
| 11/7/72 | Richard Nixon (Rep) | 3.0% | Won | Yes |
| 11/2/76 | Jimmy Carter (Dem) | -1.0% | Lost | Yes |
| 11/4/80 | Ronald Reagan (Rep) | 6.9% | Lost | No |
| 11/6/84 | Ronald Reagan (Rep) | 3.6% | Won | Yes |
| 11/8/88 | George H.W. Bush (Rep) | 2.8% | Won | Yes |
| 11/3/92 | Bill Clinton (Dem) | -0.4% | Lost | Yes |
| 11/5/96 | Bill Clinton (Dem) | 6.7% | Won | Yes |
| 11/7/00 | George W. Bush (Rep) | -3.4% | Lost | Yes |
| 11/2/04 | George W. Bush (Rep) | 2.8% | Won | Yes |
| 11/4/08 | Barack Obama (Dem) | -24.8% | Lost | Yes |
| 11/6/12 | Barack Obama (Dem) | 1.9% | Won | Yes |
| 11/8/16 | Donald Trump (Rep) | -2.3% | Lost | Yes |
| | | | Total Elections | 23 |
| | | | Years Stock Market Was Right | 20 |

*S&P 500 Index Performance 3 Months Before the Presidential Election

Source: LPL Research, Strategas Research Partners 7/15/19

LPL Financial

## *Don't Let Divorce Derail Your Retirement Plans*

*From EstatePlanning.com*

### Maintaining Your Retirement and Estate Plans *(continued from page 6)*

an attorney, to make sure designations are up to date and all assets are accounted for. If you're in your 40s or 50s, you've likely accumulated multiple retirement accounts and insurance policies, and it's easy for an account to go overlooked, especially in the event of a divorce or new relationship. Outdated information on wills, trusts and beneficiary forms can cause estate planning pitfalls that are easily avoided with proper planning.

Divorce can be a challenging time for everyone involved, but with proper planning and insight, it doesn't have to derail your retirement and estate plans.

## Market Index Returns*

| Fixed Income | Current Yield 2/12/19 |
|---|---|
| 90-Day T-Bill | 1.57% |
| 5-Year T-Note | 1.42% |
| 10-Year T-Note | 1.61% |
| 30-Year T-Bond | 2.07% |

*Source: Bloomberg*

| Index | 2020 (1/1/20–2/12/20) | 2019 (One Year) |
|---|---|---|
| Dow Jones Ind. | -0.38% | 22.34% |
| S&P 500 | 0.69% | 28.88% |
| NASDAQ | 1.99% | 35.23% |
| MSCI EAFE | -2.45% | 22.01% |

*Source: Morningstar Research*

*The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.



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