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Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

Choosing a Beneficiary for Your Retirement Account

Selecting beneficiaries for retirement accounts is different than choosing beneficiaries for other types of assets. With retirement benefits, you need to know the impact of income tax and estate tax laws in order to select the right recipients. Although taxes shouldn't be the sole determining factor, ignoring their impact could lead you to make a choice with unintended consequences.

Income tax on retirement account distributions

Most inherited assets pass to your beneficiaries without them owing income tax. However, that's not usually the case with 401(k) plans and IRAs. Beneficiaries pay ordinary income tax on distributions from pretax 401(k) accounts and traditional IRAs (assets that would have also been taxable to you upon distribution). With Roth IRAs and Roth 401(k) accounts, however, your beneficiaries can receive the benefits free from income tax if the distribution is qualified.

For example, if one of your children inherits a Roth IRA worth $100,000 from you and another child inherits your pretax 401(k) account worth $100,000, they aren't receiving the same amount. All distributions from the 401(k) plan will be subject to income tax at ordinary tax rates, while the Roth IRA distributions will be tax free.

Primary and contingent beneficiaries

Your primary beneficiary is your first choice to receive retirement benefits. You can name more than one person or entity as your primary beneficiary. However, spouses may have special rights under federal or state law. If your primary beneficiary doesn't survive you or decides to decline the benefits, then your secondary (or "contingent") beneficiaries receive the asset.

In some cases, you may want to designate a different beneficiary for each account or have one account divided into subaccounts (with a beneficiary for each subaccount) rather than naming multiple beneficiaries to one larger combined account. This may permit greater tax flexibility for your beneficiaries, especially if there is a significant age difference between your youngest and oldest beneficiary.

Avoiding gaps or naming your estate as a beneficiary

You might name your estate as the beneficiary, or, if no named beneficiary survives you, your estate may end up as your beneficiary by default. This is not always the best result and can lead to tax complications, so it's important to avoid gaps in your beneficiary designations and prevent your estate from absorbing your retirement accounts if that is not your intention.

If your estate receives your retirement benefits, the opportunity to maximize tax deferral by spreading out distributions may be lost. In addition, probate (the process by which a person's estate is distributed) can mean paying attorney's and executor's fees and delaying the distribution of benefits.

Naming your spouse as a beneficiary

When it comes to taxes, your spouse is usually the best choice for a primary beneficiary. A spousal beneficiary has the greatest flexibility for delaying distributions that are

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WIN A $25 GIFT CARD

to your choice of Regal Cinemas or Starbucks!

(See page 2 for more details)

Congratulations to our most recent winner:

Bobbie F. of Cramer Fish Sciences

Visit ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.

Source: Raymond James Financial Services

To be entered into a drawing to win a

$25 GIFT CARD,

email free@thecommco.com with the answer to this question:

Under federal law, who must be the primary beneficiary of your 401(k) unless they sign a written waiver?

Market Update

Through March 31, 2019

		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	11.81%	10.08%	12.21%	15.97%
Large Company US Stocks	S&P 500	13.65%	9.50%	10.91%	15.92%
Small Company US Stocks	Russell 2000	14.58%	2.05%	7.05%	15.36%
Non-US Stocks	MSCI EAFE (Gross Div)	10.13%	-3.22%	2.81%	9.47%
US Bonds	Barclay's Capital US Aggregate	2.94%	4.48%	2.74%	3.77%
Cash Alternatives	FTSE 3 Month US Treasury Bill	0.60%	2.11%	0.72%	0.41%

Economic Snapshot

Gross Domestic Product (GDP)
GDP growth was widely expected to slow in 2019, reflecting the fading impact of the fiscal stimulus. However, growth appears to have slowed more than expected and risks are tilted to the downside.

Employment
The low trend in unemployment claims suggests a continued strong demand for labor in the near term. Job conditions remain generally tight, putting some upward pressure on wage growth.

Inflation
Price pressures have been mixed, but generally moderate. Inflation expectations remain well anchored. The ability of firms to raise prices appears to be mixed.

Manufacturing
Slower global growth has dampened export growth, while trade policy has disrupted supply chains and raised production costs. Domestic demand is likely to remain moderate.

Housing and Construction
Homebuilding weakened in 2018, but the sharp drop in mortgage rates should help support activity in 2019. Affordability remains an issue, but price appreciation has slowed.

Interest Rates
Long-term interest rates have fallen outside of the U.S., putting downward pressure on U.S. bond yields. Inflation is expected to remain low.

Investment Strategy Quarterly: Published by Raymond James and Associates, April 2019 . For a complete PDF copy of the April 2019 issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

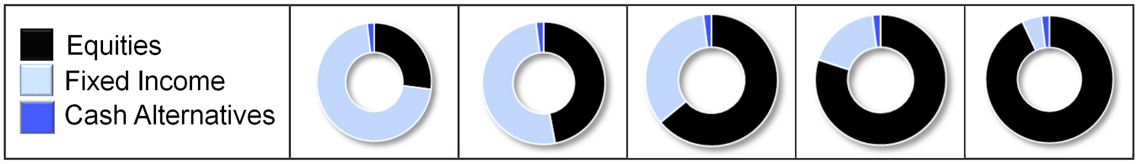
Second Quarter - Cautious Optimism

- Economic reports that were delayed due to the government shutdown have trickled in to reveal the economy slowed a bit more than expected in early 2019. However, the recent conclusion of the Mueller investigation with no pending indictments should serve as a market positive.
- While most Federal Reserve policymakers expect to leave short-term interest rates unchanged over the course of the year, the federal funds futures market is pricing in a 65% chance that the Fed will cut rates by the end of the year.
- It seems the Trump administration is prepared to continue negotiating with Beijing on trade, and the S&P 500 index had its best quarter since 2009. This may be supported by a healthy labor market, as suggested by a two-month low in filings for U.S. unemployment benefits in the week ended March 23. The quarter ended positively for the Dow Jones Industrial Average, NASDAQ, S&P 500, and Russell 2000 Index.

Asset allocation models can be viewed online anytime at ***thecommco.com***

Strategic Asset Allocation Models

As of April 2019



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**64%**	**80%**	**93%**
Equity allocation comprises:					
U.S. Large Cap Blend	15%	17%	21%	26%	29%
U.S. Large Cap Growth	0%	4%	6%	8%	9%
U.S. Large Cap Value	0%	4%	6%	8%	9%
U.S. Mid Cap Equity	2%	5%	7%	8%	10%
U.S. Small Cap Equity	1%	3%	4%	6%	6%
Non-U.S. Developed Market Equity	9%	14%	16%	20%	25%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	5%
Fixed Income	**71%**	**51%**	**34%**	**18%**	**5%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	56%	42%	28%	15%	0%
Investment Grade Short Maturity	7%	5%	6%	3%	0%
Non-Investment Grade (High Yield)	3%	2%	0%	0%	0%
Multi-Sector Bond	5%	2%	0%	0%	5%
Cash & Cash Alternatives	**2%**	**2%**	**2%**	**2%**	**2%**
Totals	**100%**	**100%**	**100%**	**100%**	**100%**

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Index definitions: 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. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

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subject to income tax. In addition to rolling over your 401(k) or IRA to his or her own retirement account, a surviving spouse can generally decide to treat your IRA as his or her own. This can provide more tax and planning options. If your spouse is more than 10 years younger than you, naming your spouse can also reduce the size of any required distributions to you while you're alive.

Although naming a spouse can produce the best income tax result, that isn't necessarily the case with estate taxes. While the majority of estates are below the threshold and therefore exempt from this consideration, those who expect to leave behind large estates should consult a tax advisor for more in-depth planning.

Naming other individuals as beneficiaries

If you are married, you may have some limits on choosing beneficiaries other than your spouse. Federal law dictates that your surviving spouse be the primary beneficiary of your 401(k) plan benefit unless they sign a written waiver. Additionally, if you live in a community property state, your spouse may have rights related to your IRA regardless of whether he or she is named as the primary beneficiary.

Keep in mind that a non-spouse beneficiary cannot roll over your 401(k) or IRA to his or her own IRA. However, a non-spouse beneficiary can directly roll over your benefits to an inherited IRA, from which distributions may be made over time.

Naming a trust or charity as a beneficiary

You must follow special tax rules when naming a trust as a beneficiary, and there may be income tax complications. Seek legal advice before designating a trust as a beneficiary.

Having a charity named with other beneficiaries on the same asset could affect the tax-deferral possibilities of the noncharitable beneficiaries. If you wish to leave a portion of your retirement assets to a charity, it may be wise to segregate that portion into a separate account.