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

SECURE Act – Effects for Individual Investors

The $1.4 trillion spending package enacted on December 20, 2019, included the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which represents the most sweeping set of changes to retirement legislation in more than a decade. The legislation takes steps toward encouraging small businesses to offer retirement savings plans and individuals to utilize the options that are available to them.

The funding package including the SECURE Act has now been signed by President Trump. Below is a partial list of changes under the SECURE Act. The majority of the Act's provisions are effective as of January 1, 2020.

Benefits to individuals

The SECURE Act includes several provisions designed to benefit American workers and retirees.

- Retirees will no longer have to take required minimum distributions (RMDs) from traditional IRAs and retirement plans by April 1 following the year in which they turn 70½. The new law generally requires RMDs to begin by April 1 following the year in which they turn age 72.
- People who choose to work beyond traditional retirement age will be able to contribute to traditional IRAs beyond age 70½ (deductibility remains subject to existing phase-out ranges). Prior laws prevented such contributions.
- Previously, employers could generally exclude employees who work less than 1,000 hours per year when providing a defined contribution retirement plan. Except in the case of collectively bargained plans, the new bill will require employers to offer an eligibility option for long-term part-time employees. Under the new provision, employees will become eligible after working least 500 hours in each of three consecutive years. This new rule applies to plan years beginning on or after January 1, 2021.
- Individuals can now take penalty-free early withdrawals of up to $5,000 from their qualified plans and IRAs due to the birth or adoption of a child. Regular income taxes will still apply, so new parents may want to proceed with caution.
- Taxpayers with high medical bills may be able to deduct unreimbursed expenses that exceed 7.5% (in 2019 and 2020) of their adjusted

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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:

Cheryl D. of INICI Group, Incorporated

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:

The new law generally requires RMDs to begin by April 1 following the year in which the retiree turns what age?

Market Update

Through December 31, 2019		Trailing Returns			
		3 mos	12 mos	5 yrs	10 yrs
Blue Chip US Stocks	Dow Jones Industrial Average	6.67%	25.34%	12.59%	13.40%
Large Company US Stocks	S&P 500	9.07%	31.49%	11.70%	13.56%
Small Company US Stocks	Russell 2000	9.94%	25.52%	8.23%	11.83%
Non-US Stocks	MSCI EAFE (Gross Div)	8.21%	22.66%	6.18%	5.99%
US Bonds	Barclay's Capital US Aggregate	0.18%	8.72%	3.05%	3.75%
Cash Alternatives	ICE BofAML 3 Month US Treasury Bill	0.46%	2.28%	1.07%	0.58%

Economic Snapshot

Gross Domestic Product (GDP)

Economic activity is expected to be mixed, but generally moderate in 2020. Risks to the growth outlook are weighted to the downside, but appear to be less severe than in the summer of 2019.

Employment

While the amount of labor market slack remains uncertain, constraints are expected to become more binding in 2020, leading to a slower trend. Wage growth has remained strong.

Inflation

The sub-2% trend in the PCE Price Index is a significant concern for the Fed. Firms have had varied, but generally limited, success in passing higher costs along.

Manufacturing

Activity in the factory sector is expected to be mixed, but generally lackluster, partly reflecting weakness in aircraft production.

Housing and Construction

Job growth and wage growth remain very supportive. Mortgage rates have remained moderate. Builders continue to note supply constraints and ongoing affordability issues.

Monetary Policy

The Fed lowered short-term interest rates three times in 2019, leaving monetary policy relatively accommodative. No change is expected, but the Fed would cut rates amid broader signs of economic weakness.

Investment Strategy Quarterly: Published by Raymond James and Associates, January 2020 . For a complete PDF copy of the January 2020 issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.

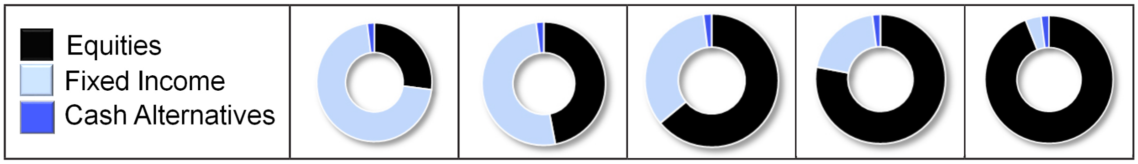
Equities reach new highs in December

- A December rally in the equity markets punctuated an already strong 2019 – quite a reversal from the previous year. In 2018, the worst December in history pulled annual returns for most major asset classes into negative territory. In 2019, domestic and international markets responded positively to December news of an agreement in the U.S.-China trade dispute and the avoidance of a no-deal Brexit, while largely unimpacted by the impeachment of President Donald Trump.
- Overall, investors regained their appetite for risk in 2019, pushing major U.S. stock indices to multiple new highs. The S&P 500 gained 2.86% in December and 28.88% for the year, representing the strongest year since 2013 for the broad U.S.-market index. The Dow Jones Industrial Average, NASDAQ, and Russell 2000 also made positive strides during December.
- Despite declining bond prices in December, core fixed income had its strongest year since 2002, with the Bloomberg Barclays U.S. Aggregate Bond TR index returning 8.72% for the year.

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

Strategic Asset Allocation Models

As of January 2020



	Conservative	Moderate	Balanced	Growth	Aggressive
Equity	**27%**	**47%**	**64%**	**78%**	**94%**
Equity allocation comprises:					
U.S. Large Cap Blend	17%	19%	24%	28%	34%
U.S. Large Cap Growth	0%	3%	5%	7%	8%
U.S. Large Cap Value	0%	5%	7%	9%	10%
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	7%	12%	13%	16%	20%
Non-U.S. Emerging Market Equity	0%	0%	4%	4%	6%
Fixed Income	**71%**	**51%**	**34%**	**20%**	**4%**
Fixed income allocation comprises:					
Investment Grade Intermediate Maturity	48%	36%	24%	15%	4%
Investment Grade Short Maturity	15%	11%	7%	5%	0%
Non-Investment Grade (High Yield)	3%	2%	0%	0%	0%
Multi-Sector Bond	5%	2%	3%	0%	0%
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. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date.

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gross income. In addition, individuals may withdraw money from their qualified retirement plans (when the plan allows for hardship withdrawals) and IRAs penalty free to cover expenses that exceed this threshold. Regular income taxes will still apply. The threshold returns to 10% in 2021.

- 529 account assets can now be used for payments toward qualified student loans ($10,000 lifetime maximum) and costs associated with registered apprenticeships.
- Workers will begin to receive annual statements from their employers estimating how much their retirement plan assets are worth, expressed as monthly income received over a lifetime. This should help workers better gauge progress toward meeting their retirement income goals.

Elimination of the "stretch IRA"

Perhaps the change requiring the most urgent attention for IRA owners is the elimination of longstanding provisions allowing non-spouse beneficiaries who inherit traditional IRA and retirement plan assets to spread distributions, and therefore the tax obligations associated with them, over their lifetimes.

Under the Secure Act, non-spouse beneficiaries have 10 years to withdraw all of the money in an IRA. This change applies only to accounts for which the original owner passed away on or after January 1, 2020. In addition to possibly reevaluating beneficiary choices, traditional IRA owners may want to revisit how IRA dollars fit into their overall estate planning strategy.