



Spotlight on Finance

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A Message to Our Clients

At XML, we strive to provide you with the best experience possible. We would like to know what we're doing well and where we can improve. If you could, please take a few minutes to let us know what's important to you.

[Click here to take the survey.](#)



XML's View on the Market

It seems our roller-coaster ride continued in the second quarter, as the financial markets were whipsawed by a budding trade war, heightened geopolitical uncertainty and an echo of the European debt crisis. Even so, equities still ended the period largely higher, as the economic numbers remained healthy and corporate earnings grew strongly. Another Federal Reserve rate hike and a normalization in the dollar had little effect on the market.

If we look from the broader perspective, the long-running expansion still appears unlikely to be in jeopardy anytime soon. The labor market continues to tighten, slowly but surely putting upward pressure on wage growth and consumer confidence. In addition, there have been further signs that the business investment rebound that picked up steam last year will prove sustainable. This is due in part to improvements in the global economy, which are fueling a healthy rebound in exports. The growing signs of protectionism represent an increasing risk, but they are still more likely to end in negotiations and compromises rather than an all-out trade war. We believe there will continue to be ebb and flow in both the economy and financial markets, but the underlying path for now should continue to be to the upside.

U.S. stocks were back on the rise in the second quarter, as ongoing economic expansion and booming corporate earnings were enough to offset trade and geopolitical concerns. The S&P 500¹ came back strongly after the swift drop in late January/early February, just as it virtually always has in the wake of corrections. Corporate profits are surging and are expected to remain on the climb due to the steady economic backdrop and the effects of the last year's tax cut. It is far from unusual for stocks to swing by at least 5% over a relatively short period. In fact, the 30-day trading range of the S&P 500 exceeds 5% well more than half of the time. Developed market equities moved modestly lower in Q2 for a second straight quarterly decline.

One important fact about this current market; only about 50% of the S&P 500 stocks are trending upward. Out of the 11 sectors that make up the S&P 500, less than half are up year to date. Four sectors make up about half of the S&P 500 and over 50% of that half are technology companies. Not all Technology stocks are up as Telecom is down 11% for the year. So, it is important to keep in mind market returns and investor returns. Over the long-term, positioning or asset allocation is still the driver of investor returns.

As we continue through the summer months and into the fall, we are watching the Supreme Court Justice appointment confirmation process, the trade war discussions, peace talks with North Korea, earnings as well as the mid-term elections. No matter what your political beliefs are or what administration is in office, one thing has been tried and true and that is that a well-diversified portfolio² based on your individualized risks, goals and time horizon is what matters most; not the daily noise that may cloud one's judgement.

¹The S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

² There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not protect against market risk.

Almost Half of Near-Retirees Fail Basic Social Security Quiz

Those nearing retirement still have a lot to learn about Social Security retirement benefits and may be leaving money on the table, according to a new consumer poll recently released by [Massachusetts Mutual Life Insurance Co.](#)

Nearly half (47%) of Americans age 50 and older failed a basic five-question true-false quiz on Social Security retirement benefits. Three years ago, when MassMutual surveyed the nation with a broader 10 question true-false quiz, 62% of respondents age 50-plus failed.

In 2017, the Social Security Administration stopped mailing Social Security statements to those under the age of 60, meaning the only way to access information is online (only individuals who are 60 and over, who aren't receiving benefits and who don't have a [My Social Security](#) account online will get paper statements). When asked, "Have you created an account on the Social Security Administration web site to view your earnings history to ensure it is accurate now that the administration no longer mails statements to people under age 60?" a whopping 86 percent of those age 50-59 who are affected by this change answered NO, they have not created an account yet. Of the total pool surveyed of those age 50+, the majority (60 percent) have not created an account yet.

So, what's the risk? Not only can establishing an account help ensure that your Social Security retirement benefit calculations are accurate, it can also help with identity theft protection because only one account per Social Security number is allowed.

This year's survey was conducted in March via an online survey among 1,007 Americans age 50 and older. The previous survey, also online, was conducted in February and March 2015 among 1,513 American adults. A failing score is 60% or lower.

Another [recent survey](#) by the [Nationwide Retirement Institute](#) produced similarly poor results about near-retirees' lack of knowledge about the nation's retirement system. In the Nationwide survey, nearly nine in 10 respondents age 50 or older did not know what factors determine the maximum Social Security benefit an individual can receive.

Social Security benefits are based on the top 35 years of indexed earnings. Every year that someone continues to work — even after full retirement age or after claiming benefits — the Social Security Administration continues to review their earnings record. If current earnings are higher than one of the previous years used in the benefit calculation, future benefits could increase. Only earnings up to the annual taxable wage base, currently \$128,400, count toward future benefits.

For individuals with spotty work histories that contain some zero-earnings years, continuing to work beyond traditional retirement age can substantially boost future Social Security benefits. But for workers with more than 35 years of covered

earnings, particularly long-time high-income earnings, continued employment may not make a huge difference in future benefits.

Want to see how much you know about Social Security retirement benefits? Below are the latest MassMutual True/False quiz questions. See the results at the end of this newsletter.

1. Under current Social Security law, my benefits will not be reduced if I claim them at age 65.
2. My spouse is eligible to receive Social Security retirement benefits, even if he or she has no individual earnings history.
3. If my spouse dies, I will continue to receive both my own benefit and my deceased spouse's benefit; the total Social Security benefits I receive will not change.
4. Social Security retirement benefits are based on my earnings history; I'll receive the same monthly benefit amount whether I start collecting before or after my full retirement age.
5. If I am still working when I claim my Social Security, my benefit might be reduced, depending on my earnings and my age.

Once you create a Social Security online account, you can check your estimated retirement benefits at various claiming ages and verify that your earnings history — which is the basis for those future benefits — is accurate and up to date. If you do not have an online Social Security account, go to the [Social Security Administration Web site](#) to create one and monitor it on a regular basis.

Maryland Pre-Paid College Trust – Did You Know?

Do you own a Maryland Pre-paid College Trust (not to be confused with the Maryland 529 Plan)? If so, there is a little noticed, or publicized, detail that most individuals are not aware of but could be of significant benefit for your child. To learn more, call Brett Bernstein at 301-770-5234.

Weekly Podcast with Eric Wightman

Have you tuned into Common Sense Investing, hosted by XML Partner, Eric Wightman? Eric has been helping clients and listeners make sense of the markets for nearly three decades. Using a conservative, diversified, value-oriented approach to investing he strives to make you a better-educated, well-informed investor. He'll share his insights on today's markets, economy and financial planning topics with the belief that it is just as important to protect your assets, as it is to grow them.

You can find Eric's weekly podcast on iTunes, Google Play, and on our [website](#). Download it today!

Aging in Place

To make your home more amenable to a long-term vision, think about how you can start adding features like these, suggested by the experts involved in the Redefining Home initiative:

- Stairless entries
- A gradual outdoor incline up to the entry instead of ramps
- Low or no thresholds at doorways
- Doorways wide enough to accommodate wheelchairs and walkers
- Widened hallways

- Lever-style doorknobs
- Lever-style faucet handles
- Shallower countertops to put items in easier reach
- Curbless shower stalls
- Open-concept floor plans that provide better lighting, shorter hallways and easier movement
- Single-floor living that includes a kitchen, bathroom, bedroom and laundry on the same floor
- Flexible living spaces that can change size or be used for more than one purpose
- Slip-resistant floors and lighter-color floors for greater visibility
- Lower placement of light switches and higher placement of electrical outlets
- More windows for better indoor light

Change to Maryland Estate Tax Exemption

On April 5, 2018, legislation passed in Maryland that will set the amount exempt from Maryland estate tax at \$5 million for decedents who die on or after January 1, 2019. Previously, the exemption would equal the federal estate tax exemption for all such decedents. For decedents dying in 2018, Maryland's exemption is \$4 million. The new Maryland exemption will not be indexed for inflation, unlike the federal estate tax exemption, and therefore, will not increase over time. The new law also will allow transferability of a deceased spouse's unused Maryland estate tax exclusion to a surviving spouse ("portability") of his or her deceased spouse's unused Maryland estate tax exemption.

The maximum Maryland estate tax rate of 16 percent is unchanged by the new law, and only applies to amounts over the Maryland exemption (\$4 million in 2018). The Maryland inheritance tax is also unaltered and is 10% of the estate without regard to an exemption amount. This tax depends on how closely related the decedent was to the people who inherit from him or her, not on the size of the estate. The inheritance tax does not apply to surviving spouses and children of a decedent, for example.

This change in the Maryland estate tax exemption signals a new trend following the enactment of the 2017 Tax Act in which states will be actively reviewing and, in many instances, changing their tax laws in response to the sweeping changes brought by the new federal law.

In the District of Columbia, where the estate tax exemption currently matches the federal exemption amount of \$11.18 million, a bill has been introduced that would "decouple" from the federal exemption and set the exemption amount at \$2,185,800 for decedents dying on or after January 1, 2019. The exemption amount would be adjusted annually for inflation. This bill was introduced on February 6 and as of this writing, is stalled in the finance committee. The District of Columbia does not currently impose an inheritance tax.

Virginia does not currently impose an estate tax or inheritance tax.

Residents of Maryland and the District of Columbia should review their current estate plans and meet with advisors to determine whether any changes would be advisable in light of new or pending state legislation as well as the increased federal estate tax exemption. Residents of Virginia, Pennsylvania and Florida should also review their current estate plans due to the increased federal estate tax exemption.

An Alternative to HELOCs

Home equity lines of credit (HELOCs) have long been a popular loan option. However, they may not be as attractive to some borrowers as they were in the past due to the recent tax overhaul, making the tax deduction rules less favorable.

For some, a securities-backed loan may be a good alternative. This type of loan is a debt collateralized by an investor's portfolio of eligible securities such as stocks and bonds. The borrower deposits securities into an account on which the lender has a lien, and the lender will often make available loan funds ranging from 50 percent to 95 percent of the securities' market value. The exact amount depends upon the specific underlying assets in the portfolio and the level of diversification. This would allow borrowing against the value of non-retirement investments, often at advantageous rates. The borrower cannot use the money to pay down margin debt or to invest in other securities.

All types of loans carry a certain amount of risk and a securities-backed loan may not be suitable for all. However, if you are interested in exploring this avenue and would like more information, please contact Brett Bernstein at 301-770-5234.

How to Place a Credit Freeze

Who can forget the Equifax data breach last fall? But, did you take any action to protect your information? We provided information on our website on how to protect yourself (<http://www2.xmlfg.com/e/447232/hat-do-after-a-data-breach-pdf/416zx8/896170569>). If you didn't place a freeze on your credit data with the credit agencies because you weren't sure how, here is the process, step-by-step:

1. Have all your information handy for each person before you start: Social Security numbers, birth dates, former addresses, information on any recent loans you may have, etc.
2. Use a physical file folder, labeled "Credit Bureau Security Freeze" to store information when you want to unfreeze your credit.
3. On your home computer, go to one of the three main cred bureaus' websites and create an account. Be sure to write down your username and password.
4. You will be asked questions to verify your identity, such as a previous address or other personal information. Once your identity has been verified, you can request that your account be frozen. If your state allows fees, you will be asked to pay them at that time.
5. You will receive a personal ID number. You can print the page and add it to your folder along with the user name and password. You will need all this to unfreeze your account.
6. Follow the same steps for each adult in your household. Then, repeat all steps with each of the other two credit bureaus. When done, be sure to put your folder in a secure place (locked drawer, safe, etc.).

Equifax – equifax.com

Experian – Experian.com/freeze/center.html

TransUnion – transunion.com

Tips from Rudy Maxa

XML hosted an event on April 17th with travel expert, Rudy Maxa, host of Rudy Maxa's World, found on public television. Rudy shared some stories, statistics and travel tips. If you were not able to attend, here are a few tips he shared:

1. Buy domestic air tickets at least three weeks ahead
2. Buy international air tickets three months ahead
3. Some of his recommended websites
 - o Google.com/flights
 - o Google.com/flights/explore
 - o Kayak.com
 - o Theflightdeal.com
 - o Hitlistapp.com
 - o Secretflying.com
 - o Exitfares.com
 - o Fly3free.com

You can find Rudy on public television here: <http://www2.xmlfg.com/e/447232/catalog-RUDY-MAXA-S-WORLD/416zxj/896170569> or his Facebook page, <http://www2.xmlfg.com/e/447232/rudymaxasworld-/416zxl/896170569>



Staff News



Babs Popik with Brett Bernstein

The XML Open House was held on May 30th. It was great to see so many friends, clients and associates!

Partner, **Eric Wightman**, was quoted in US News and World reports on June 4th: <http://www2.xmlfg.com/e/447232/stors-get-dividends-and-growth/416zxn/896170569>.

Partner, **Michelle Cooper**, was recently invited to speak to the residents of Fox Hill Senior Living. She covered such topics as how the new tax plan has impacted estate planning, ways to ensure an estate plan leaves a lasting legacy for family and how to be prepared in the event of incapacity.



Natalie Gosselin with family

Operations Associate, Natalie Gosselin and her husband Chris, built and donated a Little Free Library (<http://www2.xmlfg.com/e/447232/share-thanks-olney-moms-club-/416zqx/896170569>) at Fair Hill shopping center in Olney as part of her charity work with Olney MOMS club. Natalie and Chris are expecting a baby boy in November, who will join big brother, Emerson.

Answers to Social Security Quiz

1. False. 49% answered correctly.
2. True. 54% answered correctly.
3. False. 80% answered correctly.
4. False. 83% answered correctly.
5. True. 85% answered correctly.

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