



SPOTLIGHT ON FINANCE

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XML'S VIEW ON THE MARKET

What a difference two weeks can make on the markets, world economies and investors' confidence. Let's first talk about the 3rd quarter and then the first two weeks of October. Momentum shifted throughout the 3rd quarter as the broad market moved upward a couple percentage points, compared to the two 10% retreats in the first half of the year. Instead of summer doldrums, the U.S. markets slowly amassed momentum as most asset classes almost doubled, led by growth. Large value stocks were negative going into the 3rd quarter but ended up a few percentage points positive after the quarter ended.

XML'S VIEW ON THE MARKET CONTINUED...

The reason we mention “large value” is because the difference between value stocks and growth stocks widened even more during the 3rd quarter. Year-to-date, value stocks were up 3.9% vs growth stocks being up 17.1%. The difference was setting the stage for some type of correction that might have started in mid-September. This dispersion was led by technology and healthcare (mostly bio-tech). Those two sectors alone accounted for almost 40% of the S&P 500 returns for the year. What the average investor may not have realized is that many stocks were already headed for

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a bear market and the first sign was emerging markets for both stocks and bonds. Even though the U.S. Markets were strong during the period, international exposure was still in negative territory led by Brazil, China and India. There is still talk about Italy's bail-out package and of course we can't leave out Brexit.

Headlines of trade tensions continued to rise between the U.S. and China and investors started to become more worried about how China might retaliate. The tug of war between politics and fundamentals continued in the 3rd quarter. U.S. equities continued to perform well, harnessing momentum from strong U.S. growth and profits, but it was a reversal from the 2nd quarter with large-cap outperforming small-cap 7.7% vs 3.6%. Although domestically oriented small-cap stocks may have benefited from trade tensions in the second quarter, large cap stocks are still enjoying boosts from the tax cuts. Emerging market equities struggled to a lesser degree than in the second quarter, but still declined -0.9% as shocks in Turkey and Argentina were met with rate hikes, which echoed across other emerging markets in response to weakening currencies against the U.S. dollar. The mid-term elections are weighing in similarly to the lead up to President Trump's election two years ago.

Turning to fixed income, the Federal Reserve raised the federal funds rate for the third time this year, prolonging a challenging environment for bonds. U.S. core fixed income was flat, and the U.S. 10-year Treasury yield rose 20 basis points over the course of the quarter. Global high yield, however, was more resilient, returning 2.0%. Commodities were the laggard of the pack, returning -2.0%. Looking to the remainder of 2018, trade tensions and political risks could prevail, causing higher volatility and increasing the importance of a balanced and diversified approach to investing.

October has seen the return of market volatility, with the S&P 500 Index falling for seven consecutive sessions through the first two weeks in October; its longest losing streak in nearly

XML'S VIEW ON THE MARKET CONTINUED...

two years. It is to no surprise as the markets were hitting new highs and momentum was gaining speed. A combination of factors has led to this sell-off including fears of an overheating U.S. economy; Chinese economic deceleration, negative effects of tariffs on corporate earnings, perception of aggressive Federal Reserve rate hikes and elevated equity valuations. However, after considering each of these factors in turn, they each appear to be downside risks to an otherwise still positive outlook for the U.S. economy and corporate profits. Inflation still looks contained, the Chinese government has recently implemented a variety of stimulus measures to combat an economic slowdown, new tariffs still look like they can be absorbed by U.S. companies, interest rates are still rising slowly by historical comparison, and U.S. equity valuations are now marginally below average. As a result, this is likely a normal pocket of volatility, rather than the beginning of a bear market. Daily market moves of 1% up or down are not uncommon and have occurred an average 62 times a year since 1980. This year, we have seen 39 such moves. While this feels high when compared to 2017, it remains below the historical average. Given a still constructive

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backdrop, investors should resist the urge to time the market or abandon equities altogether. Rather, given that the U.S. economy is later in its cycle, this is a good time to ensure that portfolios are well balanced and diversified. If you have any questions or concerns about your portfolio, please give us a call.

SENIOR SPECIALS:

14 STATES WITH RETIREMENT INCOME TAX BREAKS

Looking to move in order to reduce your taxes in retirement? Think beyond the no-income-tax states to get big income tax breaks. The 14 states below don't tax any of your Social Security and exclude at least some private pension and IRA income from their taxes, with no income limits. So, even if you are a high-income earner, you can still get these tax breaks. Each state has its quirks, however. Some states exempt military pay. Some have age restrictions. Some have income limits. So, if you're planning to make a move in retirement and want to save on taxes, pick your state carefully and consult with your tax advisor.

ALABAMA

Unlimited exclusion for pension income from defined benefit retirement plans.

ARKANSAS

Up to \$6,000 in retirement plan benefits, including IRAs if you're 59-½ or older.

DELAWARE

Up to \$12,500 of dividends, capital gains, interest, rental income and distributions from qualified retirement plans once you're 60.

GEORGIA

Up to \$65,000 of retirement income if you're 65 or older. Up to \$35,000 if you're 62 to 64. Up to \$4,000 of the maximum exclusion amount may be earned income.

HAWAII

Unlimited for defined benefit pensions. Also, some 401(k) and even IRA withdrawals excluded if funds were rolled over from a plan that would have been excluded.

ILLINOIS

Unlimited for defined benefit pensions, 401(k)s, IRAs and certain capital gains on employer stock.

IOWA

Up to \$6,000 of pension benefits and other retirement pay if you're 55 or older.

KENTUCKY

Up to \$41,110 of income from a pension plan, annuity contract, profit-sharing plan, and IRAs.

SENIOR SPECIALS: 14 STATES WITH RETIREMENT INCOME TAX BREAKS CONTINUED...

LOUISIANA

Up to \$6,000 of pension and annuity income if you're 65 or older.

MICHIGAN

Up to \$49,861 in pension and retirement income if you were born before 1946. New restrictions effective for tax year 2012 reduced the breaks based on the year of your birth. For example, up to \$20,000 of all income for those born 1/1/1946 to 1/1/1950 is excludable.

MISSISSIPPI

Unlimited for all retirement plan income, including IRAs if you're 59-½ or older.

NEW YORK

\$20,000 of pension and annuity and IRA income if you're 59-½ or older.

PENNSYLVANIA

Unlimited for all retirement plan income, including IRAs.

SOUTH CAROLINA

Up to \$10,000 of any income if you're 65 or older (\$3,000 of certain retirement income if you're under 65).

THINGS TO DO BEFORE DECEMBER 31ST

- 1.** Make a holiday budget. The holidays are just around the corner. To reduce the urge to overspend, make a holiday budget (include gifts, charitable giving, entertaining, etc.) and stick to it!
- 2.** Set up retirement plans. 401(k), Solo 401(k) and 403(b) plans must be set up by December 31st.
- 3.** Take your RMD. If you turned 70-½ or older this year, you must take a required minimum distribution from your IRA accounts.
- 4.** Take Inventory. Beneficiary inventory, that is. Make sure your designations are current and reflect your wishes. If you have no beneficiary named, your assets will go through probate, which can take years and may not be distributed the way you intended.
- 5.** Review your will. Is it up to date? Are the beneficiaries correct (see #4 above)? Do you have one? if not, make an appointment with an estate planning attorney NOW! This is not something that should be put off for later.
- 6.** Capital Gains. Review your tax planning strategies with your financial and tax advisors. This is especially important if you are paying quarterly estimated taxes or paying Medicare premium (which are affected by your adjusted gross income).

If you need assistance with any of these things, give us a call!

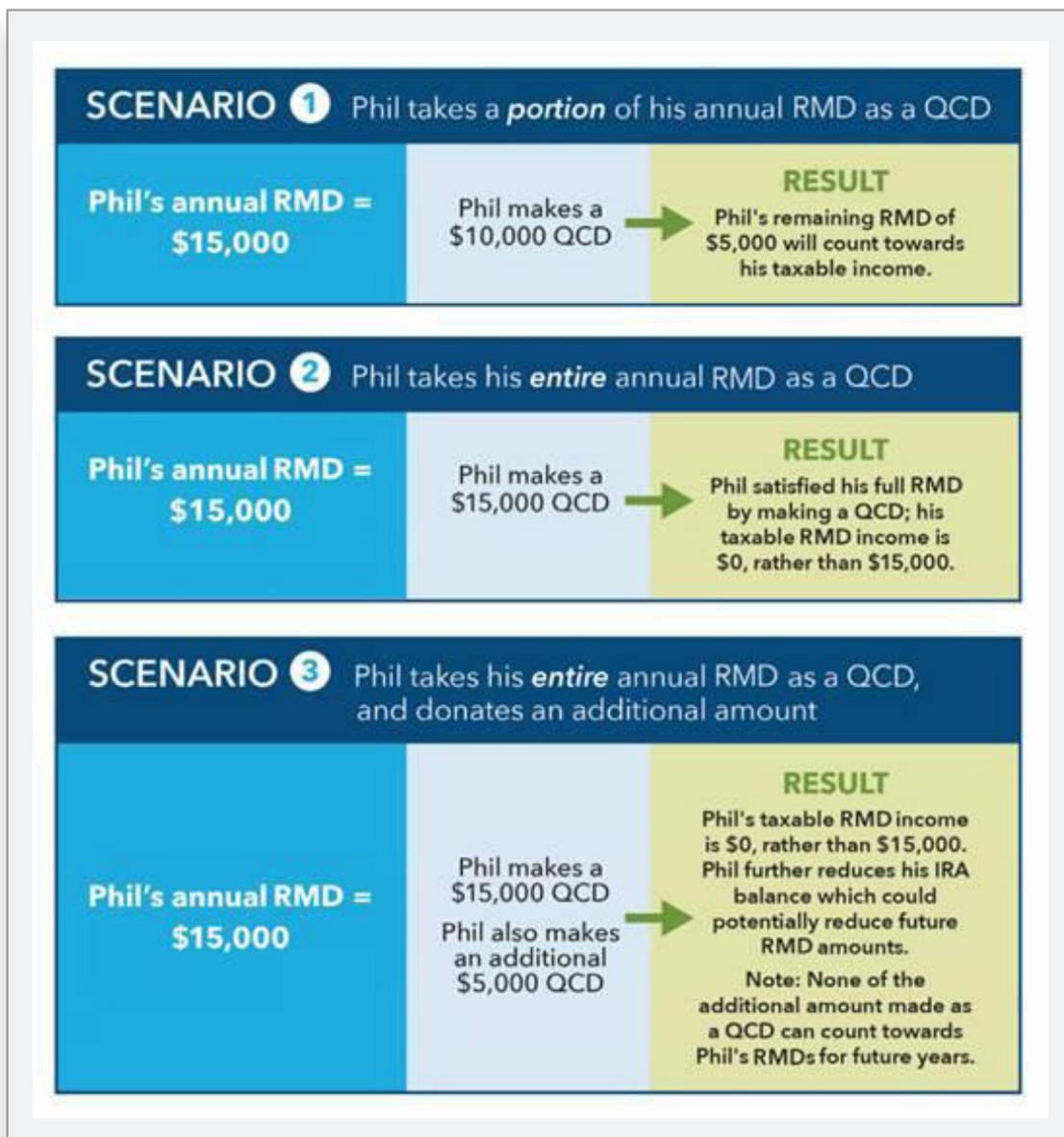
USING YOUR RMD TO CONTRIBUTE TO CHARITIES

If you plan on contributing to a charity before the end of the year and have not yet taken the required minimum distribution (RMD) from your IRA (for those age 70-½ or older), you can designate all or a portion of it, up to \$100,000 per year, to one or more charities. This is known as a Qualified Charitable Distribution, or QCD. Why is this a good idea?

- You don't need to itemize your taxes to get the tax benefit.
- If you're planning on donating to a charity, why pay with out-of-pocket, post-tax monies when you can do the same with pre-tax IRA monies and save money?
- Your charitable giving gives back to you in return, with dollar-for-dollar tax savings versus getting a few cents on the dollar since there is no income hurdle (2% of AGI) to surpass.
- A QCD is essentially treated as a tax-free distribution whereas, in general, normal IRA RMD distributions are taxable as ordinary income. However, be sure to claim this correctly with the IRS. Your IRA custodian is not required to specially identify the QCD on your annual 1099-R form. Because of that, the responsibility is on you to inform your tax preparer that you performed a QCD. If you don't let your preparer know, they will likely report this transaction as fully taxable, which would negate the benefit of your smart planning.
- Charitable organizations may appreciate the convenience of getting a one-time lump sum check rather than dealing with the administration and cost of handing smaller payments throughout the course of the year.

USING YOUR RMD TO CONTRIBUTE TO CHARITIES CONTINUED...

This QCD option is only available to Traditional IRA accounts. If you would like to discuss this charitable giving strategy further, give us a call.



REASONS TO MOVE TO INDEPENDENT LIVING BEFORE YOU NEED ASSISTED LIVING

Many seniors feel there is no real reason to move into a senior living community unless they need the services and support of assisted living. They may think “as long as I’m healthy and mobile, I can continue to live in my own home” or, “moving into a senior living community is giving up”.

However, many seniors who have made the move to independent living communities will most likely dispel that line of thinking. There are good reasons to relocate before you actually need assisted living. Consider these:

YOU LOSE THE WORRY AND THE EXPENSE OF HOME MAINTENANCE.

Take a critical look around your home. Is everything in good repair? If you are noticing some signs of neglect and deterioration it may mean you no longer have the desire or the energy to keep your home in tip-top shape. Perhaps it’s time to move, before your home investment begins to lose value. And another incentive to moving, housekeeping is either included or available!

EASING TRANSPORTATION CHALLENGES.

Traffic can be a nightmare, constant construction means changes to your usual routes, or perhaps your driving isn’t quite what it used to be.

Many independent living communities furnish transportation; some even have the products and services you need right onsite, including banks, stores, beauty and barber shops.

COOKING BECOMES OPTIONAL.

So, has cooking become a chore? Are you tired of all the shopping, chopping and cleaning up? Meals are included or available in independent living communities. From fine dining to casual cafés, many have it all! Want to eat breakfast in your own apartment? No problem, but lunch and dinner where someone else does the work... absolutely!



With independent living, you’re not giving up your freedom and independence, but you may get more convenience, enjoyment and peace-of-mind.



REASONS TO MOVE TO INDEPENDENT LIVING BEFORE YOU NEED ASSISTED LIVING CONTINUED...

BOOST YOUR SOCIAL LIFE.

Maybe your circle of friends has been diminishing. One of the best places to make new friends is at an independent living community.

The residents already living there are your peer group, plus, there are plenty of social amenities and activities at most independent living communities. You'll not only find companionship, but exercise classes, card games, painting classes and other arts and crafts and hobbies of all kinds, woodworking, movie nights, lunch and dinner outings, wine tastings, music, dancing and much more. Many independent living communities have clubhouses and swimming pools; some even have tennis and pickle ball and golf.

MAKING THE TRANSITION TO ASSISTED LIVING IS EASIER.

Once you have moved to an independent living community, at some point, you may need assisted living. Think of it as independent living with more personal services, and you can continue to enjoy many of the activities and conveniences you experienced in independent living. Plus, there is the added bonus of already being familiar with the community and most of the hard work of moving is done.

With independent living, you're not giving up your freedom and independence, but you may get more convenience, enjoyment and peace-of-mind. If you are struggling with this decision or considering making the change, your advisor can be your sounding board.



Think of it as independent living with more personal services, and you can continue to enjoy many of the activities and conveniences you experienced in independent living.



HURRICANE PREPAREDNESS

We may be approaching the end of hurricane season, which begins June 1st and ends November 30th, but are you prepared for the next one? Here is what to do before, during and after the storm.

SAFETY FIRST!

Plan evacuation routes and designate a “post-disaster contact” that family members know to call after a hurricane. Stock up on items such as a week’s supply of bottled water and canned goods, along with a manual can/bottle opener, flashlight, battery-operated radio or television, nails, tarps and plywood (a more comprehensive list of suggested supplies appears below this article). Keep an up-to-date log (including photos/videotape) of your possessions.

- Refill prescriptions, fill up your car’s gas tank and withdraw a week’s worth of cash, as power outages may temporarily interrupt services.
- Store valuable papers and items in waterproof bags.
- Cover windows and secure any outdoor items.
- Bolt tall bookcases and displays to wall studs.
- Secure breakable items in a stand using hook-and-loop fasteners
- Place large objects on low shelving.
- Install latches on drawers to prevent them from flying open.
- Secure pictures and mirrors to the wall with closed screw eyes and wires.
- Secure your water heater to the wall studs with plumbers tape/strap iron.
- If you are told to evacuate, do so immediately.

DURING A HURRICANE

- Tune into a battery-operated radio or TV and follow local authorities’ instructions.
- Seek shelter in an interior room away from windows, such as a closet.
- Don’t assume the hurricane is over when the wind subsides. The calm may be the eye of the storm, and the worst part may still be on the way.
- If the electricity goes out, use a flashlight only (not candles, as these present the risk of fire and/or carbon monoxide poisoning).

HURRICANE PREPAREDNESS CONTINUED...

AFTER A HURRICANE

- Stay inside until an “all-clear” is issued. If you have evacuated, don’t return until the area is re-opened.
 - When inspecting your home, wear sturdy shoes and clothing for protection. People are often hurt after a hurricane, rather than during it.
 - Allow only those trained to turn off damaged utilities and appliances.
 - Use only bottled water until tap water is determined safe, and do not eat foods stored in the refrigerator if the power was out.
 - Use the phone for emergencies only.
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INSURANCE CONSIDERATIONS

- In general, damage caused by wind, wind-driven rain and water that comes into your home through the roof, windows, doors or holes in the walls is covered by homeowner’s insurance. But damage from flooding or water that rises from the bottom up—from the overflow of a body of water, for example, or a storm surge—is not covered. That is usually covered by flood insurance. However, it still may be worthwhile to contact your home insurance company to see whether some of your expenses will be covered, such as wind damage to your roof or the additional living expenses you incurred while you were out of your house.
- If your car insurance includes comprehensive coverage (which insures against the type of physical damage not caused by an accident), then flooding would be covered. In many cases, the water damage can be so bad that the insurance company will declare the car a total loss and pay the claim for the value of the car (minus the deductible).
- Talk to your insurance agent to determine what coverage you have.

HURRICANE PREPAREDNESS CONTINUED...

EMERGENCY SUPPLIES CHECKLIST:

- Flashlight and extra batteries
- Battery-powered radio
- Ready-to-eat canned foods, fruits and vegetables. Also, energy foods, such as granola bars. Select foods that do not require refrigeration, cooking or preparation.
- Water stored in plastic containers
- Medications (prescriptions, pain & stomach relievers, etc.)
- Blankets
- Paper plates, cups and utensils
- Manual can opener
- Extra reading glasses
- First-aid supplies:
 - Adhesive bandages
 - Sterile dressing
 - Roller gauze bandages
 - Triangular bandages
 - Gauze pads
 - Germicidal hand wipes and alcohol-based sanitizer
 - Non-latex gloves adhesive tape
 - Cold packs
 - Scissors
 - Tweezers
 - CPR face shield

SCAMMERS IMPERSONATE THE SOCIAL SECURITY ADMINISTRATION

Your Social Security number is an important key for an identity thief. Scammers want it, and they think of all sorts of ways to trick you into giving it away.

The Social Security Administration has received reports about calls from scammers claiming to be from the Social Security Administration. They say there's been a computer problem, and they need to confirm your Social Security number.

Other people report that they have come across spoof websites that look like the place where you would apply for a new Social Security card – but these websites are actually a setup to steal your personal information.

If you get a phone call or are directed to a website other than SSA.gov that is claiming to be associated with the Social Security Administration, don't respond. It's most likely a scam.

HERE'S SOME TIPS TO DEAL WITH THESE GOVERNMENT IMPOSTERS:

Don't give the caller your information. Never give out or confirm sensitive information – like your bank account, credit card, or Social Security number – unless you know who you're dealing with. If someone has contacted you, you can't be sure who they are.

Don't trust a name or number. Con artists use official-sounding names to make you trust them. To make their call seem legitimate, scammers use internet technology to spoof their area code – so although it may seem they are calling from Washington, DC, they could be calling from anywhere in the world.

Check with the Social Security Administration. The SSA has a warning about these scams and suggests you contact them directly at 1-800-772-1213 to verify the reason for the contact and the person's identity prior to providing any information to the caller.

If you come across one of these scams, please report it to the Social Security Administration's Fraud Hotline at 1-800-269-0271, or 1-866-501-2101(TTY).

WESCHLER'S

ONE OF THE BEST KEPT SECRETS IN TOWN

Have you ever walked into a jewelry or furniture store and rolled your eyes at the high prices? If so, keep reading. On September 12th, XML-W hosted "A Night of Jewelry" at Weschler's Auctioneers & Appraisers in Rockville, Maryland. The event was a huge success and enabled our guests to better understand how an auction might be the smartest way to buy or sell art, furniture, rugs or jewelry.

As a brief history, Weschler's has been in the auction business since 1890 when Adam Weschler founded the company in Washington, D.C. Over the years, Weschler's has had the privilege of working with several government agencies, national banks, museums and prominent local estates such as the Marjorie Merriweather Post and Katherine Graham estates. Weschler's has a team of skilled appraisers and specialists that can help give guidance to people looking for an appraisal on an object of value they own or are looking to acquire. Here are a few reasons you may consider using Weschler's:

- **Purchasing Objects of Value** - Instead of paying high retail prices for your next heirloom, take a look at Weschler's quarterly sales called "Capital Collection Auctions".
- **Purchasing Everyday Items** - Every Tuesday, Weschler's has a weekly auction where household items are bought and sold. This includes all types of kitchen appliances, dishes, flatware and furniture. These sales are a great way to furnish a new dwelling for a fraction of what you would pay in a retail store.
- **Downsizing** - Whether you are downsizing or helping aging parents to downsize, Weschler's is a convenient way to sell all sorts of household goods and valuables.
- **International Exposure & Marketing** - Selling your jewelry or artwork through an auction means that you will have a potentially broader audience of buyers since Weschler's catalogs are viewed internationally.
- **Appraisal & Valuation** - One of the many skilled specialists at Weschler's can give you an appraisal or guidance on how much an item will sell for at auction.

Weschler's holds several different auctions during the year to include weekly sales for less expensive items and quarterly sales for more valuable pieces. You can preview the items before a sale by going to their new location at 40 West Gude Drive in Rockville, MD or you can view the items online. However, we think it may be best to look at something in person to make sure you like it before committing a bid. For jewelry, you can try on pieces and get an approximate price range an item might sell for at auction. If you are interested in learning more, you can go to Weschler's website. You can even sign up for their newsletter. Happy hunting!



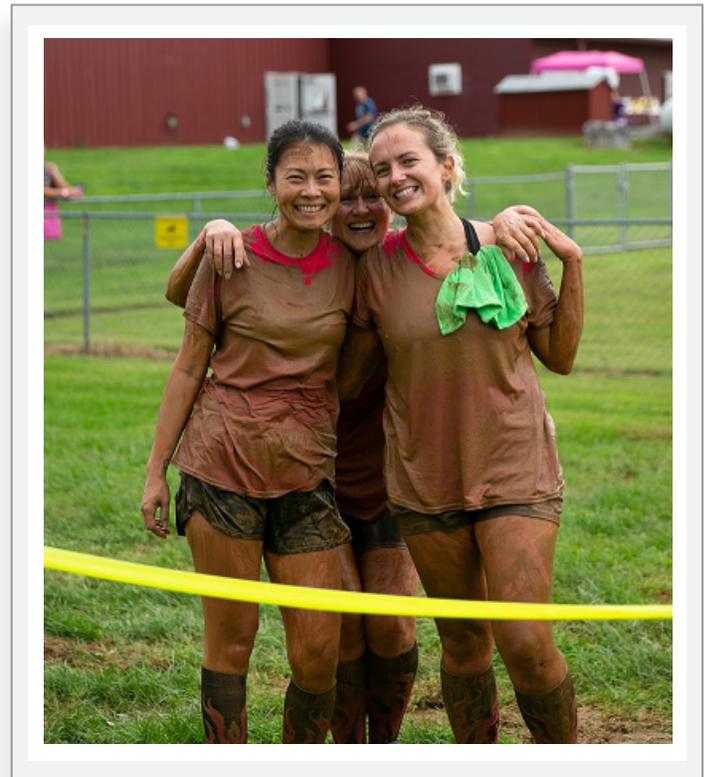
STAFF NEWS

Congratulations, Brett Bernstein! He was selected as a 2018 Washington D.C. Five Star Wealth Manager. He also received the award in 2015, 2016 and 2017. The award is based on 10 objective criteria associated with providing quality services to clients such as assets under management, client retention rate, regulatory record, number of households served, education and professional designations, among other factors. Wealth managers do not pay a fee to be considered or placed on the final list.

Partner Eric Wightman was a judge at the first Montgomery County Children's Business Fair on Saturday, September 22nd. The Fair inspires children ages 6-16 years old to discover their inner entrepreneur by giving them the opportunity to showcase their very own businesses. XML was proud to be a sponsor for the fair.

Avenel Living recently interviewed Partner Michelle Cooper about her soon to be released book, *I've Still Got Me — A Widow's Journey to Love, Happiness and Financial Independence*. The article can be viewed on our website.

XML is pleased to welcome two new staff members to the firm, Carter Shaffer, Financial Advisor and Debbie Rayman, Operations Associate. You can learn more about Carter and Debbie on our website.



Operations Associates, Stacey Lee, Janine Gonzaga and Administrative Assistant, Gina Neild, participated in the Muddy Mama's Mud Run on September 15th. Muddy Mama's is a community event in Washington County, MD designed to bring awareness to issues facing girls/women today: physical health and fitness including getting kid's active, building self-esteem, and promoting overall well-being.

STAFF NEWS CONTINUED...



XML was a sponsor of the 15th Annual JL Foundation Charity Invitation Golf Classic, held on Friday, September 14th at the PB Dye Golf Club. The JL Foundation raises money and awareness to combat diabetes. Business Development Officer, Jon Lowe, is a founding member and Chairman of the Board of the JL Foundation.

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We value our client relationships and appreciate you sharing your opinion about our firm. Any suggestions? Ways for us to improve? Let us know!

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