

January 2020

## The Capstone Quarterly

What a blessed Christmas season it was for all of us here around the office, we hope yours was just as enjoyable. A new decade is upon us bringing with it a chance for new opportunities. In this newsletter, Bryce talks about the tariffs and Casey discusses some new rules having to do with IRAs.

### Bryce's Point of View



-By Bryce Pease, CFP®, Chief Investment Officer

Welcome to 2020! A new year and a new decade! We hope you had a nice holiday season. We look forward to the coming year and all the excitement it will bring.

It looks like the U.S. tariffs on Chinese goods hurt them a lot more than it hurt us. If you're not an importer or a soybean farmer, you might not have noticed the trade war, but the Chinese sure have. Chinese exports dipped 1.1% in November over last year, marking the 12<sup>th</sup> consecutive month of declines. That might not sound like a big drop, but China relies on exports for almost 20% of GDP. As world growth slows, every little bit counts.

Over the last year, exports to the U.S. dropped a whopping 23%, which probably explains why Chinese officials have sounded optimistic about a trade deal. They really want it to happen.

But in the U.S., people seem less concerned. The stock market is up more than 25% this year, unemployment just plummeted to a 50-year low, and GDP growth remains steady, even at a low level. Besides, the Chinese just demanded that all government offices and agencies replace foreign technology over the next three years, which means throwing U.S.-made computers in the trash in favor of Chinese products. That's not a good way to make friends and influence people.

As we move into the new decade, tariff talk will pick up as we approach the January 15<sup>th</sup> date for signing Phase One and could, from time to time, even be louder than the impeachment proceedings in Washington. Unlike the trade war, everyone seems pretty confident about what will happen inside the beltway, so that probably won't affect the markets. While the trade war doesn't seem to have derailed the U.S. economy the rising chatter could dampen the markets a bit especially as we get closer signing a trade agreement.

### Casey's Corner

-By Casey Morris, CFP®



### The SECURE Act

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act) was signed into law on Friday, December 20<sup>th</sup> becoming effective on January 1, 2020.

Here are two of the major changes created by the new law:

**1. Required Minimum Distributions (RMDs) will start at age 72, not 70½.**

Starting January 1, 2020 clients will need start withdrawing money from traditional IRA accounts (or TSP, 401k, etc) at age 72, a change from the current withdrawal requirement of age 70½. This new rule only applies to those who will turn 70½ in the year 2020 or later. If you have already started your RMDs (or should have started), then you must continue to do so.

**2. Individuals can contribute to Traditional IRAs after age 70½**

Beginning with the 2020 tax year, the new law will allow people to contribute to their traditional IRAs in the year they turn age 70½ and beyond, provided they still have earned (working) income.

Other changes in 2020 (not having to do with the SECURE Act) include the increased contributions towards 401(k)s, Thrift Savings Plans, 403(b)s, and most 457 plans. The contribution limit has increased from \$19,000 to \$19,500 per year. The “catch-up contribution” for those over age 50 has also increased from \$6,000 per year to \$6,500. SIMPLE IRA retirement accounts have increased as well from \$13,000 per year to \$13,500. The limits for Traditional and Roth IRAs remain unchanged for 2020 at \$6,000 per year with and additional \$1,000 per year as a “catch-up” for those over age 50.

Feel free to contact us to determine how these new rules can affect you.

## Finally...

Don't forget, you have until the tax filing deadline in April to contribute to your IRA accounts for 2019. If you haven't done so already, give us a call so we can get the ball rolling.

As always, if you have any questions about the markets, or about your portfolio, please let us know. We love to hear from you. Feel free to share this report with others that may be interested.

Sincerely,

The Team at Capstone Pacific

P.S. If you ever run across anyone who could use our services, we always appreciate it when you pass on our name.

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