# WEEKLY MARKET COMMENTARY

For the Week of August 26, 2019

## THE MARKETS

Stocks tumbled Friday after the President tweeted orders for all U.S. manufacturers to find alternatives to their operations in China. China also announced it would impose tariffs on more American goods in response to the Trump administration's levies scheduled to go into effect Sept. 1. For the week, the Dow fell 0.98 percent to close at 25,628.90. The S&P lost 1.42 percent to finish at 2,847.11, and the NASDAQ dropped 1.83 percent to end the week at 7.751.77.

| Returns Through 8/23/19 | 1 Week | YTD | 1 Year | 3 Year | 5 Year |
|---|---|---|---|---|---|
| Dow Jones Industrials (TR) | -0.98 | 11.64 | 2.28 | 14.04 | 11.23 |
| NASDAQ Composite (PR) | -1.83 | 16.83 | -1.61 | 13.81 | 11.30 |
| S&P 500 (TR) | -1.42 | 15.08 | 1.69 | 11.41 | 9.67 |
| Barclays US Agg Bond (TR) | 0.08 | 8.87 | 9.78 | 3.00 | 3.38 |
| MSCI EAFE (TR) | 0.86 | 8.68 | -3.37 | 5.07 | 1.83 |

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

**Not a Penny** — 44.4 percent of U.S. individual tax filers (76.4 million out of 172.0 million) did not pay any federal income tax in tax year 2018, i.e., four out of every nine tax units in the United States (source: Tax Policy Center, BTN Research).

**Not the U.S.A.** — There are 10 countries in the world that maintain the top credit rating from each of the three major credit rating agencies, including Canada, Germany and Sweden (source: Trading Economics, BTN Research).

**Up the Cost** — China has increased the tariff applied to imports coming into its country from the U.S. by an average of 12.4 percent since May 2018 (source: Peterson Institute, BTN Research).

## WEEKLY FOCUS – When You Inherit a 401(k)

Today's article looks at actions you can take when you inherit a 401(k) besides taking a lump sum and paying taxes on the full amount.

**If you were married to the deceased**, you have the option to roll your late spouse's 401(k) into your own 401(k) – if your plan allows you to. As long as you're working, you won't have to take required minimum distributions (RMDs) from your 401(k). You can also roll it into your existing IRA account. If you are younger than 70½, you won't need to take RMDs on the inherited funds in your IRA even if your spouse was over 70½. But if you are under 59½, any early withdrawals you take will incur a 10 percent penalty tax.

In either case, ask your spouse's employer to transfer the funds directly. If you receive a check instead, your spouse's employer will withhold 20 percent of the balance for the IRS. And if you don't deposit the check in your IRA or 401(k) within 60 days, the whole amount will be taxed.

**Regardless of your relationship to the deceased**, you may be able to leave the funds in their employer's plan, which may offer lower-cost investment options. Some plans even allow periodic payments, especially if the account holder was receiving such payments. Each 401(k) plan has its own rules. To limit administrative resources, many plans require a lump-sum distribution or limit the amount of time you can keep funds in a deceased family member's plan. RMDs must continue if the deceased had started taking them or must start the year the employee would have turned 70½.

The other option is to roll the funds into an Inherited IRA (keeping it separate from any other IRA). If the account holder was over 70½, you can take annual distributions over your lifetime starting by Dec. 31st of the year following the deceased's death. If they were under 70½, you can choose lifetime withdrawals or a five-year withdrawal. If the SECURE Act (a retirement bill currently in the Senate) passes, non-spouse beneficiaries will need to withdraw money from an inherited retirement account within 10 years.

The rules concerning 401(k)s, IRAs and rollovers are complicated. We can work with your trusted advisors to help you make wise decisions regarding an inherited retirement account or make sure your own estate plan thoughtfully addresses your retirement accounts. *Consult your tax advisor regarding your own unique situation.*

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Joseph A. Schoenhardt
James C. Hinchsliff, ChFC, CLU

1127 S. Manheim Road Ste. 205 • Westchester, IL 60154
(708)410-0400 • www.infinityfinancial.org



* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. 