



# WORTH A REED

First Quarter 2020

## From the Top

This April, Reed Financial Services will celebrate 36 years of providing a different level of financial care to our clients. Our goal has always been to help clients simplify life so they can focus on the things that matter most to them. In order to better serve our clients, we continually challenge our staff to grow as a team and individually. Over the past year we had a few individuals in our organization earn some special achievements that we wanted to share and we also would like to introduce a new member of the team.

### Janet Edwards

Janet has been with RFS for nearly eight years and has worked in financial services for over 20 years. Many of you have come to rely on her as your primary contact for the firm. It is often said that when you are not sure who to turn to, call Janet! Last year Janet became a partner of the firm and we couldn't be more excited. Over the years we've relied on Janet's knowledge, dedication and service to our client relations department and are fortunate to now have Janet as a business partner as well.

### Evan Watson

Evan is our investment analyst, who has been with us about three years now. He recently achieved his Master of Financial

Economics (MFE) degree at Ohio University in 2019. This program is extremely relevant to Evan's position with the firm as it focuses on essential skills in the area of portfolio management and investment selection, timing and analysis. The MFE program at Ohio University is affiliated with the CFA Institute, which awards the Chartered Financial Analyst (CFA) charter, a highly respected investment credential in the industry. Evan is pursuing his CFA, which requires successful completion of three separate exams. We are proud to report that Evan successfully completed the first of those three exams in December. One down and two to go!

### Liam Studt

Liam is our financial analyst and he successfully completed his Series 7 exam in December on his first attempt. According to FINRA, "The exam measures the degree to which each candidate possesses the knowledge needed to perform the critical functions of a general securities representative, including sales of corporate securities, municipal securities, investment company securities, variable annuities, direct participation programs, options and government securities." Earning his Series 7 license demonstrates Liam's focus and dedication and we're extremely proud of his accomplishment. He has been responsible for preparing Amanda for updates and financial planning for the last two years.

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## From the Top (continued)

### Colleen Cleary

Colleen, our new financial advisor, joined the firm three months ago with over 30 years of experience in the tax services and financial planning industries. Colleen is a Certified Financial Planner and a Certified Public Accountant with the additional specialty credential of Personal Financial Specialist (PFS), issued by the AICPA for CPAs specializing in various areas of financial planning. Over her career, Colleen has focused on complex tax and planning topics, estate planning, executive compensation, budgeting, retirement and cash flow planning, which are all areas our clients are asking about. We are excited to have Colleen join us and look forward to putting her wealth of knowledge and expertise to work in helping to service your needs and achieve your goals.

### Reed Financial Services Today

Thirty-six years ago, it was just Jim and Marsha running the show, today we are a team of twelve with different talents all working toward the same goals. We are including an organization overview to familiarize everyone with the team and our roles and responsibilities. As always, we promise our clients a real voice at the other end of the phone line ready to help and serve. ■

## *Dedicated Support For RFS Clients*

**Dedicated to assisting clients in the arrangements of their financial affairs.**

**Responsible for strategic planning and advice**

**James M. Reed, CPA, CFP**  
36 years industry experience  
President

**Amanda Lisachenko, CFP**  
22 years industry experience  
Chief Operating Officer  
Senior Advisor

**Colleen M. Cleary, CPA/PFS, CFP**  
25 years industry experience  
Financial Advisor

**Provide in-depth analysis of investments, portfolios**

**Evan Watson**  
6 years industry experience  
Investment Analyst

**Prepares financial plans and handles follow-up on planning meetings and questions**

**Liam Studt**  
3 years industry experience  
Planning Associate

**Striving to simplify your life through problem solving and communication.**

**Responsible for cash needs and contributions, account transfers and roll-overs, RMDs, beneficiary updates**

**Janet Edwards**  
21 years industry experience  
Director of Client Relations

**Cathleen Pegg**  
15 years industry experience  
Client Relations Paraplanner

**Katie Sabo**  
12 years industry experience  
Client Relations Specialist

## *Firm Wide Support*

**Troy Hammer**  
23 years experience  
Operations and Administration  
**Handles fee billing questions**

**Mark Lisachenko**  
23 years experience  
Technology and Risk Management  
**Assists clients with identity theft protection, credit freezes, portal access**

**Michelle Hohlbaugh**  
21 years industry experience  
Senior Executive Assistant  
**Estate summary creation, event planning**

**Nikki Huffman**  
14 years industry experience  
Executive Assistant  
**Coordinates meetings, handles RFS correspondence**

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## Meet New RFS Team Member, Colleen Cleary



Hello. My name is Colleen Cleary, and I became a member of the Reed Financial Services team in early November. Some of you may have met me at the Friends and Family event at the Cleveland Art Museum in December.

I thought I would give you a quick summary of my background so that you can get to know me a little better. I am originally from the Albany, NY area, but relocated to Ohio over 20 years ago. My educational background began at Siena College in upstate NY, where I obtained a Bachelor of Business Administration degree with a major in accounting. After graduation I worked in the field of public accounting and became a CPA. If anyone had told me back then that I would find myself in Cleveland, Ohio, I wouldn't have believed them, but I am so happy that I relocated to this area of the country.

After my move to Cleveland my job focus broadened to the area of financial planning. I decided to study for and take the Certified Financial Planner exam so that I would be well prepared to assist my clients in managing their current financial life and developing strategies to help them reach their long-term financial goals. While my job title at Reed Financial Services is Financial Advisor, my responsibilities are varied. In addition to helping the client services and planning teams with day to day client needs, I am here to share my financial planning and tax knowledge and experience with all the talented individuals that work together as your financial services team.

Both of my children live out of town, so there is never enough time spent with them. My son Kevin and his wife Stephanie live in Columbus and my youngest son Greg lives in Saratoga County, NY. On most of my days off you can find me cooking, working on home improvement projects or enjoying outdoor activities such as gardening, cycling and hiking with my fiancé Jim. I look forward to getting to know more about all of you in the coming months.■

## ESG Investing

Evan Watson, Investment Analyst

In our modern world of investing we continue to add metrics and data points to our analysis. As we grow to understand the world around us, we also learn how we impact it as well. One-way investing is starting to adapt to these changes is the inclusion of ESG investing. Although most see this as a simple way to improve our world, it comes with many intricacies and may not always be a positive.



ESG is an acronym that stands for Environmental, Social, and Governance. These are areas that investors are looking at to invest with a purpose. These tend to be based off our personal ethics or beliefs. For example, someone who is against cigarette smoking may look for a portfolio that excludes Tobacco companies.

Environmental issues tend to be centered around climate change. These tend to be things like excluding oil and gas companies or investing in green energy like solar or wind. Social issues are a bit more personal as they tend to include things like child labor and other human rights issues. Lastly, Governance covers areas like executive compensation, board independence, and investors rights. Although it seems that these investments could be straightforward, the reality is much different.

Imagine you are running a stock portfolio that is focused on ESG investing. Ignoring all of the traditional stock picking techniques, we will still have a difficult time coming up with an ESG portfolio. ESG managers must answer a few questions before they can even begin to look at the stocks available to them. First, they must ask, are we going to be passive or active. ESG can be passively managed through a screening process. They tend to be focused on specific topics and either are inclusive of an entire category, like wind energy, or exclude an entire category such as an S&P 500 excluding oil and gas. Actively managed portfolios provide a bit more flexibility, but still have some critical issues.

Let's say that we have decided we are going to be an actively managed fund. Now we must decide if we are going to be a broadly managed ESG fund or target a specific issue that is near and dear to us. A broadly managed ESG fund looks at a group of stocks and decides which ones are doing the best job. This is another tricky area we will touch on later. If we decide to be more targeted, we could focus on a specific issue like alternative energy sources. However, instead of owning all the green energy, we can now look for those

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# 2019 Year-end Federal Tax Measures Result in Sweeping Changes to the Retirement Landscape

By Colleen M. Cleary, CPA/PFS, CFP®



## THE SECURE ACT

The Setting Every Community Up for Retirement Enhancement Act (**The SECURE Act**) was signed into law by President Trump at the end of December and made some very significant changes to retirement planning for individuals. The most talked about changes

relate to IRAs and include the following:

- ♦ **Elimination of the Stretch IRA** - Elimination of “stretch IRAs” for most non-spouse beneficiaries. Please note that this change applies to owner’s dying in 2020 and beyond. In most cases, non-spouse beneficiaries of inherited IRAs and retirement plans will now be forced to distribute the entire balance of the account by the end of a 10-year period beginning with the owner’s death. This change greatly limits the use of “stretch IRAs” as wealth transfer/estate planning tools and will require the review of many beneficiary designations, estate plans and distribution strategies.
- ♦ **RMD Age Extended to 72**- For individuals with birthdates on or after July 1, 1949, required minimum distributions (RMDs) must now begin by April 1 of the year after the account owner turns age 72 rather than 70 ½.
- ♦ **QCDs still Permitted at 70 ½**- For individuals that are charitably minded, Qualified Charitable Distributions (QCDs) from IRAs are still allowed beginning at age 70 ½. This rule allows you to make donations of up to \$100,000 a year directly from your IRA to charity.
- ♦ **Age Limit Removed for IRA Contributions** - There is no longer an age limit for making contributions to traditional IRAs. This allows individuals working beyond traditional retirement age to continue to contribute to traditional IRAs beyond age 70 ½ (subject to earned income guidelines).
- ♦ **Potential for Penalty-Free Withdrawals for Unreimbursed Medical Expenses**- Individuals may withdraw penalty-free from IRAs and qualified retirement plans to cover unreimbursed medical expenses that exceed 7.5% of their adjusted gross income (AGI) for 2020 (this threshold changes to unreimbursed medical expenses in excess of 10% of AGI in 2021).
- ♦ **Student Loan Repayment Through 529 Savings**- College Savings Section 529 plan assets can now be used to pay for the cost of apprenticeship programs registered with the US Department of Labor. In addition, 529 plan assets can now be used to repay up to \$10,000 of student loans for an account beneficiary and each of their siblings, up to a \$10,000 lifetime maximum per person.
- ♦ **Kiddie Tax Rule Changes**- There is a change in the tax calculation method used for children with unearned income subject to taxation under the “Kiddie Tax” rules. The parent’s tax rate schedule will now be used to calculate the child’s federal tax liability rather than the trust tax rate schedule. This change is mandatory for tax years beginning 2020 but taxpayers may elect to apply the parent’s rate for tax years 2018 and 2019. Please discuss with your tax preparer.
- ♦ **Changes to Part-Time Retirement Plan Restrictions**- Most part-time workers age 21 and older who work at least 500 hours in each of three consecutive years will now generally be able to participate in company retirement plans. This change applies to plan years beginning on or before January 1, 2021.
- ♦ **Retirement Plans Annual Statements**- Workers will begin to receive annual statements from their employers that will estimate how much their retirement plan assets are worth, expressed as monthly income receivable over their lifetime.
- ♦ **Ease of Offering Lifetime Income Annuities**- New laws will make it easier for employers to offer lifetime income annuities in retirement plans. In addition, if a plan discontinues this type of investment it can now be directly transferred to another retirement plan, avoiding possible surrender charges and fees.

The SECURE Act also includes several other provisions that benefit individuals:

**Penalty-Free Withdrawals for New Parents**- Individuals may now make penalty-free early withdrawals of up to \$5,000 from IRAs and qualified retirement plans within one year of the birth or adoption of a child. Regular income taxes will still apply.

The SECURE Act changes will impact retirement income planning for many individuals. Reed Financial Services will continue to stay on top of new retirement developments and strategies that may impact your financial situation and will contact you if an issue warrants further discussion. As always, please keep us informed of any changes in your personal situation and wishes. We are here to help. ■

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## HealTech Hub- Gene Sequencing & Editing

– Evan Watson, Investment Analyst

Welcome back to the Healthcare & Technology hub! Last issue, we discussed electric vehicles. Since then, the topic has only become more front and center as Tesla, a leader in the space, has seen its stock price soar. We now are going to focus on something else that is front and center, but much more behind the scenes.

For years, the key to understanding our health and well being comes from DNA. Scientists have been working hard to sequence the genome of many biological creatures. This includes things like humans, bacteria or viruses, and cancer. DNA is used by our bodies to make up our genes. These are the base products that come together to make one protein. If you sum up all of the genes in our body, you get the genome. The genes and genomes range in size and can have extra DNA sequences that make sequencing the gene very difficult.

As mentioned, sequencing the gene is a critical effort for scientists. But what impact could this have for us? Well, this could change how we develop medicines and treat illnesses. Some diseases, like muscular dystrophy, are the result of a miscoding of DNA. What scientists hope to achieve is to understand which of the DNA strands are the result of this disease. Additionally, sequencing DNA can also make it easier for us to identify illnesses. For example, the recent outbreak of Coronavirus was able to be identified faster than it would have in the past because of what we know about the genome.

Sequencing the gene is only the beginning of the road though. Once we understand the gene, we can adapt how we interact with it. There are technologies that have been developed that make editing the gene possible. This would be instrumental in not only treatment but curing some diseases. As mentioned, diseases like muscular dystrophy are the result of a miscoded DNA. If we can understand the gene that is defective and then use a treatment to alter the DNA to the correct coding, we could alleviate someone from living with this disease.



These types of gene therapies aren't science fiction anymore. The most exciting treatment goes by the name CRISPR-Cas9. CRISPR was a discovery made in bacteria and archaea in the late 80's. It essentially gives the bacteria the ability to adapt to attackers and have a "memory" or previous infections. This breakthrough is now intended to be used to help modify DNA in humans because of how inexpensive and accurate it is relative to other treatments.

Gene editing has not come about without controversy. The most recent controversy comes from a Chinese Scientist who has claimed to have protected twin babies from HIV. The children had a parent that was diagnosed with the disease and forced the parents to seek out other ways to have their babies. The doctor claims to have performed "gene surgery" and the children were born healthy and HIV free. However, scientists around the world were highly scrutinous of this act because of the lack of research that has been done. One thing that can happen when editing genes is that there could be secondary impacts to the subject. We do not yet fully understand the full human genome, and this could lead to other adverse effects of which we are currently unaware.

Looking ahead to the future of medicine, we could see treatments that are tailored just to us. It could also help to cure some of the diseases that have ailed many in the past. As always, we are looking to enhance the world around us. ■



### BE VIGILANT OF SCAMS DURING TAX SEASON

Here are a few tips to help you avoid being scammed. IRS employees will not:

- ◆ Call demanding an immediate payment.
- ◆ Call you without first sending a bill in the mail.
- ◆ Demand you pay your taxes in a specific way.
- ◆ Ask for credit or debit card numbers over the phone.
- ◆ Threaten to have you arrested.
- ◆ Threaten legal action.

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## ESG Investing (continued)

that are also well-run investments, pruning the lackluster companies.

So, we have decided to be an actively managed fund that focuses on broad ESG because of the flexibility. We have one more question to ask ourselves: Are we going to make an impact or just invest in the companies we feel best about. As an impact fund, we could make our presence known to the companies we own. This would allow us to be more involved in things like voting or giving guidance to the management teams. As an alternative, we could just trust in the management we have selected.

Enough of the questions, let's get down to doing our analysis on these companies. Now we have run into another problem. There are only a few companies that provide ESG data and each is proprietary. Now we must go through the data and determine which pieces are relevant to us and if they indicate the risks that may be included. The bottom line is that there is not a set standard that we can use to determine the actual ESG performance.

Investors face the same issues as the fund managers. We must determine what our best course of action would be and must compare that with the risks associated. This includes looking at comparing the desired effects while still providing reasonable returns and moderating risks associated with performance. Additionally, imposing our beliefs on other areas of the world doesn't always have the desired effect. Some issues around human rights require the lens of the countries socioeconomic backdrop. Although things like child labor seem unimaginable to us, these children don't have the same educational opportunities as our children. Punishing a company that provides them with the ability to make a menial wage may cause more harm than good for these people.

ESG is not a straightforward topic and does require some deep thought. Although it is important that we continue to improve the world we live in, it is just as important to determine how best to go about that. This might include looking for groups outside of investing that are making positive impacts. ■

### Environment

- Client change strategy
- Greenhouse gas emissions goals
- Carbon footprint and carbon intensity
- Water-related issues and goals, such as usage and conservation
- Usage of renewable energy including wind and solar.
- Recycling and safe disposal practices.
- Green products, technologies, and infrastructure.

### Social

- Equal opportunities
- Health and safety
- Freedom of association
- Human rights
- Customer and product responsibility
- Social impact of products and services
- Supply chain management

### Governance

- Executive compensation
- Business ethics
- Compliance
- Board Independence
- Shareholder democracy
- Shareholder structure
- Taxes

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