

Bartholomew & Company Monthly

Providing Trusted Financial Advice Since 1994



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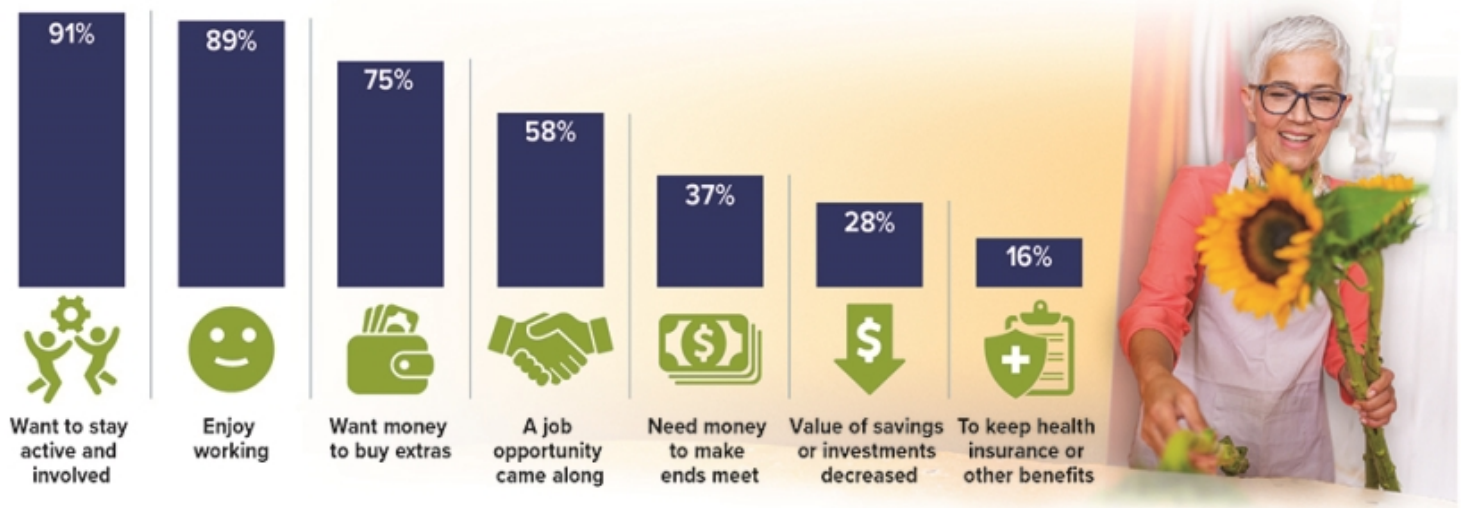
The bad news is time flies. The good news is you're the pilot. -Michael Altshuler

It's always a good idea to have a periodic investment review to determine if adjustments are needed to keep you on track. Year-end is a great time to schedule your review and set goals for the new year. Please call our office to arrange your virtual or socially-distanced, in-person review.

Working in Retirement

In 2020, 74% of workers said they expected to work for pay after retiring from their regular jobs, but only 27% of retirees said they had actually done so. This large gap between expectation and reality has been fairly consistent in surveys over the past 20 years, and there is no reason to expect it will change. So it may be unwise to place too much emphasis on income from work in your retirement strategy.

Most retirees who worked for pay reported positive reasons for doing so; however, there were negative reasons as well.



Source: Employee Benefit Research Institute, 2020 (2019 data used for chart, multiple responses allowed)

Five Investment Tasks to Tackle by Year-End

Market turbulence in 2020 may have wreaked havoc on your investment goals for the year. It probably also highlighted the importance of periodically reviewing your investment portfolio to determine whether adjustments are needed to keep it on track. Now is a good time to take on these five year-end investment tasks.

1. Evaluate Your Investment Portfolio

To identify potential changes to your investment strategy, consider the following questions when reviewing your portfolio:

- How did your investments perform during the year? Did they outperform, match, or underperform your expectations?
- What factor(s) caused your portfolio to perform the way it did?
- Were there any consistencies or anomalies compared to past performance?
- Does money need to be redirected in order to pursue your short-term and long-term goals?
- Is your portfolio adequately diversified, and does your existing asset allocation still make sense?

2. Take Stock of Your Emergency Fund

When you are confronted with an unexpected expense or loss of income, your emergency fund can serve as a financial safety net and help prevent you from withdrawing from your investment accounts or being forced to pause your contributions.

If you haven't established a cash reserve, or if the one you have is inadequate, consider how you might build up your cash reserves. A good way to fund your account is to earmark a percentage of your paycheck each pay period. You could also save more by reducing your discretionary spending or directing investment earnings to your emergency account.

3. Consider Rebalancing

A year-end review of your overall portfolio can help you determine whether your asset allocation is balanced and in line with your time horizon and goals. If one type of investment performed well during the year, it could represent a greater percentage of your portfolio than you initially wanted. As a result, you might consider selling some of it and using that money to buy other types of investments to rebalance your portfolio. The process of rebalancing typically involves buying and selling securities to restore your portfolio to your targeted asset allocation based on your risk tolerance, investment objectives, and time frame. For example, you might sell some securities in an overweighted asset class and use the proceeds to purchase assets in an underweighted asset class; of course, this could result in a tax liability.

Year-End Investment Checklist



Remember that asset allocation and diversification do not guarantee a profit or protect against loss; they are methods to help manage investment risk. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

4. Use Losses to Help Offset Gains

If you have taxable investments that have lost money and that you want to sell for strategic reasons, consider selling shares before the end of the year to recognize a tax loss on your return. Tax losses, in turn, could be used to offset any tax gains. If you have a net loss after offsetting any tax gains, you can deduct up to \$3,000 of losses (\$1,500 if married filing separately). If your loss exceeds the \$3,000/\$1,500 limit, it can be carried over to later tax years.

When attempting to realize a tax loss, remember the wash-sale rule, which applies when you sell a security at a loss and repurchase the same security within 30 days of the sale. When this happens, the loss is disallowed for tax purposes.

5. Set Goals for the New Year

After your year-end investment review, you might resolve to increase contributions to an IRA, an employer-sponsored retirement plan, or a college fund in 2021. With a fresh perspective on where you stand, you may be able to make choices next year that could potentially benefit your investment portfolio over the long term.

Incapacity and Advance Medical Directives

At some point in your life, you may lose the ability to make or communicate responsible health-care decisions for yourself. Without directions to the contrary, medical professionals are generally compelled to make every effort to save and sustain your life. Depending on your attitude toward various medical treatments and your views on the quality of life, you may wish to take steps now to control future health-care decisions with one or more advance medical directives.

What Is an Advance Medical Directive?

The laws of your state may allow you to adopt one or more advance medical directives to manage your future medical care. There are three main types of advance medical directives: (1) a living will, (2) a durable power of attorney for health care, and (3) a do-not-resuscitate order. Each has unique characteristics and is useful under specific circumstances. You may find that one, two, or all three advance medical directives are necessary to express all your wishes regarding medical treatment.

Living Will

A living will is a legal document that specifies the types of medical treatment you would want, or not want, under particular circumstances. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."

Durable Power of Attorney for Health Care/Health-Care Proxy

A durable power of attorney for health care (DPAHC), also known as a health-care proxy, is a legal document in which you appoint a representative to make medical decisions on your behalf if you become unable to make or communicate them yourself. It allows you to exercise control over your health care through this representative, who will have the authority to make most medical care decisions for you.

You may want to appoint such a representative to act on your behalf. If you don't, medical professionals will generally be compelled to do everything possible to save and sustain your life. A DPAHC can resolve conflicts and help ensure that your choices regarding medical treatment are respected. A DPAHC may not be practical in an emergency — your representative must be present to act on your behalf.

Do-Not-Resuscitate Order

A do-not-resuscitate (DNR) order is a legally binding order, signed by both you and your physician, that directs medical personnel not to perform cardiopulmonary resuscitation (CPR) or other invasive procedures on you if you stop breathing or your heart stops beating. A DNR is the only advance medical directive specifically intended for use in an emergency. There are two types of DNRs: One is effective only while you are hospitalized; the other is used by people outside the hospital. ID bracelets, MedicAlert® necklaces, and wallet cards are some methods of noting DNR status.

More to Consider

- The laws on advance medical directives vary considerably from state to state. If you spend a significant amount of time in a state other than where you live, you may want to research that state's laws as well.
- Review your advance medical directives periodically to ensure they reflect your current wishes and attitude.
- Discuss your advance medical directives with appropriate persons (perhaps your doctor, your DPAHC representative, your family, and your friends).
- If you have multiple advance medical directives, make sure your instructions are stated consistently throughout. In many states, the most recent document prevails in case of a conflict.

Incapacity and Advance Medical Directives

ADVANCE MEDICAL DIRECTIVE

Living will

Durable power of attorney for health care

Do-not-resuscitate order



USED TO

Decline medical treatment for terminal illness or injury

Appoint representative to make medical decisions for you

Direct medical personnel not to perform CPR

Three Questions to Consider During Open Enrollment

Open enrollment is your annual opportunity to review your employer-provided benefit options and make elections for the upcoming plan year. You can get the most out of what your employer offers and possibly save some money by taking the time to read through your open enrollment information before making any benefit decisions. Every employer has its own open enrollment period (typically in the fall) and the information is usually available online through your employer.

What are your health plan options? Even if you're satisfied with your current health plan, it's a good idea to compare your existing coverage to other plans being offered next year. Premiums, out-of-pocket costs, and benefits often change from one year to the next and vary among plans. You may decide to keep the plan you already have, but it doesn't hurt to consider your options.

Should you contribute to a flexible spending account? You can help offset your health-care costs by contributing pre-tax dollars to a health flexible spending account (FSA), or reduce your child-care expenses by contributing to a dependent-care FSA. The money you contribute is not subject to federal income and Social Security taxes (nor generally to state and local income taxes), and you can use these tax-free dollars to pay for health-care costs not covered by insurance or for dependent-care expenses. Typically, FSAs are subject to the use-it-or-lose-it rule,

which requires you to spend everything in your FSA account within a calendar year or risk losing the money. Some employers allow certain amounts to be carried over to the following plan year or offer a grace period that allows you to spend the money during the first few months of the following plan year.

Tip: As a result of unanticipated changes in the need for medical and dependent care due to the coronavirus pandemic, the IRS announced it will allow employers to amend their employer-sponsored health coverage, health FSAs, and dependent-care assistance programs and allow employees to make certain mid-year changes for 2020. The carryover limit for unused 2020 FSA dollars is now \$550 instead of \$500. For more information, visit [irs.gov](https://www.irs.gov).

What other benefits and incentives are available? Many employers offer other voluntary benefits such as dental care, vision coverage, disability insurance, life insurance, and long-term care insurance. Even if your employer doesn't contribute toward the premium cost, you may be able to pay premiums conveniently via payroll deduction. To help avoid missing out on savings opportunities, find out whether your employer offers other discounts or incentives. Common options are discounts on health-related products and services such as gym equipment and eyeglasses, or wellness incentives such as a monetary reward for completing a health assessment.

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