STAGE 2
PLANNING PARTNERS
HELPING TO MAKE OUR CLIENTS LIVES BETTER

# EYE ON MONEY

JUL AUG 2020

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## How to Save for Retirement Without a 401(k)

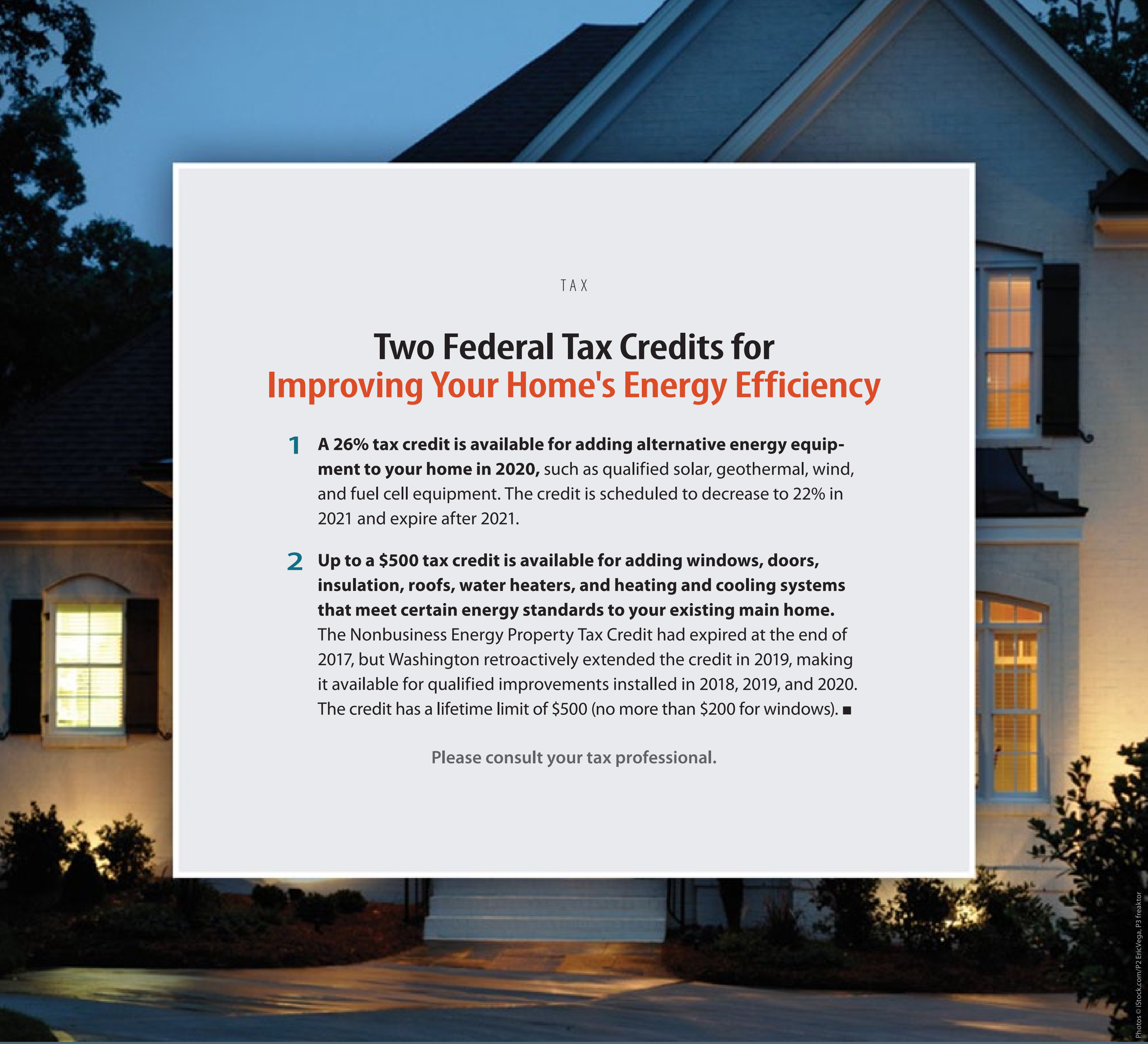
**What you can do if you don't have a retirement plan at work**

*plus*

5 THINGS TO KNOW ABOUT DONOR-ADVISED FUNDS

NAVIGATING VOLATILITY

HIGHLIGHTS OF THE CARES ACT THAT MAY AFFECT YOU



TAX

# Two Federal Tax Credits for Improving Your Home's Energy Efficiency

1 **A 26% tax credit is available for adding alternative energy equipment to your home in 2020,** such as qualified solar, geothermal, wind, and fuel cell equipment. The credit is scheduled to decrease to 22% in 2021 and expire after 2021.

2 **Up to a $500 tax credit is available for adding windows, doors, insulation, roofs, water heaters, and heating and cooling systems that meet certain energy standards to your existing main home.** The Nonbusiness Energy Property Tax Credit had expired at the end of 2017, but Washington retroactively extended the credit in 2019, making it available for qualified improvements installed in 2018, 2019, and 2020. The credit has a lifetime limit of $500 (no more than $200 for windows). ■

**Please consult your tax professional.**

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# inside

# THE CARES ACT:

## HIGHLIGHTS OF THE ACT THAT MAY AFFECT YOU

Signed into law on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides financial relief to retirees and retirement savers and increases the tax incentives for making charitable contributions.

### Required minimum distributions (RMDs) are waived for 2020.

- Seniors and others who normally must take RMDs each year from their retirement accounts do not have to take them for 2020. The CARES Act waived RMDs for 2020 from IRAs and workplace retirement plans, such as 401(k) and 403(b) plans.

### You may be able to withdraw up to $100,000 penalty-free from your retirement accounts.

- You can withdraw up to $100,000 penalty-free in 2020 from your IRAs and your workplace retirement plan, assuming the plan allows it, if:
  - You, your spouse, or your dependent was diagnosed with the virus SARS-CoV-2 or COVID-19 (coronavirus), or
  - You experienced adverse financial consequences due to the virus, perhaps as the result of being quarantined, furloughed, or laid off, having your hours reduced, or being unable to work due to lack of child care due to the virus.
- The 10% early withdrawal tax penalty that normally applies to withdrawals before age 59½ is waived for coronavirus-related withdrawals.
- You can pay the income tax on the withdrawal over three years. You also have the option to recontribute all or part of the withdrawal within three years.

### You may be able to borrow a larger amount from your retirement plan.

- Retirement plans that permit loans normally limit loan amounts to $50,000 or 50% of the vested account balance, whichever is less. The CARES Act doubles the loan limit, allowing loans up to $100,000 or 100% of the vested account balance.
- If your retirement plan adopts the higher loan limit and you want to take advantage of it, the loan must be taken by September 22, 2020 and you must meet the coronavirus-related conditions described above for withdrawals. ■

### Tax incentives for making charitable contributions are increased for 2020.

**An above-the-line deduction is allowed for cash contributions up to $300.** Normally, only individuals who itemize deductions on their tax returns can deduct their charitable contributions. The CARES Act makes it possible for individuals who claim the standard deduction to deduct up to $300 of the cash contributions they make in 2020.

**The AGI limit on cash contributions is suspended for 2020.** If you itemize deductions, the amount you can deduct per year for cash contributions is normally limited to 60% of your adjusted gross income (AGI). The CARES Act suspends the AGI limit on cash contributions made in 2020. (Your total deduction cannot exceed your AGI.)

*These provisions do not apply to contributions to donor-advised funds and supporting organizations.*

Please consult your tax and financial professionals for advice.

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# Stock Fund Categories: What They Are and Why They Matter

Understanding how stock funds are categorized is useful in building a diversified portfolio.

## MARKET CAPITALIZATION

One way that stock funds are categorized is by the size of the companies they invest in, as measured by their market capitalization, which is the total value of their outstanding shares. Companies are generally divided into three groups—large cap, mid cap, or small cap—according to their size. Each group has a different level of risk and potential for growth, with larger companies generally having less risk than smaller companies and smaller companies having greater potential for growth.

## INVESTMENT STYLE

Stock funds may also be categorized by investment style—growth, value, or blend—based on the stocks they choose to invest in. Growth funds typically invest in companies that fund managers believe have above-average growth potential while value funds invest in companies that fund managers believe may be undervalued and have the potential to increase in value over time. Blend funds invest in both growth companies and value companies.

## SECTOR

Some stock funds focus on a sector of the economy or an industry, enabling investors to target those sectors that they believe may perform better than others for a period of time. Examples of sectors include communication services, consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, real estate, and utilities. Funds that focus on a single sector tend to be more volatile than funds that focus on a broad range of sectors.

## GEOGRAPHY

Stock funds are also categorized by the part of the world where the companies they invest in are based. These categories may be broad—companies in the U.S. (domestic funds), companies outside the U.S. (international funds), or companies anywhere in the world, including the U.S. (global funds)—or they may be more focused, such as on a region of the world or a single country. Keep in mind that the narrower the geographic focus of a foreign fund, the greater the level of risk.

Because each part of a category may perform differently from the other parts, spreading your money across different market caps, investment styles, sectors, and geographies can help manage risk and reduce volatility in your overall portfolio. Please consult your financial professional for advice on building a diversified portfolio. ■

*Please note: Diversification does not ensure a profit or protect against loss in declining markets. Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional for a prospectus containing this information. Please read it carefully before investing. Foreign investments involve special risks due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards, and other factors. Investing in emerging markets involves greater risk than investing in more established markets.*

# Missing money? Here's where to look for it.

Have you ever lost track of an old bank account or forgotten to cash a check? If you have, your state may be holding your money for you in its unclaimed property program. Here's how to find out.

**Your state may be holding your property for you.**

Financial institutions and businesses are generally required to turn over cash and other property to the state when there has not been any activity in an account or contact with the owner for a number of years. State treasurers and other state officials hold the property until the rightful owners claim it.

**Examples of unclaimed property that states are holding:**

- Bank accounts
- Safe deposit box contents
- Uncashed checks
- Insurance payments
- Trust distributions
- Security deposits

**Find out within seconds if you have unclaimed property.**

State treasurers offer free online search tools that make it easy to search their unclaimed property databases. Simply enter your name and press the search button. If a match is found, you can file a free claim with the state to have your property returned to you.

Two websites, **MissingMoney.com** and **Unclaimed.org**, provide links to each state's search tool. MissingMoney.com also has its own search tool that lets you search several states' databases with one search.

By the way, it's a good idea to check all the states where you've lived. Businesses typically turn over unclaimed property to the state of the last known address that they have on file for you. ■

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**A few examples of how much is waiting to be claimed:**

New York state alone has $16 billion of unclaimed property. Pennsylvania has over $3.5 billion. Tennessee has over $976 million. Oklahoma has more than $700 million.

# How to Save for Retirement Without a 401(k)

Don't let not having access to a 401(k) or other retirement plan at work hold you back from saving for your retirement. There are things you can do on your own to get on track to a financially secure retirement. We'll tell you about some options here. Your financial professional can tell you more, as well as provide advice tailored for your situation.

## Consider opening a personal IRA.

Individual retirement accounts, or IRAs, are a good option for workers (and their non-working spouses) who do not have access to a retirement plan at work. IRAs can be opened at a variety of financial institutions and offer tax benefits similar to those offered by workplace retirement plans.

For 2020, you can generally contribute up to $6,000 of the taxable compensation you earn during the year to an IRA, or up to $7,000 if you are age 50 or older.

There are two main types of IRAs: traditional and Roth. The key difference between the two is when you receive the tax benefit.

**The Roth IRA.** This type of IRA offers future tax benefits. Your contributions are not tax deductible, but you can withdraw them tax-free at any time—a feature which may come in handy if you find yourself in a financial pinch before retirement.

Plus, investment earnings grow tax-free and can be withdrawn tax-free after you reach age 59½ and the account has been open for at least five years. Earnings withdrawn prior to then may be subject to ordinary income tax and a 10% early withdrawal tax penalty.

Not everyone can contribute directly to a Roth IRA, however. To contribute for 2020, your modified adjusted gross income (MAGI) must be less than $139,000 if you are single, $206,000 if you are married and file a joint tax return, or $10,000 if you are married, file separately, and lived with your spouse during the year. And if your income is within a few thousand dollars of those amounts, the maximum amount you can contribute will be limited.

If your income is too high to contribute directly to a Roth IRA, there is a backdoor route that involves contributing to a traditional IRA (which do not have income limits on who can contribute) and then converting that IRA to a Roth IRA. Calculating the tax on the conversion can be complex, especially if you have other savings in an IRA, so please seek advice from your financial professional before using this strategy.

**The traditional IRA.** This type of IRA offers tax benefits that you may be able to take advantage of right away. Contributions that you make to your traditional IRA may be tax deductible, which would lower your current income taxes. Plus, earnings in a traditional IRA grow tax-deferred, which may help your savings grow faster than in a taxable account where earnings are generally taxed each year.

Will your contributions be deductible? They will be if you (and your spouse if you are married) are not covered by retirement plans at work. If you or your spouse are covered, you must also consider your income and who is covered. For example, if you are not covered by a retirement plan at work, but your spouse is, and you file a joint tax return, your MAGI must be less than $206,000 to deduct any part of your contributions.

With a traditional IRA, earnings and deductible contributions will be subject to ordinary income tax when withdrawn. And if withdrawn before age 59½, they will also be subject to a 10% early withdrawal tax penalty, unless an exception to the penalty applies.

Money cannot be left in a traditional IRA indefinitely. Beginning at age 72, you must withdraw at least a certain amount each year and pay income tax on it. These withdrawals are known as required minimum distributions, or RMDs. Roth IRAs do not require RMDs at any age.

You have until the due date of your tax return to make an IRA contribution for the year. For example, most people have until April 15, 2021 to make a contribution for 2020.

Your financial professional can help you determine whether an IRA may be a good choice for you.

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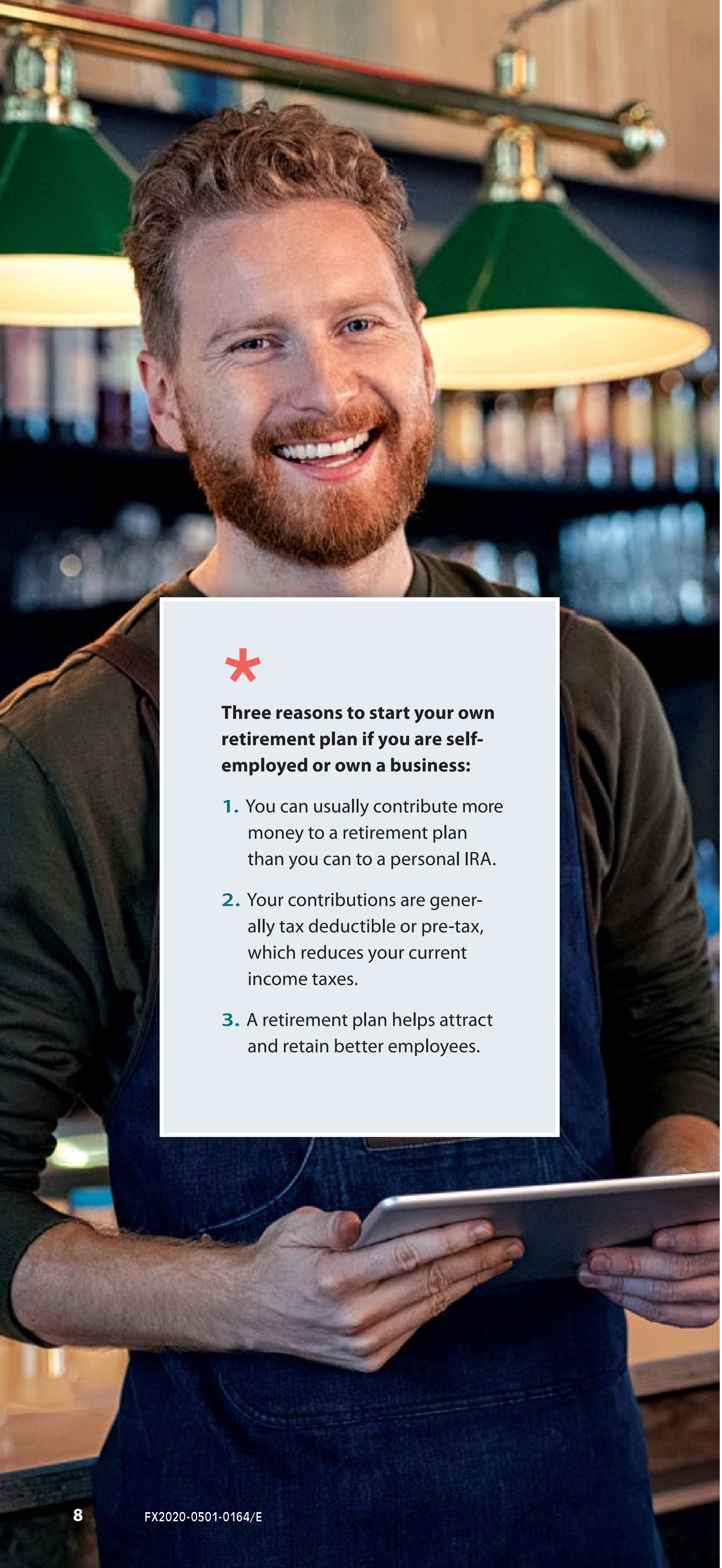
**IRAs for spouses who are not employed.**

IRAs are a good retirement savings option for spouses who are not employed. As long as one spouse earns taxable compensation, such as wages or self-employment income, and the couple files a joint tax return, each spouse can generally contribute to his or her own traditional or Roth IRA.



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**Three reasons to start your own retirement plan if you are self-employed or own a business:**

1. You can usually contribute more money to a retirement plan than you can to a personal IRA.
2. Your contributions are generally tax deductible or pre-tax, which reduces your current income taxes.
3. A retirement plan helps attract and retain better employees.

## Self-employed individuals have additional options.

If you are self-employed or own your own business, you can start a retirement plan for your business, which is generally far easier than it may sound and lets you contribute considerably more income each year on a tax-deferred basis than allowed by a personal IRA.

There are a few types of retirement plans designed specifically with self-employed individuals and small business owners in mind. Two of the plans are based on the traditional IRA and are the easiest plans to set up and operate. Another is a 401(k) plan that is available only to self-employed individuals and business owners without employees. Here are a few details about each of the plans. Your financial professional can tell you more about them and help you determine if one of them may be a suitable option for you.

**SEP IRA.** This retirement plan is based on the traditional IRA, but instead of limiting contributions to $6,000 annually, your business can contribute from 0% to 25% of an employee's compensation, up to $57,000 in 2020. For example, if your compensation is $200,000, your business can contribute up to $50,000 (25% of your compensation) to your SEP IRA account for 2020.

SEP IRAs are funded solely by contributions from the employer, and the employer must contribute the same percentage of compensation to the accounts of all employees who are eligible to participate in the retirement plan. If you have employees, this is an important factor to consider when deciding whether this plan is right for you.

The percentage of compensation that you use for contributions can change from year to year. And you do not have to make contributions every year, a feature that may come in handy in lean years.

What about the tax benefits? Contributions that your business makes to your account and your employees' accounts can be deducted on your business's tax return, which helps reduce your taxes for the current year. Plus, earnings grow tax-deferred until withdrawn, which can help your retirement savings potentially grow faster than if they were in a taxable account.

The deadline to set up a SEP IRA plan is the due date of your business's income tax return, including extensions.

**SIMPLE IRA.** If you have 100 or fewer employees and would like them to be able to contribute to their own retirement accounts, be sure to consider the SIMPLE IRA.

Employees, including yourself, can contribute up to $13,500 ($16,500 if age 50 or older) to a SIMPLE IRA account in 2020.

And unlike SEP IRAs, contributions to SIMPLE IRAs are not limited to a percentage of compensation. Employees can contribute up to 100% of their compensation, just not more than $13,500 ($16,500 if age 50 or older).

The ability to contribute up to 100% of compensation may not sound like a big deal, but it can be in certain circumstances. Let's say you own a business that pays you $16,000 per year and you are under age 50. With a SIMPLE IRA, you'd have the option to contribute as much as $13,500, while with a SEP IRA, contributions would be limited to a maximum of $4,000 (25% of your compensation).

Employer contributions are required for SIMPLE IRAs and can take the form of a match for plan participants or a percentage of compensation for all eligible employees.

And the tax benefits? The contributions you make as an employee to your own account are made with pre-tax income, which lowers your personal income taxes for the year. The contributions your business makes to your account and your employees' accounts are deductible as a business expense. And earnings grow tax-deferred until withdrawn.

The deadline to set up a SIMPLE IRA plan is generally October 1, although an exception to the deadline is made for new businesses that are established after October 1.

**Individual or solo 401(k).** This plan is an option for self-employed individuals and owners of businesses without employees, other than a spouse.

It offers the same generous contribution limits as a regular 401(k) plan, but can be easier to administer. Nondiscrimination testing is not required as long as you do not have employees, and annual IRS filings may not be required until the plan's assets exceed $250,000.

Like a regular 401(k) plan, this plan is funded by both employee and employer contributions. As an employee, you can contribute up to $19,500 of your compensation, or up to $26,000 if you are age 50 or older. As the employer, your business can contribute up to 25% of your compensation. The combined contributions cannot exceed $57,000, or $63,500 if you are age 50 or older and make catch-up contributions.

To give you an example, let's say you are age 55 and receive $100,000 in compensation for 2020. As an employee, you can contribute $19,500 in regular contributions and $6,500 in catch-up contributions because you are age 50 or older. Your business can also contribute 25% of your compensation, which works out to $25,000. So between you and your business, as much as $51,000 can be contributed to your 401(k) account.

*Please note: If you are self-employed, your compensation is your net earnings from self-employment, which is calculated using a special computation.*

**A retirement plan for your side gig.**

Even if you work full-time for another employer and participate in their retirement plan, you can start your own business retirement plan if you earn self-employment income on the side.

Let's say you work for Company A during the week and produce your own blog on the weekends. You can start a business retirement plan for the self-employment income you earn from blogging even if you contribute to Company A's retirement plan.

Please consult your financial professional about which type of retirement plan might work well in your situation.

**Recent changes to IRAs and retirement plans that may benefit you.**

You can contribute to a traditional IRA at any age as long as you or your spouse earns taxable compensation. Before 2020, you had to be younger than age 70½ to contribute.

If you are not eligible to participate in your employer's 401(k) plan because you work fewer than 1,000 hours per year, change is coming. Employees who work between 500 and 1,000 hours per year for three consecutive years will be allowed to participate in the future. However, years before 2021 do not count toward the three-year requirement so you may not be allowed to participate until 2024. In the meantime, it's generally a good idea to use IRAs and regular accounts to save for retirement.

The contributions you make as an employee to your 401(k) account are typically made from pre-tax income and your savings grow tax-deferred. However, Roth accounts are an option in some individual 401(k) plans if you'd prefer to make after-tax contributions so that your withdrawals will be tax-free in retirement.

You have until the end of your fiscal year, which is typically December 31, to establish a 401(k) plan for your business.

**Defined benefit plans.** To contribute more each year than a SEP IRA, SIMPLE IRA, or individual 401(k) allows, you may want to consider starting a defined benefit plan. Although this type of plan is more complex to administer, it allows higher annual contributions than other types of plans, which may be attractive for high-income individuals who want to build up their retirement assets quickly.

A defined benefit plan is funded primarily by the business, and contributions are generally tax deductible.

## Use regular accounts also.

Because retirement plans and personal IRAs limit the amount you can contribute each year, you'll likely need to save extra amounts in regular savings and investment accounts. Sure, your investment earnings (interest, dividends, and realized capital gains) will generally be subject to tax each year, but taxable accounts have their advantages. One advantage is that you can leave the money in the account for as long as you'd like because annual distributions are not required as they normally are from traditional IRAs and retirement plans beginning at age 72. Also, you can make withdrawals from regular accounts before age 59½ without having to contend with an early withdrawal penalty.

## Consider opening a health savings account.

If you have a high-deductible health plan, you can open and fund a health savings account (HSA) to save for your current and future medical expenses.

HSAs offer three tax advantages—one more than IRAs and retirement plans offer. 1) The money you contribute to your HSA is either pre-tax or tax deductible, which reduces your current income taxes. 2) Earnings grow tax-free in an HSA, which helps your savings accumulate faster than in a taxable account. 3) Withdrawals for qualified medical expenses are tax-free.

While the money in HSAs is commonly used to pay current medical expenses, you might consider paying your current expenses out of other funds so that all of your contributions remain invested until retirement. This strategy maximizes the time your savings have to potentially grow, perhaps generating tax-free earnings for what may be decades.

The money in an HSA can be used tax-free to pay for a wide range of medical services, equipment, and supplies, as well as prescription drugs, deductibles, copayments, and Medicare premiums.

And if it turns out that you don't need the money in your HSA for medical expenses, you can use the funds to supplement your retirement income. You'll pay income tax on withdrawals not used for medical expenses, but once you reach age 65, the additional 20% tax penalty on nonmedical withdrawals no longer applies.

How much can you contribute to an HSA for 2020? Generally speaking, $3,550 if you have self-only coverage or $7,100 if you have family coverage. Individuals age 55 or older can make additional $1,000 catch-up contributions each year.


## Make saving for retirement a priority.

Don't allow not having access to a retirement plan at work hold you back from saving for retirement.

With the right types of accounts, you can take advantage of the same tax breaks for saving that employees with workplace retirement plans enjoy.

By automating your contributions, you can achieve much of the convenience that workplace plans offer. If your employer offers direct deposit, consider having part of each paycheck deposited directly into the IRA or investment account that you set up for your retirement savings. If direct deposit is not an option, consider setting up automatic transfers from your checking account to your retirement account each month.

Automating your contributions helps ensure that they are made on time, every time and removes the temptation to spend the money you have earmarked for retirement on other expenses.

It's also a good idea to start saving for retirement as early as possible to maximize the time that your investment earnings have to potentially compound. If money is tight right now, remember that even small amounts you invest today have the potential to grow significantly over time.

If you're unsure about which type of IRA to open, whether you should establish a business retirement plan, or how much to contribute annually, please seek advice. Your financial professional can help you sort through your options and develop a plan that moves you toward your retirement goals. ■

*Please note: With a tax-deferred IRA or retirement plan, earnings and pre-tax or deductible contributions will be subject to ordinary income tax when withdrawn. Withdrawals before age 59½ may also be subject to a 10% early withdrawal tax penalty (25% if the withdrawal is made in the first two years of participating in a SIMPLE IRA plan).*

### Please consult your financial professional.

**The savings and investment decisions you make in the decades leading up to your retirement can have a big impact on your financial security in retirement. Please seek advice from your financial professional regarding how to plan for your retirement.**

# 5 Things to Know About Donor-Advised Funds

Whether you have five thousand dollars or five million dollars to donate, a donor-advised fund can be a simple, tax-efficient way to manage your charitable giving. Here are five things to know about donor-advised funds. Your financial professional can help you decide whether one may be a good choice for you.

**A donor-advised fund (DAF) is a type of account that you can set up to manage your charitable giving.**
Perhaps the easiest way to grasp the potential of a DAF account is to think of it as a way to make grants to charity without the expense and responsibilities of running your own foundation.

A DAF typically works like this: You make irrevocable contributions to a DAF account that you set up with a sponsoring organization. Your contributions are invested, and you can recommend grants from your account to your favorite charities over time. The sponsoring organization disburses the grants to your charities, as long as your choices comply with the organization's guidelines for grants.

**Your contributions are immediately tax deductible.**
If you itemize deductions on your tax return, you can generally claim a current-year tax deduction for the contributions you make to your DAF account—even before you make a single grant to charity!

An immediate deduction is possible because the sponsoring organization is itself a public charity, so the cash and assets you contribute to your DAF account qualify as charitable contributions.

The flexibility to make tax-deductible contributions now and grants later may be attractive to you if you want to make a charitable donation this year for tax purposes and haven't selected your grant recipients yet or if you simply prefer to spread your grants out over time.

**Your contributions have the potential to grow tax-free.**
The cash and other assets that you contribute are invested so that they have the potential to grow over time, which may help maximize the amount of financial support you can provide to your favorite charities and causes. Plus, any growth that occurs in your DAF account is tax-free.

You can generally recommend how you would like your account to be invested, and you may be able to name a qualified investment professional to manage the investments for you.

**A donor-advised fund can simplify your charitable giving.**
The organization that sponsors your DAF account will typically handle all of the recordkeeping and administrative tasks associated with charitable giving. For example, the sponsoring organization will generally track your contributions, investments, and grants, and provide you with periodic financial statements.

They will also disburse the grants to your chosen charities and can generally do so either anonymously or using the name of your DAF account.

A DAF can also help simplify giving if you have an asset, such as privately-held stock, real estate, mineral rights, or art, that you want to donate. Not all charities are equipped to accept these types of assets, but some sponsoring organizations welcome such assets and will handle their sale with the proceeds going into your DAF account.

**The sponsoring organization you choose matters.**
DAFs are sponsored by various types of public charities, such as community foundations, universities, and the charitable arms of brokerages and mutual fund companies. While some sponsoring organizations may approve a grant recommendation to almost any IRS-qualified public charity in the U.S., others may limit your grant choices to a certain geographic area or perhaps require that a percentage of your account be donated to the charity sponsoring the account. So before you open a DAF account, be sure to review the sponsoring organization's grant guidelines to make certain they align with your philanthropic goals.

It's also a good idea to take a look at their investment options, minimum contribution amount, minimum grant amount, and the types of assets you can contribute. If you are interested in involving your family in grant decisions or having your account continue after your lifetime, look for a sponsoring organization that offers these features. ■

**Please consult your financial professional about your philanthropic goals.**

## How a donor-advised fund works.

1 **Contribute.**
You make a tax-deductible contribution to a charitable organization that sponsors donor-advised funds (DAF).

2 **Invest.**
Your contributions are invested and have the potential to grow tax-free.

3 **Grant.**
You recommend grants from your DAF account to your favorite charities. The sponsoring organization makes the grants, provided they fall within their grant guidelines.

Photo © iStock.com/panorios

# Navigating Volatility in the Stock Market

Although fluctuations in stock prices are a normal part of investing, a sharp drop in the stock market can be unsettling. These tips may help you weather turbulent periods. Of course, the tips are general in nature so please seek advice from your financial professional about the best way for you to navigate stock market volatility.

**SOME DAYS THE STOCK MARKET WILL** be up, and some days it will be down—and on some of those days the changes will be dramatic.

The degree and speed that security prices or markets move up and down is referred to as volatility. Investments that are prone to wider swings in price over short periods of time are said to be more volatile than investments whose prices remain relatively stable.

Of the three major asset classes, stocks are considered to be more volatile than bonds or cash, meaning that stock prices tend to move up and down more significantly in the short term than the prices of bonds and cash investments.

The thing about stocks, though, is that despite their short-term swings in price, they have the potential for higher returns over the long term than bonds or cash.

Because of their potential for higher returns, stocks may have an important role to play in pursuing your long-term financial goals. Just how large a role will depend on your goals, your tolerance for risk, and how much time remains before you will need your money. Your financial professional can help you decide how much of your portfolio to allocate to stocks and how much to allocate to other types of investments. ■

## Remember that stocks are a long-term investment.

- Although stock prices generally fluctuate more widely than the prices of bonds and cash investments in the short term, they have historically provided higher returns over the long term.
- Their potential for higher returns over long periods of time is probably why you included stocks in your portfolio in the first place—and why they still may have an important role to play in your portfolio.
- Keep in mind, however, that stocks are generally better suited for long-term goals than short-term goals due to their volatility.

## Asset allocation can help smooth out the ride.

- Bonds and cash investments are generally less volatile than stocks so adding them to a stock portfolio can help reduce the portfolio's overall volatility.
- Although spreading your investments among various asset classes can help smooth out the ups and downs in your portfolio's performance, asset allocation does not ensure a profit or protect against loss in declining markets.

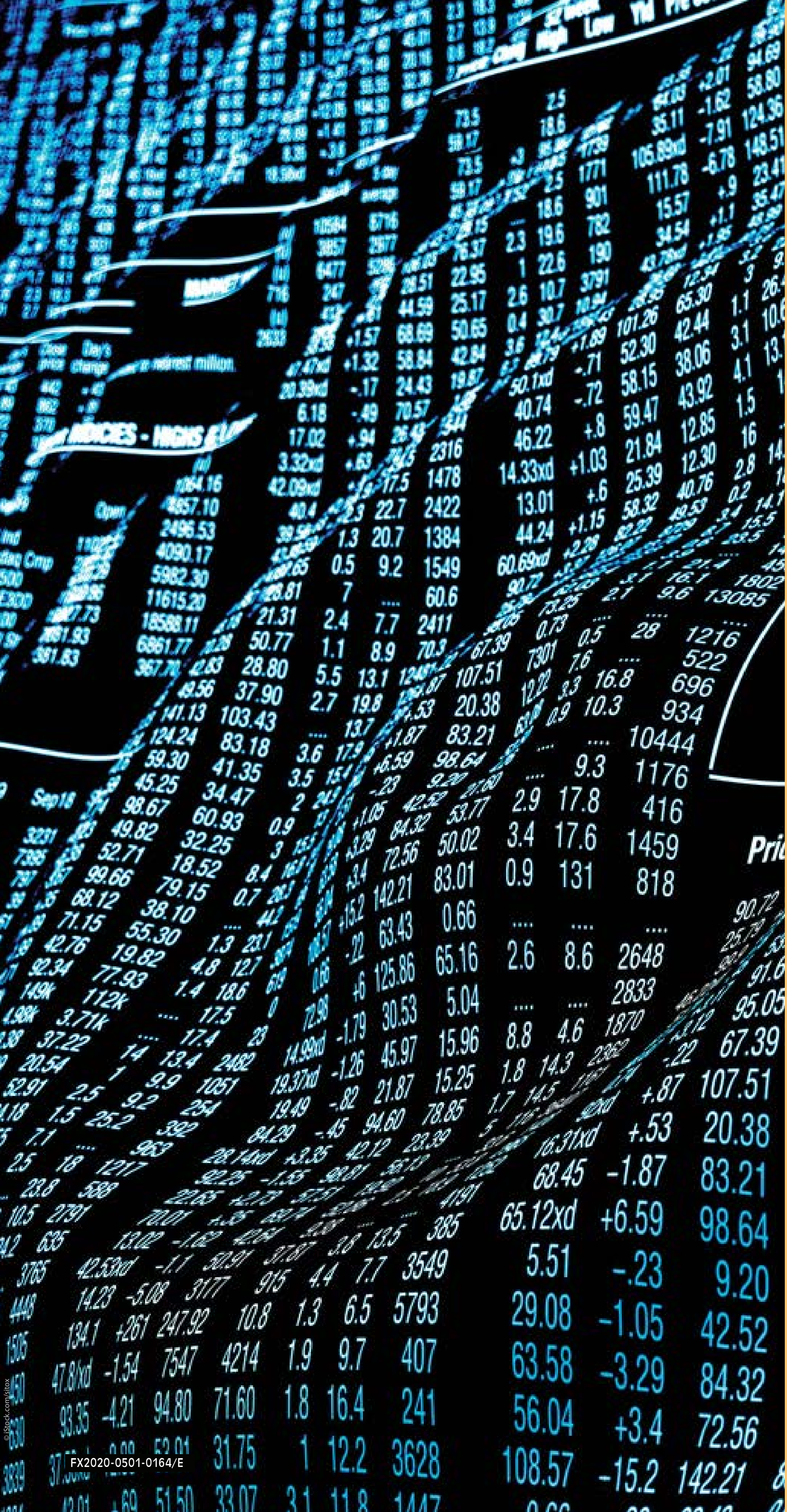
## Consider investing in assets that are less volatile than stocks for your short-term needs.

- If you will need money from your portfolio within the next few years, consider holding those funds in assets that are generally less volatile than stocks, such as cash investments and bonds. Doing this may help you avoid having to sell stocks when the stock market is down, thus locking in losses.

## Consider rebalancing your portfolio.

- Ups and downs in the stock market have the potential to change your portfolio's asset allocation. If it changes significantly from your target allocation, consider rebalancing your portfolio—that is returning it to the percentages of stocks, bonds, and cash that you chose originally. Here's why.
- If the stock market has risen, a larger percentage of your portfolio may be invested in stocks than you intended. Restoring your portfolio to your original percentages can help reduce your portfolio's volatility and put you in a better position to weather the next downturn in the stock market.
- If the stock market has declined, a smaller percentage of your portfolio may be invested in stocks than you intended. Restoring it to your original percentages can help increase its potential for higher long-term returns.

*Please note: Past performance is no guarantee of future results.*
*All investing involves risk, including the possible loss of principal.*





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**Dollar-cost averaging.**

If volatility in the stock market makes you hesitant to invest, a strategy known as dollar-cost averaging may make it easier for you by removing the need to jump in all at once.

Dollar-cost averaging is simply investing the same dollar amount in an investment at regular intervals, regardless of price fluctuations.

*Please note: Dollar-cost averaging does not ensure a profit or protect against loss in declining markets. Because this strategy involves continuous investing regardless of fluctuating price levels, investors should consider their ability to continue investing during market downturns before using this strategy.*



# AIRS AND GRACES | Victoria, BC, Canada

BY BRIAN JOHNSTON

What Victoria lacks in size it makes up for in prettiness and wild surrounds. Welcome to the capital of British Columbia, a living museum of Canadian history.

**FOR A DELIGHTFULLY INTERACTIVE** lesson in the story of Canada, hop on a ferry from Vancouver and head to Victoria on Vancouver Island. As you sail across the strait you'll see Canada before history began: a green country, dark as an old bottle with fir trees. Geese honk and seals twitch their whiskers from the rocks. Mountains show off on the horizon and the ocean—on a good day—froths blue beneath the ferry.

One of the best things about Victoria is getting to it, and then getting beyond it. Its surrounds are a place to breathe deep, smell the cedars, and kayak across the water. Trek out into Vancouver Island's forests and discover what Canada looked like when the west really was wild. Don't have time? Then the Royal British Columbia Museum's dioramas are so vivid you'd imagine the grizzly bear is about to come alive.

If Vancouver Island's wilderness is seductive, then Victoria is equally so. This small city captures the rollicking history of Canadian settlement. The Kwakiutl people arrived first, and if you start a visit in Thunderbird Park you'll find a stand of totem poles assembled from First Nation villages. The Thunderbird has curved horns and spread wings, and is accompanied in carvings of other cultural figures such as the Bear, Raven, and Killer Whale.

Meanwhile the third floor of the Royal British Columbia Museum displays some of Canada's best native art and a recreated longhouse. Exhibits cover the daily life of First Nations peoples before the arrival of Europeans.

The British came in 1843, establishing Victoria—the oldest European settlement on Canada's west coast—as a base for the Hudson Bay Company. The town's oldest remaining building, Helmcken House, is a musket-shot from Thunderbird Park. Built in 1852, it belonged to a local doctor and is decorated with the furnishings typical of a stolid Victorian family. You can also wonder aghast at the frightening medical tools used by the doctor on his stoic patients.

Next door is St Anne's Pioneer Schoolhouse, a touch of *Little House on the Prairie* fitted out with period desks and blackboards. Once again, the excellent

**Victoria's Parliament Building (left) overlooks the harbor. The waters surrounding Victoria are a great place to spot orca (below), gray, humpback, and minke whales.**

Royal British Columbia Museum is worth visiting for its reconstruction of a 1900s town, complete right down to a cinema in which you can watch jerky silent movies.

The whole of Victoria is a museum that brings the past to life. Bastion Square was once the site for gun emplacements. A short walk away, Market Square used to house warehouses for salmon, furs, and timber, and was known for seedy saloons and opium dens. These days, home-made fudge and huge muffins are the indulgence of choice for visitors relaxing on café terraces as they listen to buskers through the long pale evenings of the Canadian summer.

In the decades after its founding, Victoria was declared the capital of British Columbia and made its fortune from whaling, logging, gold mining, rum smuggling, and opium. You can get an idea of the wealth that flowed through Victoria from the imposing pink facade of the Dominion Customs House, in front of which float-planes from Seattle now dock.

The Parliament Building is also vast. It was designed by a 25-year-old prodigy named Francis Rattenbury, who had no architectural qualifications and had only arrived in Victoria when the competition was announced. He beat all other submissions and knocked up an architectural extravaganza in marble, mosaic, and stained glass. A statue of naval explorer George Vancouver stands atop the central dome, while Queen Victoria sits imperiously on the front lawn.

Victoria (the town) went into a decline in the 1920s with the rise of neighboring Vancouver. Its inhabitants decided to adopt the spirit of Victoria (the empress) and promote staid Britishness. The brothels of Trounce Alley were cleared away, although the gas lamps remain. The town's oldest brick building, the Victoria Hotel, was overlaid with a fake Tudor facade. Heritage buildings were preserved, and roses planted in the parks.

Today Victoria can sometimes feel like a dislocated piece of provincial England: just the town to get cozy in pubs, rummage through curio shops along Antique Row, and partake of afternoon tea with cucumber sandwiches in colonial-style hotels.

That's not to say that Victoria is a stuffy colonial relic. Step out of its historic buildings and you're reminded that this a long way from England. Cougars have been spotted in Victoria's suburbs, and snow-capped mountains stab the horizon. Victoria lies in the path of migrating birds, and whale-watching tours head out to sea from the Inner Harbor.

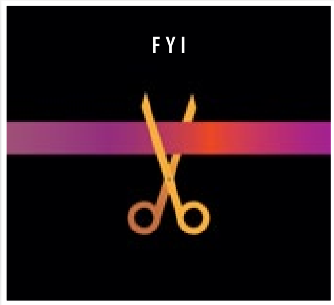
Victorians have also moved on from imperial nostalgia to celebrate other immigrant cultures, making this small town surprisingly cosmopolitan and refreshing. If fish-and-chips seem unexciting, you can always find Thai prawns in green curry, spaghetti with zucchini flowers, or Peking duck dipped in plum sauce. Most immigrant communities are represented in Victoria's restaurants, which take full advantage of quality local ingredients, including wild Pacific salmon and halibut, Cortes Island mussels, and fresh farm berries.

And despite its small size, this provincial capital has a significant Chinatown, one of the oldest in North America. It was founded in the 1850s by immigrant railway workers and gold-rush settlers, and soon swelled with tenement buildings, clan houses, gambling dens, and opium factories. It preserves an interesting corner of ethnic history in miniature that, although it covers just a few modest blocks, is big on character.

A traditional Chinese gateway, flanked by stone lions, marks Chinatown's entrance. The streets behind are lined with stores selling fresh fruit and vegetables, plus more unusual produce such as soybeans, sea cucumbers, and dehydrated shark's fins used for making soup. In between are stores offering knickknacks from China such as lacquered chopstick sets, tiered bamboo food baskets, and hand-painted umbrellas.

Don't miss Fan Tan Alley, which at just four feet across claims to be the world's narrowest commercial street. In the old days, mah-jongg and the Chinese gambling game fan-tan were played here, hence its name. Now tiny storefronts offer handicrafts, musical instruments, and Chinese goods such as green tea.

Chinatown is as pretty as the rest of Victoria, but its frontier history still lurks under the gloss. You might find old-fashioned store signs, tidy streets, and lampposts draped in baskets of geraniums in this city, but it can't quite conceal its raffish history. Opium dens and sailors' taverns are marked by wall plaques. Manicured lawns are dominated by totem poles topped with brooding spiritual figures. Just off the coast, killer whales surface. Victoria is all charm with a wild edge: a seductive mixture that's hard to resist. ■




# New and Transformed Museums Due to Open in 2020

An array of new museums and a transformed museum are planning their grand openings for sometime this year. Please check the museums' websites to learn when.

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### COLORADO SPRINGS, CO

**United States Olympic Museum** | www.*usopm.org*

A new, 60,000-square-foot museum honoring the U.S. Olympic and Paralympic movement and celebrating the achievement of its athletes is expected to open in 2020 in downtown Colorado Springs. The new museum will be home to the U.S. Olympic Hall of Fame and will include interactive exhibits, a state-of-the-art theater, a gift shop, a café, and a broadcast studio.

### FORT BELVOIR, VA

**National Museum of the United States Army** | www.*thenmusa.org*

Located just south of Washington, D.C. on the grounds of Fort Belvoir, a new museum telling the story of the U.S. Army is scheduled to open in 2020. The museum will show visitors what it means to be a soldier during times of war and peace and will feature full-scale artifacts and interactive exhibits. Visitors can walk through the history of the Army from its beginnings in 1775 to its emergence as the world's most advanced fighting force and develop their skills in G-STEM (geography, science, technology, engineering, and math) as they work in teams to complete Army missions. The museum also features garden spaces where visitors can reflect and pay tribute to the soldiers.

### NASHVILLE, TN

**National Museum of African American Music** | www.*nmaam.org*

Tentatively scheduled to open in downtown Nashville on September 3, 2020, the National Museum of African American Music will immerse visitors in generations of musical history created and inspired by the works of African Americans. The 56,000-square-foot facility features seven galleries that chronicle the Black musical traditions from the 1600s to present day. More than 50 genres and subgenres of American music are explored, including spirituals, gospel, jazz, blues, hip-hop, and R&B.

### SAN FRANCISCO, CA

**Asian Art Museum** | www.*asianart.org*

The Asian Art Museum in San Francisco is expected to unveil its transformed building in 2020, complete with a new exhibition pavilion and art terrace, an expanded contemporary art program, and fresh approaches across all galleries. The new 8,500-square-foot pavilion—the largest continuous gallery space in San Francisco—makes it possible for the museum to present exhibitions that raise the bar for interpretation, technology, and design. The inaugural exhibition in the pavilion is expected to be an immersive digital experience from *teamLab*. The 7,500-square-foot rooftop terrace will be the venue for contemporary sculpture and installations, as well as special live performances. ■

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QUIZ

# Read any good books lately?

**1.** Winner of the 2019 Pulitzer Prize in fiction, this novel by Richard Powers follows an array of characters and their relationships with trees:

A. The Echo Maker
B. The Overstory

**2.** This legal thriller by John Grisham follows a lawyer, Cullen Post, as he works to overturn the wrongful conviction of Quincy Miller:

A. The Guardians
B. Camino Island

**3.** Just as Tom Kennedy and his young son Jake move to Featherbank, a town once terrorized by a serial killer, a boy Jake's age goes missing in Alex North's thriller:

A. The Shadows
B. The Whisper Man

**4.** Kya Clark, known by others as the Marsh Girl, is the main character of this book by Delia Owens:

A. Where the Crawdads Sing
B. Cry of the Kalahari

**5.** This novel by Jojo Moyes is based on the true story of the Packhorse Librarians of Kentucky:

A. The Giver of Stars
B. The Horse Dancer

**6.** This bestselling novel by Celeste Ng tells the story of the picture-perfect Richardson family and the single mother and teenage daughter who disrupt their lives:

A. Everything I Never Told You
B. Little Fires Everywhere

**7.** Two siblings, Danny and Maeve Conroy, are pushed out of the home they grew up in by their stepmother in this bestselling novel by Ann Patchett:

A. Commonwealth
B. The Dutch House

**8.** Fifteen years after her sister was supposedly killed in a terrorist attack, Kit spots her on the TV news in this novel by Barbara O'Neal:

A. When We Believed in Mermaids
B. The Art of Inheriting Secrets

**9.** Written by Hilary Mantel, this book is the third part of the Wolf Hall trilogy about Thomas Cromwell:

A. Bring Up the Bodies
B. The Mirror & the Light

**10.** The on-again, off-again romance of Marianne and Connell is the subject of this novel by Sally Rooney:

A. Conversations with Friends
B. Normal People

ANSWERS: 1-B, 2–A, 3–B, 4–A, 5–A, 6–B, 7–B, 8–A, 9–B, 10–B




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