



OUR MISSION IS TO CHANGE LIVES. ONE "HEMINGTON" AT A TIME.

# HEMINGTON NEWSLETTER

FEBRUARY 2021

## Dividends in the Age of COVID

An astute client recently reached out to us to find out why the couple's dividend payouts in 2020 were significantly less than in prior years – and more importantly, would they be able to take their usual portfolio distributions? This is a great question, and we thought it would be helpful to broadly share our response. *(Spoiler alert: The answer is yes.)*

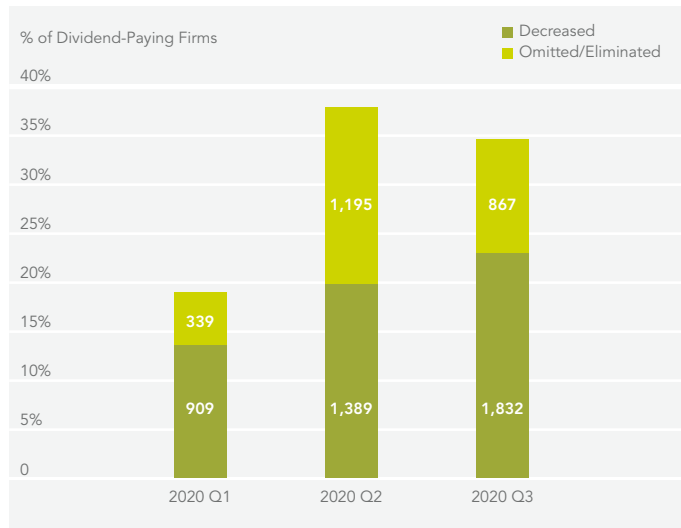
In 2020 dividends were lower than in prior years, which is unusual (and due to COVID) but certainly not unprecedented.

Specifically:

- » Dividends fell meaningfully during the first three quarters of 2020 as compared to the same period in 2019, including by 41% in developed ex US equity markets.
- » This was the result of many firms (38% of regularly dividend paying firms in Q2) decreasing or eliminating planned dividend payments.
- » Research shows that larger proportions of firms do indeed cut or eliminate dividends during periods of volatility. This is one of many reasons our team at Hemington does not put a strong emphasis on using dividends to generate income for portfolios, opting instead for a total return approach.

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### DIVIDEND POLICY CHANGES IN GLOBAL MARKETS (% of Dividend-Paying Firms), 2020



Source: Calculated by Dimensional from Bloomberg data. Dividend-paying firms include all firms that have paid a dividend in the preceding 12 months and were expected to pay a dividend in the current quarter.

**Recent and historic data show that changes in dividend policy are common, especially during times of higher uncertainty. Even large established firms were not immune to COVID and its economic consequences. For example, Harley Davidson has paid annual dividends to its shareholders since the 1990s. In 2020, Harley Davidson slashed its \$0.38 dividend to just \$0.02, a 95% decrease. This was similar to its dividend payout cut in 2009 during the Great Recession, when the firm's dividend decreased by 70%, from \$0.33 per share to \$0.10.**



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**A total return approach is important – and 2020 underscores why we don’t “count on” dividends as a reliable source of income for our clients.**

Total return means just that – dividends, interest income, capital appreciation, and capital gains distributions in total are the best measure when evaluating sustainable distribution rates. This allows for a consistent “safe” distribution level for clients in retirement, even when dividends decline.

The other part of year-end distributions is capital gains distributions, which are distributions that arise from a mutual fund’s internal investment and trading activity. These were also quite low in 2020, as the funds were able to utilize losses within the fund to offset gains and will continue to try to do so into the future. This does not affect expected returns and means less taxable income, which is a great thing! It is certainly not unusual for capital gains distributions to be very low or zero either during times of financial crisis.

With regard to forward-looking expectations, although we do not like to make predictions, it is certainly possible that dividends could return “normal” levels if the volatility we experienced at the beginning of last year does not recur. Even before the 2020 global pandemic, dividend yield on stocks was historically quite low and has been declining over a multi-decade period which is why we structure portfolios to generate higher returns through exposure to the premiums (small cap, value, profitability) rather than generating income through dividends.

Let your Wealth Advisor know if you have any questions.



# WHAT’S NEW AT HEMINGTON?

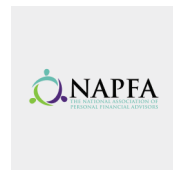
## Five Years, Five Weeks

At Hemington, after five years of service, employees are eligible for a five-week paid sabbatical. In November, our Operations and IT Associate **Kenny Mayer** celebrated five years with Hemington. He shared a few details with us on his upcoming sabbatical this spring.

*“I first plan to enjoy some well-deserved time on a beach in paradise soaking up some sun with a nice cold drink! I’ve also planned to travel to a country I have never visited before to get out and explore with my loving wife, as well as spending a week hiking the Maryland portion of the Appalachian Trail solo. Between the three trips during my sabbatical, I look forward to spending some time with friends and family and catching up on lost time.”*



## The National Association of Personal Financial Advisors (NAPFA) Webinar - *Managing Your Career: A Forum of Female Advisors*



As a key member of the NAPFA Women’s Initiative, Hemington facilitated a panel of advisors to share ideas, inspiration, and resources for other women advisors in the wealth management industry. With more than 80 advisors logged in, **Eileen O’Connor**, **Jen Dawson**, and **Ami Shah** generously shared their career journeys. Hemington is proud to support the Initiative, which strives to attract, support, educate, and develop women as leaders within the financial advisory profession.



In September, **Eileen O'Connor** was recognized on *WorkingMother.com's Top Wealth Advisor Moms 2020 List*. Working Mother partnered with SHOOK Research to identify the top wealth advisor moms across the country where Eileen was locally ranked #2 in the Washington DC area and nationally ranked #40. This year's list features 500 of the most successful mothers working in financial advising today.



Barron's magazine featured **Eileen O'Connor** in the article, *"Wealthy Women: Firms Adapt Strategies to Win Huge Market"* that notes the continuing market gap for financial services utilized by women. Eileen comments on how best to navigate the different perspectives of women clients and what advisor firms can do to successfully address their specific needs.



**Women's Bar Association of Illinois CLE: The Path to Goal Achievement** Inspired by an article recently published by the WBAI - *"What Are You Looking Forward to Right Now?"* - this interactive virtual workshop shared

practical strategies to move lawyers down the path from goal setting to goal achievement. Facilitated by co-authors, Hemington's Managing Director, **Jen Dawson**, and Certified Professional Coach, Amy M. Gardner, the event perfectly aligned with Hemington's aim to help more women lawyers rise to the highest levels of the legal profession.



**Ami Shah** presented to 40 Harvard alumnae members of the women's empowerment non-profit **The Seneca**, for an interactive virtual financial planning workshop. The session received great feedback, from women ranging from

the Class of 2000 to the Class of 2020. Ami covered topics including: What personal finance topics should I be thinking about? What are some of the common personal financial mistakes made early in careers and how do I avoid them? What myths and misperceptions should I watch out for? The Seneca was founded in 1999 by a group of Harvard undergraduate women to create opportunities, resources, and sustainable networks for women in social, educational, and professional environments.

## HEMINGTON IS GROWING!



Hemington is excited to announce that **Jon Duggan, CFP®**, has joined our team as a Wealth Advisor. Jon specializes in pro-active tax planning strategies to ensure clients achieve their goals efficiently, while avoiding unnecessary complexity. Prior to joining Hemington, Jon worked at a multi-billion-dollar independent wealth management firm where he advised executives, business owners, and high net worth individuals on advanced financial planning and tax planning strategies. In addition to financial planning, Jon prepared tax returns and was a valuable member of their tax department. He is currently enrolled in the Master of Science in Taxation program at American University.

Jon grew up in rural Northern Michigan and now lives in downtown Frederick, MD. He has a passion for golf and volleyball, and when not engaged in these activities, you'll find him exploring the local architecture around Frederick and Washington, DC. We are thrilled to have Jon on board!



**Eileen O'Connor** & Hemington were once again honored in the *Washingtonian* magazine earning a spot on their **Best Financial Advisors List 2021** published in January. Washingtonian magazine compiles this recognition annually by distributing surveys to hundreds of people who

work in the local financial industry and asking them whom they would trust with their own money. Coupled with their own research consulting industry experts and publications, the "best adviser" names on this list are the people who received the strongest recommendations.



Hemington's Managing Director, **Jen Dawson**, was featured in the **Discover | Modern Money** article: *"How to Save More Money in the Stay-at-Home Economy by Focusing on What Matters Most"* discussing tips to optimize household budgets by analyzing

spending habits and reflecting on overall financial and personal goals as we spend more time at home.



## TAX CORNER

**Maximum Contribution Limits:** Each year, the IRS reassesses the maximum amount that may be contributed to retirement accounts, based on cost-of-living adjustments in the tax code. For workplace retirement accounts, check with your HR department and increase your periodic contributions, if possible.

	2020	50+ Catch-up	2021	50+ Catch-up
IRA/Roth IRA	\$6,000	\$1,000	\$6,000	\$1,000
SEP IRA	\$57,000	Not Permitted	\$58,000	Not Permitted
401(k) / 403(b) / 457(b) / TSP	\$19,500	\$6,500	\$19,500	\$6,500
Solo 401(k)	\$57,000	\$6,500	\$58,000	\$6,500

\* Contribution limits may be lower, depending on your circumstances.

**Catch-up Contributions:** You become eligible for catch-up contributions in the year you turn 50.

**Deadline for 2020 IRA Contributions:** You may make contributions to your traditional IRA or Roth IRA up to the April 15, 2021, tax filing deadline.

The deadline for establishing and contributing to a SEP IRA is the business's tax filing deadline, including extensions.

**Spousal IRA:** For married couples filing a joint tax return, each spouse may contribute to an IRA based on the earnings of one spouse. This allows the "nonworking" spouse to contribute to his or her own IRA, even with no or low earned income.

**Roth IRAs for Children:** For children with earned income, you may establish and fund an IRA (preferably a Roth IRA) for them by April 15.

## NEED TO FIND YOUR 1099s?

The Hemington Client Portal is a great resource!

In addition to viewing your Hemington portfolio, you can access TD Ameritrade account statements and tax documents, including 1099s.

Go to the **CLIENT PORTAL**, and click on:

- 1 Documents →
- 2 Statements →
- 3 Tax Reports.

The screenshot shows the Hemington Wealth Management client portal. At the top, there's a navigation bar with 'Portfolio', 'Documents', 'Tools', and 'Updates'. Below that, 'Statements', 'Cloud Storage', and 'Reports' are visible. A 'CATEGORIES' section lists 'CUSTODIAL STATEMENTS', 'PORTFOLIO STATEMENTS', and 'TAX REPORTS'. The 'TAX REPORTS' category is selected, showing a list of reports with columns for 'NAME' and '2019 - 1099'.

### About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

#### Hemington Wealth Management

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