HEMINGTON
WEALTH MANAGEMENT

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

HEMINGTON NEWSLETTER

WINTER 2021

Giving Back

By Eileen O'Connor, MBA, CFP®

Growing up, my parents always reminded us to save, give, and spend–*in that order*. It's a lesson that enabled all eight of us to not only be financially responsible but also to prioritize helping others. As the CEO of Hemington, I want to share with you our company plans for giving back.

Hemington is committed to supporting our military families. This fall, our team volunteered at Boulder Crest Foundation in Bluemont, Virginia. Boulder Crest's mission is to help struggling combat veterans, first responders, and their families rediscover hope, purpose, and a belief in a future that is truly worth living. In addition to providing programs and community to veterans, the Foundation also has a sister organization, Boulder Crest Institute that works at the cutting edge of research on Posttraumatic Growth.

Boulder Crest was founded by Ken and Julia Faulke. Ken spent 21 years in the U.S. Navy Explosive Ordnance Disposal (EOD) and retired as a Master Chief Petty Officer. Halfway through his career, Ken was severely injured in a parachuting accident, and after healing, he remarkably went on to make over 1,000 parachute jumps and lead his team on thousands of high-risk missions. After the wars in Iraq and Afghanistan, Ken and Julia visited many of the hundreds of wounded EOD warriors and their families. They began to host veterans and their families for meals and short stays at their home – and wanted to do still more.

In 2010, Ken and Julia donated 37 acres of their property in the foothills of the Blue Ridge Mountains and established Boulder Crest Foundation. They built facilities and accommodations to provide a private, peaceful resort setting at no cost to participants for live-in programs. Boulder Crest went on

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to develop a new approach to train combat veterans, first responders, and their families to transform their struggles to strengths through PATHH – Progressive and Alternative Training for Healing Heroes – and other programs. Utilizing groundbreaking research into Posttraumatic Growth, Warrior PATHH helps people overcome PTSD, stress, depression, and anxiety. Family PATHH helps families to relax and reconnect. Therapeutic and recreational activities include equine, archery, art, music, fishing, and labyrinth walks.

While the Hemington team came to Boulder Crest to assist in whatever way we could – and we had fun helping to repair fencing, clean out the chicken coop, harvest vegetables, and other chores – we also were honored to experience the beautiful campus and learn more about Boulder Crest's history and impact. For the past five years, Hemington has supported The Children's Science Center and our pledge was satisfied in 2020. This year, Ryon and I came to the easy decision to commit to a 3-year financial pledge for Boulder Crest, and we will continue to support this amazing organization through our time, talents, and treasure.

We wish you all a wonderful holiday season.

Eileen

WHAT'S NEW AT HEMINGTON?

In November, **Eileen O'Connor** was a featured panelist at the ***InvestmentNews* Women Adviser Summit** in New York City for the session entitled, "Growing Your Business." The Women Adviser Summit is an annual networking and practice management event for female advisers across the country. Eileen shared with the audience her experience of how Hemington's emphasis on changing clients' lives is a crucial component to firm growth.

This fall, **Eileen O'Connor** was recognized for a second year in a row on the **Top Wealth Advisor Moms List** at ***Workingmother.com*** for 2021. Working Mother partnered with SHOOK Research to identify the top wealth advisor moms across the country where **Eileen was locally ranked #1** in the Washington DC area and nationally ranked #42. This year's list features 500 of the most successful mothers working in financial advising today.

The **Five Star Wealth Manager** award recognizes professionals in the financial services industry who are committed to excellence and provide quality service to their clients. This fall, four of our Hemington Wealth Advisors were awarded the distinction for 2021: **Jen Dawson** as a seven-time winner; **Eileen O'Connor** as a four-time winner; **Travis Johnson** as a two-year winner; and **Mike Byman** as a first-time winner.

Travis Johnson is a co-founder of **The October Saves Goalie Challenge**, a non-profit organization that supports breast and pediatric cancer research. This year, October Saves raised over $635,000, for a total of $2.2 million over the last five years.

Above: In November, **Eileen O'Connor** and **Amy Mitchell** attended the *InvestmentNews'* Women to Watch Awards ceremony in New York City. Eileen was a W2W honoree in 2016 for her national thought leadership in the wealth management industry.

Hemington Leadership

Mike Byman was elected as President to the Northern Virginia Estate Planning Council. The NVEPC is an interdisciplinary organization that brings together professionals involved in estate planning, including wealth advisers, trust officers, attorneys, and accountants, to foster understanding and cooperation.

Amy Mitchell was elected to the Investment Committee for the **American Association of University Women**. Founded in 1881, AAUW is a national organization that seeks to advance opportunities for women through education, research, and advocacy.

Jonathan Duggan was elected to the **Financial Planning Association of the National Capital Area** as a NexGen® & Career Fair Co-Director for 2022. NexGen® is a Financial Planning Association community focused on the next generation of financial planners that is guided by the mission to foster learning and growth that contributes to the legacy of the profession.

In The News

This fall, **Jonathan Duggan** was quoted in two publications. On September 22nd, the *MarketWatch* article titled "When you should - and shouldn't - invest in a Roth 401(k)" detailed the nuances of Roth 401(k) accounts and the importance of analyzing your specific tax situation when considering that retirement tool. On September 15th, the *InvestmentNews* article titled "House tax proposal would close door on popular back-door Roth IRA Conversions" discussed the implications of this strategy under the Biden administration's American Families Plan tax proposal.

ROTH IN THE SPOTLIGHT

Reports of Peter Thiel's $5 billion Roth Individual Retirement Account (IRA) have put Roth accounts in the spotlight. Roth accounts are a great way to build a "tax-free" bucket for retirement. However, proposed legislation by Congress may limit future Roth contributions and balances in Roth accounts.

Contributions to a Roth IRA or Roth 401(k) are after-tax, meaning the tax is paid on the contribution in the current tax year, unlike contributions to a traditional IRA or 401(k) that are pre-tax and offer a tax break for the tax year of the contribution.

Once the money is in the Roth account, future growth and qualified withdrawals are tax-free. Distributions of contributions are always tax-free, and withdrawals of gains are tax-free (and penalty-free) if the account has been open for at least five years and the owner is age 59½ or older.

There are two ways to invest in a Roth account – either through an IRA or through a workplace retirement account, such as a 401(k) or the TSP. A 401(k) allows workers to make larger contributions compared to an IRA. In 2021, the annual employee contribution limit for a Roth 401(k) is $19,500, or $26,000 if you are age 50 or older. IRA contributions are currently limited to $6,000, or $7,000 if you are age 50 or older.

The opportunity to invest in a Roth 401(k) has grown considerably over the past decade. According to the Plan Sponsor Council of America, about 75% of 401(k) plans now have a Roth option, up from 50% a decade ago.

Contributing to a Roth 401(k) or Roth IRA makes sense during relatively lower tax years. This is especially true for younger workers who have not yet hit their peak-earning years.

For earners in higher tax brackets, the Roth option is less compelling. If you anticipate that your marginal tax bracket in retirement will be lower than your current tax bracket, then it may be better to stick with tax-deductible contributions to your 401(k), TSP, or other pre-tax retirement account.

In addition to direct Roth contributions, people with traditional IRAs or 401(k)s may convert all or a portion of these account balances to a Roth IRA. Roth conversions lock in current tax rates and are most effective when the tax is paid with money from outside the Roth account.

Congress, however, is considering legislation that would impact Roth accounts. On November 19th, the House passed the Build Back Better Act, which adjusts certain tax policies to fund economic initiatives. Below are some of the proposed tax reforms that impact retirement savings.

- Roth conversions of after-tax funds in retirement accounts would be prohibited for all taxpayers starting January 1, 2022 – which would do away with the backdoor Roth.
- All Roth conversions would be prohibited for taxpayers in the highest tax brackets, starting January 1, 2032. This delayed effective date would allow a 10-year window for conversions and the possibility of future legislation.
- Traditional and Roth IRA contributions would be limited, depending on taxable income AND the combined value of IRA and defined contribution plans, effective January 1, 2029. The contribution limit does not apply to employer plans, such as 401(k)s.
- Additional required minimum distributions would be assessed for very large retirement account balances (over $10 million), depending on taxable income AND the combined value of IRAs and defined contribution plans, effective January 1, 2029.

Of course, nothing is certain and any tax reform is likely to change as the Senate takes up the Build Back Better bill. Our team has been on top of proposed tax and estate legislation. Please reach out to your wealth advisor if you have any questions.

Special $300 Tax Deduction

For the 2021 tax year, an individual who files using the standard deduction may claim a special deduction up to $300 for gifts of cash to charity. For married couples filing jointly, this special deduction bumps up to a maximum of $600. To take advantage of this opportunity, make sure you maintain documentation for cash gifts to eligible charities.

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.

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