



NEWS

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MANAGING THROUGH GLOBAL CHANGE

Just open or turn on your favorite news source and you'll hear about global issues that all seem to be converging at once – U.S. elections, coronavirus, the UK leaving the European Union and more.

What are we to think about our investments and financial future amid such turmoil?

First of all, know that your financial team at The Trust Company of Tennessee is made up of disciplined investors that understand how markets reflect short-term situations and how to look at the long-term health, growth and earnings of the companies in which we invest.

We look at historical references, current situations and future models and wait out short-term issues, knowing there is a positive future. We always work to be good stewards of your investments at all times.



Daniel K. Carter
President

It's remarkable that in the previous 10 years, the market has returned 495 percent. Even after major historical events such as terrorist attacks and diseases, the markets have increased exponentially. Our world continues to innovate, and the marketplace grows by delivering those innovations to consumers.

Inside this edition, Chief Investment Officer Miranda Carr, CFA®, digs a little deeper in her article about remaining financially disciplined in uncertain times; Kelci Slagle, CFP®, sheds light on ways the SECURE Act could impact retirement plans; and Christopher Lambert provides practical advice for starting the decade with a solid financial plan. Be sure to check out the News page at www.thetrust.com for ongoing financial insight.

The Trust Company of Tennessee team is committed to learning, sharing, helping, educating and always holding to our goal to help people make better decisions with money.

Inside this issue:

- >> Resolve to make better decisions with your money
- >> The SECURE Act: How are you affected?
- >> Maintaining course in uncertain times

In our communities



Raising awareness for breast cancer

Our Chattanooga office turned pink in January to participate in Color Chattanooga Pink! The breast cancer awareness initiative encourages groups and individuals to wear pink in the week leading up to the Pink! Gala on Jan. 25, a fundraiser for CHI Memorial Foundation. Our Allison Kidd Cross served on the silent auction committee, volunteering her time in honor of a childhood friend who is a breast cancer survivor.



Supporting our natural surroundings

The Evergreen Ball is an annual fundraiser for Friends of the Smokies, a nonprofit group that funds initiatives in the Great Smoky Mountains National Park. This year's event on Jan. 25 in Knoxville raised \$700,000, which will go far to further the mission of this great organization. The Trust Company of Tennessee was a proud sponsor and underwriter for the event's silent auction.



Empowering young women

The Trust Company of Tennessee was proud to sponsor and support the Empower Your Future forum Feb. 12 at the University of Tennessee at Chattanooga (UTC). The event focused on financial topics for women and young adults as presented by female professionals with successful careers in economics and finance.

Left: UTC Gary W. Rollins College of Business Dean Dr. Robert Dooley; Jackie Morgan, Empower Your Future keynote speaker and senior education program manager at the Nashville Branch of the Federal Reserve Bank of Atlanta; panel participant Allison Kidd Cross, relationship manager at The Trust Company of Tennessee; and Dr. Bento Lobo, department head of Finance and Economics at UTC.



Honoring a servant leader

The annual Knoxville Chamber Pinnacle Business Awards gala celebrates regional business excellence. The Trust Company of Tennessee sponsored the James A. Haslam II Chairman's Leadership Award at the Feb. 7 event. Daniel Carter, The Trust Company of Tennessee president and board chairman for the Knoxville Chamber, presented the award to Wes Stowers, president and CEO of Stowers Machinery Corporation. Congratulations to all of the finalists and award recipients.

THE SECURE ACT: HOW ARE YOU AFFECTED?



Kelci Slagle, CFP®
Wealth Specialist

If you want to know if or how the SECURE (Setting Every Community Up for Retirement Enhancement) Act impacts your financial plan, the following are some of the bigger changes.

- **Required Minimum Distribution (RMD) delayed to age 72.** If you did not turn 70½ in 2019, you'll be able to delay taking your RMD until age 72. The change is especially beneficial if you're still working and hoping to minimize taxable income. This is the first time the RMD age has been adjusted since the 1960s and signifies that people are choosing to work longer. The bill does not mention adjustments to the qualified charitable distribution (QCD) age limit (currently 70½), which has become a popular strategy for charitably inclined retirees. The bill also repealed the age limit that restricted IRA contributions over age 70.
- **Stretch IRA repealed.** Choosing to leave your IRA as a legacy to loved ones may no longer be your best option. Inherited IRAs now must be completely distributed within 10 years of the account owner's date of death, unless left to a spouse. This means that beneficiaries could be hit with significant tax bills in the 10 years following your death. We should note there are a few beneficiary exceptions to this rule: disabled or chronically ill individuals; beneficiaries

who are less than 10 years younger than the account owner; and minor children of the account owner.

- **Early withdrawal fee exception for qualified birth or adoption.** There is a new exception to the 10 percent early withdrawal penalty that allows you to withdraw up to \$5,000 from an IRA or qualified plan for a qualified birth or adoption. While the distribution is penalty-free, it would still be considered ordinary income.

Other significant changes from the Taxpayer Certainty and Disaster Relief Act of 2019 and the SECURE Act:

- 529 plans can now be used for home school expenses or student loan debt up to \$10,000 (lifetime limit).
- Kiddie Tax rules revert to previous rules before the Tax Cuts and Jobs Act (TCJA). Any income subject to Kiddie Tax (minors' investment or unearned income) will now be taxable at the child's parents' marginal tax rate.
- You once again can deduct your mortgage insurance premiums as an itemized deduction. It's best to discuss with your CPA before filing your taxes to determine if you qualify for the deduction.
- You can deduct qualified tuition and fees paid for you, a spouse or a dependent up to a certain limit.

To learn more about how changes from the Taxpayer Certainty and Disaster Relief Act of 2019 and the SECURE Act may impact your plan, contact us.



The **Wise Women** *Series*

The Trust Company of Tennessee hosts the Wise Women speaker series, which focuses on financial planning topics that are important to women. The informal sessions with hors d'oeuvres and wine create an environment of trust and sharing, perfect for discussing vital topics that sometimes are difficult to face.

On Feb. 26, we invited mothers and daughters to a session in Knoxville titled "College and Majors and Loans, Oh My!" The interactive session focused on ways to pay for college and things to consider when choosing a major and how that will impact future income.

We are pleased to offer opportunities where women can learn from us and from each other. If you have topics you'd like to learn more about in our Wise Women series, send them to lcates@thetrust.com.



MAINTAINING COURSE IN UNCERTAIN TIMES



Miranda Carr, CFA®
Chief Investment Officer

At the end of 2018, we encouraged investors to stay disciplined and stay invested with the reminder that over time, cash is the worst performing asset class. In 2019, cash returned to its place at the bottom of the return chart. All asset classes from commodities to real

estate to international and domestic equities and all major fixed income categories posted positive returns last year – exactly what is expected of assets over time. The magnitude of the return for 2019, however, was somewhat surprising. Equities¹ were up over 30 percent, and fixed income² posted a strong 8.7 percent. After a period in which markets were nervous about a recession, this was unexpected by many investors.

CLARITY

Markets thrive on certainty, even for less-than-favorable outcomes. The year started with uncertainty around Brexit, trade with China and economic growth. Trade rhetoric between the United States and China has dialed down, and the first phase of an agreement is in place, fueling optimism that a second phase will include tariff reductions on both sides. After Boris Johnson's win and the resounding defeat of the Labour Party in December, it became clear that Britain would exit the European Union with some sort of deal in place. We expect this year will bring its own uncertainties about how this new relationship will balance the needs of both sides, but the resolution brought some clarity to an uncertain situation.

IT'S STILL THE ECONOMY

Politics dominated headlines in 2019 and impeachment headlines periodically rattled markets. Forecasted election outcomes caused some volatility throughout the year. Investors largely shrugged off these concerns, as they should. The intrinsic value of companies – what they're worth – is determined by earnings projections driven largely by economic growth. Economic growth

is typically not impacted by an impeachment, and given our political structure, the president alone does not steer the economic ship. Population growth and productivity measures play a larger role, and monetary policy provides the framework for financial conditions and incentives for companies to borrow, invest or scale back. While we believe that in the long term these fundamentals will persist, we also believe that in the next year, investors will react to headlines and polls. Election years have historically been more volatile than other years, so it is important to stay diversified and keep the long-term perspective in view.

OUTLOOK: STAY DISCIPLINED

The Federal Reserve lowered interest rates three times in 2019 which boosted equity and bond prices. We do not expect any change in the federal funds rate this year unless the economic situation changes materially. While we expect political headlines to induce some volatility as we near the presidential election, we echo our advice from last year – stay disciplined. When markets are soaring, some investors are tempted to take more risk. Others are inclined to move to cash and take chips off the table. While it's prudent to rebalance and move portfolios in line with risk and return expectations, we never advise trying to time the market. Over time, we still expect cash

to be the worst performing asset class, and long-term investors should focus on their goals rather than year-to-year market returns.

And above all, resist the urge to move in and out of markets based on headlines.

As we move into this new year, it's important to reassess your goals. Reach out to your relationship manager to discuss your financial plan and how your investment portfolio is

positioned. And above all, resist the urge to move in and out of markets based on headlines.

¹Equities are defined as the S&P 500, which returned 31.5% in 2019.

²Fixed Income is defined as the Bloomberg Barclays US Aggregate index, which returned 8.7% in 2019.

MAKE BETTER DECISIONS WITH YOUR MONEY



Christopher Lambert
Relationship Manager

Your financial health has an impact on your overall well-being, so here are some serious and fun ways that you can make better decisions with your money.

MAKE A PLAN TO REDUCE DEBT.

- Determine a realistic budget and set achievable goals with a financial plan.
- Log your income vs. expenses to show you the areas that need help.
- Make sure your family, partner or spouse is on board and willing to follow the plan.
- Start paying down debt.

INCREASE 401(K) AND SAVINGS CONTRIBUTIONS.

A 401(k) is a primary source for retirement savings. Increase your contribution this year – it should only take a couple of pay periods for you to adjust. Adding just 1 percent to your 401(k) contribution can provide surprising results.

MAKE EXTRA PRINCIPAL PAYMENTS ON YOUR MORTGAGE.

Making a single principal payment to your mortgage each

year can shed about six years off the term of a 30-year mortgage. It's a hard thing to do, but there are ways to set up your payments or use special monetary gifts to make years fall off your mortgage.

PICK SOMETHING TO SAVE FOR, SUCH AS A TRIP, EXPERIENCE OR REWARD.

It can be quite rewarding to determine a special trip or experience, then put aside money monthly and pay for it in full. The planning and anticipation can help extend the scope of this special reward. Make sure it fits within your financial plan, then make it happen.

Contact us if you'd like help implementing these ways to make better decisions with your money.

BEGIN ESTATE PLANNING AND UPDATE BENEFICIARY FORMS.

Discussing estate planning topics such as children, marriage, divorce and death is difficult but absolutely necessary. Meet with a legal professional and financial advisor to determine how your estate will be managed in the future.

Check and update your beneficiary forms, especially if your marital status has changed. And don't forget to check in with your financial advisor or your company's retirement plan administrator about retirement accounts and insurance policies.

OUR GROWING TEAM



BRYSON BOSSON

*Business Analyst
Knoxville*

Bryson focuses on optimizing internal operations, which helps our team exceed client expectations.



TERI RECTOR

*Customer Service Representative
Knoxville*

Teri prioritizes customer relations in order to resolve client inquiries efficiently.

Tastes of the season:

LUSCIOUS LEMON LOAF

Enjoy this coffeehouse-inspired iced lemon loaf cake with coffee or your favorite warm beverage. This recipe makes two loaves so you can have your cake and share it, too.



Ingredients

- 1 18.25 ounce yellow cake mix
- 1 4.3 ounce package lemon pudding mix (not instant)
- ½ cup vegetable oil
- 4 large eggs
- 8 ounces sour cream
- ½ cup milk
- 6 tablespoons lemon juice

Icing

- 2½ cups confectioners' sugar
- 3 tablespoons lemon juice

Instructions

Preheat oven to 350 degrees and butter two loaf pans.

Combine cake mix, pudding mix, oil, eggs, sour cream, milk and 6 tablespoons lemon juice in mixer bowl and beat for 2 minutes.

Pour into pans and bake until a toothpick inserted into the center comes out clean, about 50 minutes. Cool in the pans for 20 minutes, remove from pans, then cool completely on a wire rack.

Whisk confectioners' sugar and 3 tablespoons lemon juice together in a bowl until smooth. Spread evenly over the cooled loaves and let set before slicing, about 30 minutes.