



WEEKLY COMMENTARY

For the Week of February 4, 2019

WEEKLY FOCUS

Splitting Retirement Plans When Divorcing

Is divorce or legal separation in your future? If you or your spouse have money in retirement plans, you'll most likely have to share the assets. It's important to understand what governs the division of these assets to ensure the right party is responsible for paying applicable taxes. The type of retirement plan – IRA or qualified plan – determines the rules.

A separate legal term applies to each type of division. IRAs use a process known as *transfer incident to divorce*, while 403(b) and qualified plans, such as a 401(k), are split under the *Qualified Domestic Relations Order* (QDRO). You need to clearly define into which category each of the retirement assets fall when you submit your information to the court, so they're listed correctly in the divorce or separation agreement.

A transfer incident to divorce isn't taxed. The movement of funds can be classified as either a transfer or a rollover by the IRA custodian, depending on the circumstances of the division and the wording in the decree. The recipient takes legal ownership of the assets after the transfer is complete and assumes sole total responsibility for taxes on any future transactions or distributions.

A QDRO is used to divide qualified retirement plan assets between the owner and their current or ex-spouse or children or other dependents. Like transfers incident to divorce, QDROs are tax-free transactions so long as they are reported properly to the courts and the IRA custodians. QDRO assets can be rolled into a qualified plan, or a traditional or Roth IRA. Before a divorce settlement, any transfer from a qualified plan not considered a QDRO by the IRS is subject to tax and penalty.

Dividing retirement assets in a divorce can be less difficult if the correct information is provided to all parties involved. If the courts and custodians of the IRA and/or qualified plan recognize your divisions as QDROs or transfers incident to divorce, there shouldn't be tax consequences. Lack of attention to detail can make this stressful time even more complicated and expensive, especially if large sums of money are involved. Call our office, we are available to help you and your legal counsel provide the information needed to divide your retirement plan assets.

Securities America and its representatives do not provide tax advice; coordinate with your tax advisor regarding your specific situation.

FINANCIAL FACTS

Some Don't Pay Anything — 50.2 million of the 150.3 million tax returns filed in tax year 2016 (the latest year tax data is available), legally did not pay any federal income tax, i.e., 33 percent of all returns paid nothing. The remaining 100.1 million tax returns paid \$1.45 trillion of federal income tax (source: Internal Revenue Service, BTN Research).

Sales Price — The median sales price of existing homes sold in the United States in Dec. 2018 was \$253,600, down from an all-time peak median sales price of \$273,800 from June 2018. The low point for this statistic was \$154,600 in January 2012 during the 2008-12 real estate crisis. (source: National Association of Realtors, BTN Research).

Crazy High — For the 13 consecutive years from 1951-1963, the top individual marginal tax rate was at least 91 percent. The top individual marginal tax rate for 2019 is 37 percent (source: Internal Revenue Service, BTN Research).

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THE MARKETS

Following a blockbuster January jobs report, stocks closed mostly higher Friday. The U.S. added 304,000 new jobs in January, the largest gain since February of 2018. The Dow Jones advanced for the sixth week in a row. For the week, the Dow rose 1.33 percent to close at 25,063.89. The S&P gained 1.62 percent to finish at 2,706.53, and the NASDAQ climbed 1.38 percent to end the week at 7,263.87.

Returns Through 2/01/19	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.33	7.57	-2.09	17.91	12.50
NASDAQ Composite (PR)	1.38	9.47	-1.65	16.28	12.10
S&P 500 (TR)	1.62	8.13	-2.17	14.07	10.98
Barclays US Agg Bond (TR)	0.53	0.81	2.27	1.94	2.39
MSCI EAFE (TR)	0.94	6.51	-12.63	7.41	2.65

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.



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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright February 2019. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI #2408976.1