Financial Planning & Wealth Management
*3 Pillar Risk Management Process
*7 Step Financial Planning Process

ERISA 3(21)& 3(38) fiduciary services for nonprofits & businesses
*401(k)& 403(b), SIMPLE IRAs, SEP IRAs

*CFA charterholder
*Accredited Investment Fiduciary
*Chartered Retirement Plans Specialist

Ashby W. Price, CFA, AIF®, CRPS
Principal, Founder
804-622-1727
ashby@ashwoodfp.com
https://ashwoodfinancialpartners.com

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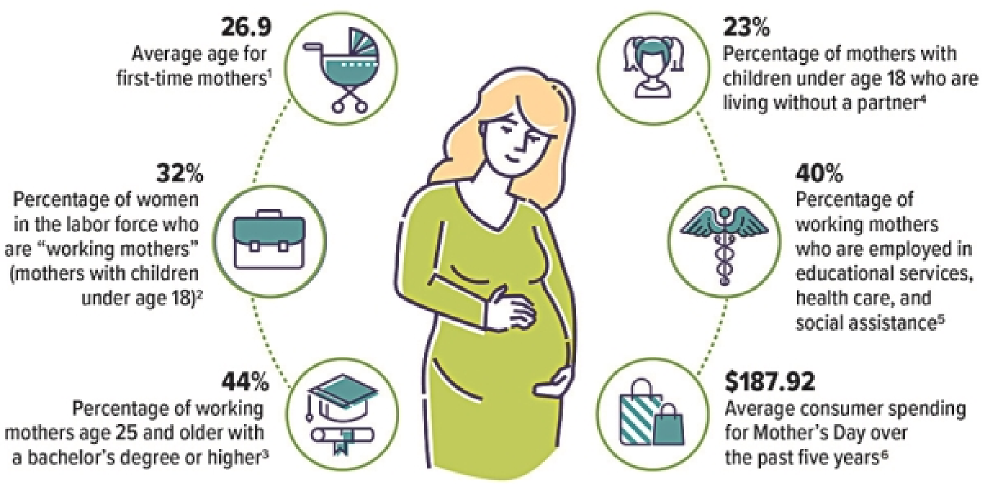
123456

Most common password in 2020. The next most common passwords were 123456789, picture1, password, and 12345678. A strong password should avoid dictionary words, sequential numbers, adjacent keyboard combinations, and personal information. It should contain at least eight characters (preferably longer) and include a combination of capital and lowercase letters, numbers, and symbols.

Source: CNN, November 19, 2020

Motherhood by the Numbers

While mothers deserve appreciation every day of the year, Mother's Day offers a special opportunity to celebrate them. In honor of mothers everywhere, here are some facts about motherhood that might surprise you.



Sources: 1) Centers for Disease Control and Prevention, 2020; 2-5) U.S. Census Bureau, December 2020; 6) National Retail Federation, 2020

Considerations When Making Gifts to Children

If you make significant gifts to your children or someone else's children (perhaps a grandchild, a nephew, or a niece), or if someone else makes gifts to your children, there are a number of things to consider.

Nontaxable Gift Transfers

There are a variety of ways to make transfers to children that are not treated as taxable gifts. Filing a gift tax return is generally required only if you make gifts (other than qualified transfers) totaling more than $15,000 per individual during the year.

- **Providing support.** When you provide support to a child, it should not be treated as a taxable gift if you have an obligation to provide support under state law. Parents of minor children, college-age children, boomerang children, and special-needs children may find this provision very useful.
- **Annual exclusion gifts.** You can generally make tax-free gifts of up to $15,000 per child each year. If you combine gifts with your spouse, the amount is effectively increased to $30,000.
- **Qualified transfers for medical expenses.** You can make unlimited tax-free gifts for medical care, provided the gift is made directly to the medical care provider.
- **Qualified transfers for educational expenses.** You can make unlimited gifts for tuition free of gift tax, provided the gift is made directly to the educational provider.

For purposes of the generation-skipping transfer (GST) tax, the same exceptions for nontaxable gift transfers generally apply. The GST tax is a separate tax that generally applies when you transfer property to someone who is two or more generations younger than you, such as a grandchild.

Income Tax Issues

A gift is not taxable income to the person receiving the gift. However, when you make a gift to a child, there may be several income tax issues regarding income produced by the property or from sale of the property.

- **Income for support.** Income from property owned by your children will be taxed to you if used to fulfill your obligation to provide support.
- **Kiddie tax.** Children subject to the kiddie tax are generally taxed at their parents' tax rates on any unearned income over $2,200 (in 2021). The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.
- **Basis.** When a donor makes a gift, the person receiving the gift generally takes an income tax basis equal to the donor's basis in the gift. The income tax basis is generally used to determine the amount of taxable gain if the child then sells the property. If instead the property were transferred to the child at your death, the child would receive a basis stepped up (or down) to the fair market value of the property.

Gifts to Minors

Outright gifts should generally be avoided for any significant gifts to minors. For this purpose, you might consider a custodial gift or a trust for a minor.

- **Custodial gifts.** Gifts can be made to a custodial account for the minor under your state's version of the Uniform Gifts/Transfers to Minors Acts. The custodian (an adult or a trust company) holds the property for the benefit of the minor until an age (often 21) specified by state statute.
- **Trust for minor.** A Section 2503(c) trust is specifically designed to obtain the annual gift tax exclusion for gifts to a minor. Principal and income can (but need not) be distributed to the minor before age 21. The minor does generally gain access to undistributed income and principal at age 21. *(The use of trusts involves a complex web of tax rules and regulations, and usually involves upfront costs and ongoing administrative fees. You should consider the counsel of an experienced estate professional before implementing a trust strategy.)*

Transfer by Gift Versus Transfer at Death

Difference in taxable gain when appreciated property is sold at fair market value (FMV) after the transfer.

Calculation Steps	Transfer by Gift	Transfer at Death
Sales price (FMV)	$100,000	$100,000
– Income tax basis	– $20,000 (carryover of donor's basis)	– $100,000 (stepped-up to FMV)
Taxable gain	= $80,000	= $0

Corporate Debt: Are Juicier Yields Worth the Extra Risk?

In response to a pandemic-induced sell-off in March 2020, the Federal Reserve announced that it would purchase corporate bonds, including riskier junk bonds, as part of its effort to stabilize the financial markets. Fed bond buying, along with a pledge to keep interest rates near zero for as long as needed, helped to calm the nerves of investors and to keep money flowing into corporate debt. In fact, U.S. corporations issued more than $2.2 trillion in new debt in 2020, up from $1.4 trillion in 2019.[1]

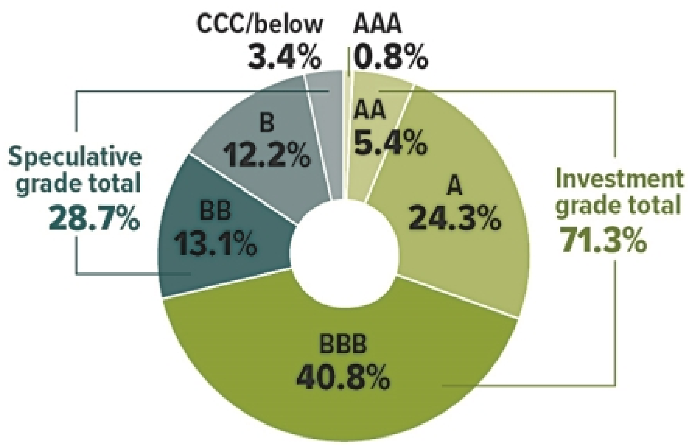
Corporations sell bonds to finance operating cash flow and capital investment. Corporate bonds usually offer higher interest rates — and are subject to more risk — than U.S. Treasury securities with comparable maturities. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest, but distressed corporations occasionally default on payments.

Investors who rely on corporate bonds for retirement income, or to help temper the effects of stock market volatility, should consider the degree of risk they are willing to accept in their bond portfolios.

Credit Risk and Ratings

Most corporate bonds are evaluated for credit quality by one or more ratings agencies, each of which assigns a rating based on its assessment of the issuer's ability to pay the interest and principal as scheduled. Bonds rated BBB or higher by Standard & Poor's and Fitch Ratings, and Baa or higher by Moody's Investors Service, are considered investment grade. Lower-rated corporate bonds (called high-yield or "junk" bonds) are considered non-investment grade or speculative, because they are issued by companies considered to pose a greater risk of default. Bond investors generally receive higher yields as compensation for bearing higher risk.

U.S. corporate debt, by rating category (share of total)



Source: S&P Global Ratings, November 2020

Many factors can alter a company's perceived credit risk, including shifts in economic or market conditions, adjustments to taxes or regulations, and changes in management or projected earnings. When a ratings agency upgrades or downgrades a company's credit rating, or even adjusts the outlook, it often causes the prices of outstanding bonds to fluctuate.

An Uneven Outlook

Thanks to the Fed, many companies have been able to borrow at very low rates and with favorable terms, putting them in better shape to ride out the pandemic and repay their debt over time. On the other hand, some companies in sectors that were harshly impacted by social distancing measures and lockdowns — or that were in a weak financial position before the health crisis began — are more vulnerable to credit pressures.

According to a forecast by S&P Global Fixed Income Research, the trailing 12-month default rate for U.S. speculative-grade corporate debt will rise to 9% by September 2021, up from 6.3% in September 2020. However, the risk of default is greater in hard-hit corporate sectors such as retail, restaurants, travel-related sectors, and oil and gas.[2]

Downgraded bonds that lose their investment-grade ratings are known as fallen angels. There was a spike in fallen angel debt in 2020, and the number of potential fallen angels (rated BBB- with a negative outlook) is projected to decline in 2021 but remain elevated.[3]

Thirsting for Yield

After accounting for inflation, the real yields on many U.S. Treasuries have dropped below zero, while the real yields for many investment-grade corporates are barely positive. As a result, some fixed-income investors may be motivated to invest in riskier high-yield corporate bonds.[4]

Investors who stretch for yield should have the discipline to tolerate the price swings typically associated with lower-quality bonds. And considering the potential for lingering economic uncertainty, investors might want to take a selective approach when evaluating corporate bond investments.

The principal value of bonds may fluctuate with changes in interest rates and market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost.

1) Securities Industry and Financial Markets Association, 2021

2-3) S&P Global Ratings, December 2020

4) *The Wall Street Journal,* November 17, 2020

Three Reasons to Keep Your Personal and Business Finances Separate

If you are launching a new venture, you may wonder whether it's necessary to open a dedicated bank account for your business. Even if your company is established and already has separate checking and credit-card accounts, you may be tempted to pay business expenses from personal accounts on occasion — or vice versa — particularly during tough times.

The more your business and personal outlays become entwined, the harder it is to manage your company's cash flow, payroll, and taxes. It might also be difficult to keep tabs on the company's financial performance.

Here are three key reasons to draw a clear line between your business and personal finances — and do your best never to cross it.

To Increase Purchasing and Borrowing Power

To open a business bank account, you may be required to obtain an Employer Identification Number (EIN) from the Internal Revenue Service. Building a relationship with a bank that serves small businesses might provide access to other important financial services and resources, such as a merchant account, a line of credit, and a business credit card.

Using a business credit card responsibly is one way to establish the positive credit history that could help you qualify for larger business loans with better rates and terms, and without personal guarantees, in the future.

To Make Life Easier at Tax Time

Maintaining separate bank and credit accounts means you won't have to spend time sorting business purchases from personal ones.

As a small-business owner or independent contractor, you may be eligible for a long list of tax deductions that don't apply to regular wage earners. Careful tracking of your business expenses can help you and your tax professional take full advantage of deductions and reduce your tax burden.

To Protect Personal Assets

If your business struggles, it could pose a threat to your personal assets and credit. Paying business expenses directly from personal accounts might help substantiate a creditor's claim that your business was being run improperly.

Keeping your financial accounts separate may be especially critical if your business is incorporated as a C corp, an S corp, or a limited liability company (LLC). The corporate veil, which refers to the legal distinction between a corporation and its owners, is designed to protect the owners from liability related to the company's actions. However, commingling personal and business funds could pierce the corporate veil and leave your personal assets vulnerable to business debts, losses, and lawsuits.