



# IRONWOOD

Investment Counsel, LLC

**Winter 2019**

## *What a Year That Was*

Ironwood Investment Counsel, LLC constructs and manages customized investment and wealth management programs designed to meet our clients' unique goals and objectives. Our distinctive process maximizes performance through return enhancement, risk reduction, tax efficiency, and cost containment.

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The markets' performance in 2019 was a good reminder of the difference a year can make. In January 2019, the S&P 500 was coming out of its first negative year in a decade; worries about the global economy were surging due to the U.S.-China trade war and the Federal Reserve had just hiked interest rates the previous month.

Now, we begin 2020 on the opposite end of the spectrum...

The S&P 500 just registered its best annual return since 2013, worries about the global economy are receding thanks to the U.S.-China trade deal and the Fed cut interest rates three times in 2019.

For us, the takeaway from this is clear: What happened in the markets last year doesn't mean much for what could happen in the markets this year. Put in more familiar phrasing: Past performance is not indicative of future results. So, while the macroeconomic environment is favorable as we begin 2020, a new year always brings new challenges and uncertainties, especially when it's an election year.

More specifically, as we begin 2020, we are monitoring several unknowns that, with the market at historically high valuation levels, could cause volatility in 2020.

Looking at domestic politics, markets have ignored the impeachment of President Trump, as the odds he is removed from office by the Republican-controlled Senate are very low. But there is an election coming in November, and while many analysts don't expect it to begin to influence the markets until later this summer, we could know who the Democratic nominee is by the end of March. Depending on who that person is, it could cause unexpected volatility.

Bottom line, the fundamental outlook for the economy and asset markets has improved since the depths of the 2018 correction, and stocks have responded accordingly. But it's very important to realize that, despite the strong performance in 2019, markets still face significant uncertainties, and we are committed to monitoring these situations and their impact on the markets and your portfolio.

In late December, Congress passed the SECURE Act which made some significant changes to retirement savings law. The age for taking your required minimum distribution was increased to 72 from 70½. Individuals can contribute to traditional IRAs after 70 ½ as long as they have earned income. The most impactful change however, was made to inherited IRA accounts for non-spouse beneficiaries. Now, the assets must be distributed within a 10-year time-horizon (periodically or lump sum), creating challenges in the tax and estate planning processes.

We've been through both good and bad markets, and those experiences ensure that we guard against complacency following a year of strong annual returns. We remain committed to helping our clients navigate this ever-changing market environment, with a focused eye on ensuring we continue to make progress on achieving your long-term investment goals.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

Ironwood Investment Counsel, LLC

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