Nachman Norwood & Parrott
Wealth Management Consultancy

1116 South Main Street
Greenville, SC 29601

UPCOMING EVENTS

GREENVILLE

Phyllis Mills Wyeth: A Celebration | October 2–December 29 | gcma.org
Holiday at Peace | December 20–22 | peacecenter.org
The Greenville News Run Downtown 5K | January 19 | rundowntown5k.com

CHARLESTON

Hot Air Balloon and Victory Cup Polo | November 15–16 | victorycup.org/charleston
Charleston Restaurant Week | January 9–19 | restaurantweeksouthcarolina.com
Charleston Jazz Festival | January 23–26 | charlestonjazz.com/festival

ATLANTA

The Nutcracker | December 7–24 | foxtheatre.org
Cirque de la Symphonie | December 17–18 | atlantasymphony.org
Hello, Dolly! | February 11–16 | foxtheatre.org/events/broadway

CONTACT US We value your opinion. Have a question or topic that you would like to see addressed in this newsletter? Contact Anna Britton Madden at 864.467.9800 or annabritton.madden@nnpwealth.com.

NEWS FROM NNP

THE OPPORTUNITY IN OPPORTUNITY ZONES

As a result of the 2017 Tax Cuts and Jobs Act, Opportunity Zones have sprung up throughout the United States. However, because the IRS was slow to roll out regulations, there was little discussion about these zones until the latter part of 2018. Now with clearer guidelines, Opportunity Zone investing will likely have a significant impact on cities throughout the country, and they present a potentially significant tax benefit to investors—particularly those with high net worth.

Opportunity Zones are low-income, economically distressed land tracts that have been selected by municipalities and the state and approved as such by the U.S. government. More than 8,700 census tracts have received the Qualified Opportunity Zone designation, and throughout the country, large sums of money are being raised to invest in these zones. Many of these zones have already experienced the early stages of change. Look for these changes to accelerate. On the downside, these investments could also continue the gentrification of the neighborhoods where these zones are located.

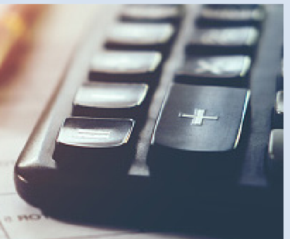
The tax benefits associated with Opportunity Zone investing are meaningful and somewhat unique. To qualify for tax incentives, Opportunity Zone investments must be made through a Qualified Opportunity Fund (QOF), investment vehicles that can be established as a partnership or a corporation.

Certain restrictions apply to these funds. A taxpayer with a capital gain from most any type of investment can invest some or all of the gain into a QOF within 180 days of realizing the gain. The big distinction between this purchase and the traditional 1031 exchange is that the capital gain being invested can be almost any type of gain, not just real estate. These gains can be realized from the sale of a business or a publicly traded stock. Also, the taxpayer is able to defer paying tax on the gain until either the sale of the QOF or December 31, 2026, whichever comes first. Depending on the time of the investment, the taxpayer will then get a partial step-up in their original tax basis. Additionally and maybe most significantly, there would be no tax on any gain from the QOF investment if held for at least 10 years.

Although somewhat complicated, the benefits can be substantial. It is more important than ever to properly vet the investment opportunities. Don't just do it for the potential tax breaks. Investing in a QOF should fit appropriately in an overall financial plan, and it would be wise to consult a tax advisor.

In the next few years, the increased activity related to Opportunity Zones has the potential to further accelerate development around the U.S. Being educated on this topic will help investors recognize the potential for growth that this program presents.

For further information, contact your team at NNP. It's best to act early since this investment will lose a portion of the tax benefit after December 31, 2019.



RETIREMENT REFORM ON THE HORIZON

In early 2019, the House passed the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) with a vote of 417 to 3. With the Senate working on a similar bill, the Retirement Enhancement and Savings Act (RESA), it appears there may be meaningful retirement reform this year. The provisions of these bills are too numerous to detail in full, but here are some highlights:

Increased Small Employer Access to Retirement Plans: The intent is to expand retirement plan options of small employers by allowing them to band together to create a 401k plan with lower costs and less fiduciary liability on the employers.

Tax Credit for Automatic Enrollment: Smaller employers would receive a tax credit of $500 to help encourage automatic enrollment into the retirement plan.

Increased Annuity Options Inside Retirement Plans: This new rule would ease some liability concerns for retirement plans that offer annuities. Annuities are sometimes used as a strategy to provide lifetime income.

Increased Required Minimum Ages: Both the House and the Senate have proposed an increase to the required minimum age at which Required Minimum Distribution commences. The House's bill proposes changing the minimum age from 70.5 to 72. The Senate's version increases that age to 75.

Removal of Age Limitation on IRA Contributions: The SECURE Act removes the current IRA contribution age cap of 70.5, so people who work later in life may continue to contribute to an IRA.

Penalty-Free Distribution for Birth or Adoption of a Child: Up to $5,000 may be distributed penalty free in the event of a birth or adoption of a child. This distribution must occur within one year of the birth of the child or the adoption becoming final.

Lifetime Income Disclosure for Defined Contribution Plans: The SECURE Act would require defined contribution plans to prepare and deliver a lifetime income summary to participants at least once every 12 months. This disclosure should help participants plan their future retirement income.

Removal of "Stretch" Inherited IRA Provisions: The House bill would require most beneficiaries to distribute any inherited IRA account over a 10-year period as opposed to the current ability to stretch over a beneficiary's lifetime. The Senate bill contains significantly different verbiage but would end the stretch provision for inherited IRAs over $450,000.

It is important to note that this is only a preview of what legislation may pass this year, and none of this information is yet law. The team at NNP is monitoring the progress of this legislation and will be ready to assist if and when any legislation is signed.

LEVERAGING GIFT RULES TO YOUR ADVANTAGE

As 2019 concludes, it may be helpful to review rules surrounding gifting:

- You may give up to $15,000 to any individual (i.e., donee) in 2019 and avoid any gift tax filing requirements.
- If married, you and your spouse may transfer up to $30,000 per donee.
- Gifts above this annual amount trigger the need to file a gift tax form with your individual tax return. Any excess gift amounts are then added to your estate for potential estate taxation.
- If you provide a gift to your spouse who is not a U.S. citizen, the annual exclusion amount is $155,000.

Consider the following to use these rules to your advantage:

Make Periodic Gifts: Gift giving is measured per calendar year. Consider making periodic gifts annually should your planning allow.

Fund College Savings: Consider establishing a 529 college savings plan for your children and grandchildren. This type of account allows you to retain ownership of the funds while making contributions that will "gift" your children and grandchildren with a college education.

Pay Medical and Education Bills Directly: If you are concerned about exceeding annual limits for gifts, consider paying medical and educational bills for your children or grandchildren. Paying those expenses directly to the issuer is a gift alternative that removes the assets from your estate.

Donate Property: Gifts can include physical property and investments. If you're interested in donating property, document the fair value of the property at the time of transfer. This documentation is required by the IRS.

SAVE THE DATE

Young Adult Financial Planning Seminar

DECEMBER 23rd, 2019

Children or grandchildren home for the holidays? Have them join us to learn the fundamentals of budgeting, planning for retirement and investing for the long term.

TEAM NEWS

NNP is fortunate to have dedicated team members like Al Cannon and Salle Conlin who reached milestone anniversaries this year. We are pleased to recognize them for their years of service with NNP:

Al Cannon
10 Years

Salle Conlin
10 Years

We are grateful for these associates' dedication, commitment and contribution to our clients and our team.

Virginia Crider had the opportunity to speak about NNP and our work with Operation Santa at the Operation Santa Kickoff Luncheon in September. We are excited to be a part of such a great cause and to supply gifts to 22 kids for Christmas this year.

Congratulations to Al Cannon and his band, The Vinyl Junkies, for winning Greenville's "Gimme the Gig" contest. "Gimme the Gig" is a votes-based contest. Winners had the opportunity to play two sets Thursday night at the Downtown Alive festival on Main Street.

In addition to being our Chief Compliance Officer, Angela Sheppard also manages our client portal. In September she attended the SS&C Deliver Conference in Florida to learn how we can better serve our clients with our new technology!