

SUMMER 2018

HARVEST

a journal on true wealth building and sharing



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SAVVY CFP

OUR COMPANY

The Joseph Group has a simple but powerful mission: help clients live great lives. By understanding and encouraging our clients' cherished dreams, we are able to provide investment management and advisory services that help them fulfill their goals and lead a life of greatness.



▲ The Joseph Group team, from left to right:

Jake Martin, CFP; Jeff Tudor, CRPS; Aaron Filbeck, CFA, CAIA, CIPM; Rachel Beidelman; Ben Borich; Lori Fiske; R. Travis Upton, CFA, FRM, CAIA; Bridget Haggerty; Mark Palmer, JD; Matt Palmer, CAP; Emily Mayes; Scott Mizer, OKA; Kimberly Kline; Nick Boyden; Jodi Picetti; Todd Walter, CPA, CFP; Chris McConaughy, CFP, ChFC; Dave Suchland, CRPC



We hope you are enjoying these summer weeks; perhaps even a vacation. Don't forget how valuable time away with family and friends is—it refreshes the mind, body and spirit!

Our families are celebrating happy occasions. Mark and Laurie's oldest son Grant will be married (to Chelsea) in November. And Matt and Lisa's oldest daughter, Layne, gave birth to Madeline Grace on June 9. This is Layne and her husband Patrick's first child and Matt and Lisa's second grandchild.

Our cover story shares the powerful story of Paul and Ellen Schoonover, dear friends and clients whose 21-year-old son, Matt, died in 2012 of an opiate overdose. Paul and Ellen have determined that Matt's death will not have been in vain and are now part of a statewide effort to get rid of this opiate scourge that is robbing us of so many beautiful young lives. See if their life work triggers any ideas as to how you might invest your life and move from success to significance.

In our other articles, we introduce you to new team members at The Joseph Group and we continue our regular columns by Travis and Todd. You also will learn of an upcoming Wealth Summit in December featuring Chris Crawley, *New York Times* bestselling co-author of *Younger Next Year*. Come and learn the

keys to "living like you're fifty until you're eighty and beyond." We are thrilled to introduce him to those of you able to join us that evening.

Finally, we're pleased to announce a new initiative for our women clients and friends. Led by the gals of our firm, the GATHERing will be a quarterly opportunity to learn about local social enterprises (businesses and nonprofits), owned and run by women, that are changing our community, and the world, for the better. Stay tuned for our first gathERING this fall.

Kudos to treetree, a local agency that worked with us to give this magazine its new look—we hope you like it! And as always, know that we and our team are here to help you live a great life—whatever that means to you. Life is a gift—so get out there and live and let our team help you with the financial and investment plan you need to do just that.

In faith and hope,
Mark and Matt



PAUL AND ELLEN SCHOONOVER

FROM GRIEF TO ACTION

TJG note: What began as the casual use of alcohol and pot by Paul and Ellen Schoonover's son Matt, led quickly to experimentation and then addiction to pain pills and ultimately to his death in 2012 from a heroin overdose at the age of 21. Now heavily involved in Ohio's fight against this scourge, Paul and Ellen sat down with Joseph Group CEO Matt Palmer to share their story.

TJG: We shared a bit of your story some years ago, but for our newer readers, please give them a bit of Matt's background and describe when you first recognized that he was struggling.

ELLEN: Matt grew up like many of your readers' children—in a loving and supportive family with



▲ Young Matt Schoonover

emotional and financial security. He was fun-loving, had a huge heart and tons of friends. Matt was active in our church all through his childhood, went to camp in the summers, was involved in school sports (baseball and soccer), and attended Worthington

Christian High School, graduating in 2009. Sadly, however, Matt began regularly using pot and alcohol particularly during his senior year and we now suspect that he did that in part to self-medicate the anxiety and stress that was part of his ADHD.

PAUL: The summer after he graduated, Ellen and I were hopeful Matt would benefit from a fresh start by attending Lee University. It was when he was a freshman there, however, that he and a friend began using pain pills regularly (Vicodin, Oxycodone and Percocet). His grades fell and he was forced to leave school after that year and returned home to work in the restaurant and catering business. While we knew he was abusing these drugs, we had no idea how addicted he was. And we had no idea that pain pills were, from a molecular standpoint, almost identical to heroin. It is why so many who are addicted to pills go on to use heroin. It does the same thing to the brain.

ELLEN: Matt lived at home and worked for the next two years. With the help of his ADHD doctor, Matt attempted to detox at home (his doctor prescribed meds to help him with the side effects of detoxing.) One morning in April of 2012, I noticed that he had not gotten up to go to work. I went into his bedroom and it was then that he shared the words I'll never forget,

▼ Matt Schoonover's high school senior picture

"Mom, I need to go to rehab, I'm addicted to heroin." At first I thought he was joking until the tears began running down his cheeks. Mind you this was six years ago—no one was even talking about heroin as an epidemic—particularly in the suburbs of Columbus. Paul and I immediately got him into the Woods at Parkside for a live-in rehab program. He stayed for three weeks and was released after successfully going through the program. We now know that three weeks is not nearly long enough to overcome an opioid addiction.

PAUL: The next morning, Matt and I made plans to play golf in the afternoon following a Narcotics Anonymous meeting which he planned to attend. He was going to call me when the meeting was finished. When I didn't hear from him, Ellen and I began to call his cell. We contacted his friends and they started trying to contact him as well. As the hours went on and he didn't pick up, which was highly unusual, I had a sense that something terrible had happened. At 9:30 that evening, the Columbus Police came to our door to share that he had died in what appeared to be an overdose. It was May 11, 2012. I'll never forget what I said to Ellen, after the officer left our home:

Matt's death will not be in vain—we're going to do something to help others.



”

No one was even talking about heroin as an epidemic—particularly in the suburbs of Columbus.”

ELLEN SCHOONOVER



▲ Matt Schoonover playing baseball at Disney Wide World of Sports

THE “SECOND HALF”

TJG: We talk a lot about the “second half” that many of us will have—shifting our focus off our careers and onto an even greater purpose or mission. This isn’t a cause you wanted to have but you’ve taken your grief and turned it into a true mission, joining others in Ohio advocating for greater awareness of opioid addiction and how to prevent it. How soon after Matt’s death did you start to get involved?

ELLEN: Paul got involved immediately. Matt died on May 11 of 2012, and on May 29, Paul spoke at Grandview High School. Our new life’s purpose had begun. Initially, Paul volunteered with Tyler’s Light, a nonprofit established in memory of another young man who also lost his life to an opioid overdose. Two years later, we joined the Drug Free Action Alliance which is now called the Prevention Action Alliance (PAA), a certified prevention agency leading the way in substance misuse prevention and increasing mental health awareness. Paul serves on their board and I’ve become an active volunteer.

PAUL: Some of PAA’s programs include the Ohio Youth-Led Prevention Network, Ohio College Initiative to Enhance Student Wellness, and the Statewide Prevention Coalition Association (SPCA), which helps foster solidarity and support for local coalitions, professional training and educating about the effects of marijuana.

ELLEN: And Paul and I volunteer with PAA’s GAP (Grief to Action to Prevention Network), which reaches out to parents who have lost a child to an opiate addiction. Through GAP, we provide parent peer support, resource packets and an annual conference with leading experts on grief and addiction. Last year, Nicole Labor, DO, spoke at our

conference. Nicole is a nationally known specialist in opioid addiction treatment and an expert on the neuroscience of addiction.

TJG: What are we learning about addiction?

Paul: Most importantly, we’re learning that addiction is a disease that happens in the brain. As such, it’s now vital that parents, families, communities, health workers and legislators treat it as a disease and not as a behavioral issue. The science underlying addiction is helping to erase the stigma associated with it. The field has even changed the name of a person who misuses drugs and alcohol from addict to someone with a substance use disorder.

TJG: In addition to your primary work with PAA, what are some examples of other initiatives or events that you’ve been part of?

PAUL: When Governor Kasich launched the Start Talking program several years ago, he invited me to speak with him at press conferences around the state to share

Matt’s story. Ellen and I have participated in several round table discussions for the faith-based community sponsored by Dr. Anahi Ortiz, Franklin County Coroner. I served on a panel for the ABC 6 Town Hall *Hooked on Heroin* program that was aired across the country. We’ve spoken to the Board of the Funeral Directors Association to help them understand the more complicated grief associated with death from overdose (this kind of grief involves guilt, shame, blame and anger with the result that surviving family members often isolate rather than reach out for help) and provided them with our GAP resource folders to give to families who suffer this kind of loss.

We participated in a NAMI (National Association for Mental Illness) Conference in Toledo on the mental health issues associated with substance use disorder and we participated in a panel on substance abuse sponsored by the Ohio State Bar Association which featured Sam Quinones, author of the widely acclaimed national best seller, *Dreamland: The True Tale of America’s Opiate Epidemic*.

ELLEN: I have volunteered for a Youth to Youth camp, a national program that works with high schoolers to help them say no to drugs and alcohol. Together, we met with the Ohio State School Superintendents’ Association and we were interviewed on *CBS Sunday Morning*.

Locally, Paul and I have spoken at town halls, churches and high schools. And Paul continues to speak monthly at the Woods at Parkside, sharing with their current residents the danger of using even one more time after their release, which is what our son Matt did. One resident shared that because of Paul’s talk, he

was going to call his mother and tell her where he had hidden heroin in his room at home—which he wanted available, if needed, after his release. On another occasion, Paul was going through a drive-through and the cashier recognized him and shared that because of Paul’s talk, he had gotten clean and was now on a totally new career and life path.

PAUL: By the time this article is published, we also will have participated in a conference being held at OSU on June 23 entitled, “More Than a Number,” which will honor children who have passed away from addiction. Ellen has written a skit and will be a speaker. June 23 happens to be the 174th day of the year and it also represents the number of people who die every day in this country from a drug overdose.

TJG: Clearly you’ve put your hearts and souls into this cause. What is your goal for all that you are doing?

PAUL: That’s easy: save one.

We just want our efforts to save one life. And once we’ve saved one life, then we want to save one more life. And then one more life. And so on.

THE MATTHEW B. SCHOONOVER EDUCATIONAL CENTER

ELLEN: Through the generosity of a number of people as well as some grants, PAA established an educational center in our son’s name earlier this year. Located in PAA’s offices, this will be a place where local, state and national leaders in prevention can meet to develop solutions to the challenges every community faces and create resources that we will make available to youth, community and higher education leaders.

As I shared earlier, we don’t want Matt to have died in vain—so all that we now do is focused on saving others from losing their life to an overdose.

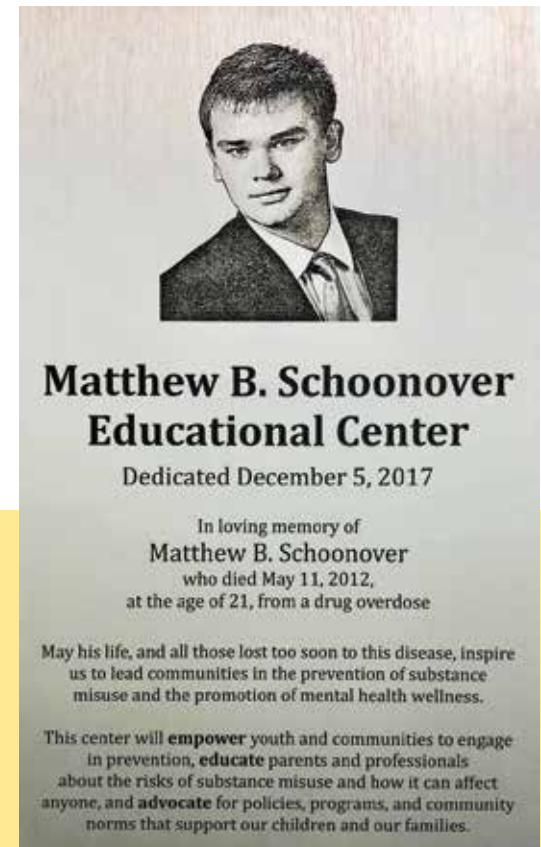
TJG: What role has your faith played in all of this?

ELLEN: It’s a really good question. Losing a child is the deepest form of grief there is. And we want your readers to know that we have survived that, particularly through our faith in God. We have seen God at work in all that we’ve been through these last six years—drawing us closer to Him and to each other and enabling us to receive love from others and to share love with others. Through Matt’s struggle and death, God has made us more like Him—more compassionate and less judgmental. God is good and the rope between Him and us—the rope that is our faith—has held. We’re very grateful for that.

TJG: Paul and Ellen, thank you for sharing this very challenging yet incredibly inspiring story with our readers. May your courage and your incredible faith, hope and love inspire our readers to live their lives in pursuit of a mission greater than themselves. And may God continue to bless you and your efforts in helping our nation solve this tragic opioid crisis. 🙏



▲ Paul and Ellen Schoonover at the dedication ceremony of the Matthew B. Schoonover Education Center.



▲ Lithograph in the Matthew B. Schoonover Educational Center.



MICHAEL B. COLEMAN SHARES THOUGHTS ON COLUMBUS' PAST, PRESENT AND FUTURE

2017 WINTER WEALTH SUMMIT

Columbus' 52nd Mayor, Michael B. Coleman, addressed over 120 clients and guests on December 6 at The Wells Barn on the campus of The Franklin Park Conservatory. After being introduced by his predecessor, former Columbus Mayor Greg Lashutka, Coleman spoke about his time as the longest-serving mayor and first African-American to serve as mayor of Ohio's capital city. Doug Morgan, local barn restorer

and builder of The Wells Barn, also graciously addressed the evening's guests. Our great city of Columbus was the focal point of a very enjoyable evening, concluding with a Q&A session with Coleman and a cake wrapped in the city's skyline.

**Thank you to all of our guests
for making this a wonderful
event to end the year!**



▲ Michael B. Coleman (left) with Greg Lashutka (right)



▲ Guests at the 2017 Winter Wealth Summit



▲ Doug Morgan addressing guests

2018 WINTER WEALTH SUMMIT

FEATURING CHRIS CRAWLEY

JOIN US!

Be our guest for cocktails and hors d'oeuvres at our 2018 Winter Wealth Summit as Chris Crawley, *New York Times* bestselling co-author of *Younger Next Year*, shares the keys to "living like you're fifty until you're eighty and beyond." Known as one of the three best speakers in the country, Chris will give an electrifying talk that spins an inspiring and radically new view of exercise, connectedness and eating well.

RSVP to Emily Mayes by phone or email:
614-228-4300 | events@josephgroup.com



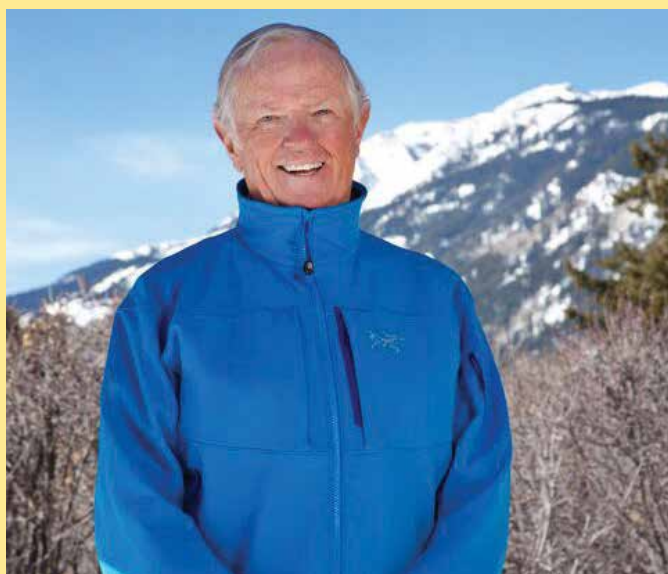
Wednesday,
December 5, 2018



The Wells Barn
1777 E. Broad St.,
Columbus, OH



6:00–8:30 pm



▲ Chris Crawley

TEAM CUISINE

The Joseph Group Team Cooks for a Cause at The Ronald McDonald House

We were pleased to have eight of our company's team members spend an afternoon cooking for and serving families at the Ronald McDonald House Charities (RMHC) of Central Ohio; a home away from home for the families of children being treated in nearby hospitals. The RMHC of Central Ohio is located in downtown Columbus, and with 137 guest rooms, it is the largest RMHC in the world. Each year, over 4,500 families stay at the Columbus Ronald McDonald House, totaling over 35,000 nights spent away from home.

Through the RMHC's Team Cuisine program, our staff cooked under the guidance of their in-house chef to create a meal that fed 100 people.

Thank you to the RMHC of Central Ohio for allowing our team to serve your guests!



▲ Our team at the Ronald McDonald House Charities of Central Ohio

TEAM UPDATE



LORI FISKE

is the newest member of our team, joining us as our new Client Concierge. In that role, Lori will: work alongside Client Advisors to schedule meetings and appointments; coordinate internal events; oversee all aspects of internal systems; and warmly welcome all guests into our office. Although from Ohio, Lori graduated from Florida Southern College with a degree in Art Communications. She has a passion for the arts and enjoys gardening, antiques, playing the piano and singing on her commute.



CHRIS MCCONAUGHY

joined our team as our new Investment Operations Associate. Chris is primarily responsible for: trading across the firm's discretionary portfolios, including rebalancing and investing new accounts across all of our platforms and custodians. Chris grew up in Toledo, Ohio and graduated from The Ohio State University with a degree in Psychology. In his free time, Chris enjoys writing and performing music and rooting for the Buckeyes!



KIM KLINE

was welcomed this year as our new Retirement Plan Services Assistant. Kim assists in all aspects of Retirement Plan Services, both internal and external, including helping participants with questions, enrollment and accessing online resources. Kim lives with her husband, Jeff, and two daughters, Logan and Lucy, in Baltimore, Ohio and is a 2006 graduate of The Ohio State University. She loves being outdoors with her family, listening to music, reading and is actively involved at Sycamore Creek Church.



On April 24, 2018 Governor John Kasich announced a rebate of \$1.5 billion in workers' compensation premiums to Ohio employers. Standing with the Governor at the podium was our firm's chairman and co-founder, Mark Palmer.

Mark was appointed by the governor in 2011 to serve as one of two investment professionals on the eleven-member board of directors of the Ohio Bureau of Workers' Compensation. As chairman of its investment committee, Mark oversees the establishment of overall investment policy for the bureau's \$26 billion in investment assets used to provide benefits to Ohio's past, present and future Ohio injured workers. Since 2011, strong investment returns have enabled the bureau to return \$8.0 billion to employers in premium rebates and reductions.



CONGRATULATIONS!

This past May, Aaron Filbeck, CFA, CAIA, CIPM, Portfolio Manager at The Joseph Group, earned the Certificate in Investment Performance Measurement (CIPM) designation. This designation is one of two programs offered by the CFA Institute, the other being the prestigious Chartered Financial Analyst (CFA) designation. The CIPM Program covers topics including ethical and professional standards, performance measurement and attribution, manager research and selection and compliance ramifications of the Global Investment Performance Standards (GIPS). In order to hold the CIPM designation, each candidate must pass two rigorous exams and satisfy the CFA Institute's requirements for relevant work experience. Aaron is already a CFA Charterholder, so he was exempt from the first exam and able to sit for the Level II exam. On average, each candidate spends up to 150 hours in preparation for each level and the success rate ranges from 40%–60% at both levels.

GatHERing

Our new forum for women

"I believe that if we can teach little girls to dream, that they'll be the force that changes the world. But I believe more than that; if we can teach broken women to dream like little girls again, it will be a force the world has yet to see."

-Amber Runyon

We're excited to announce the start of GatHERing, a new series of events that will be designed and led by our female colleagues and focused on our women clients and their daughters, sisters, mothers and friends. GatHERing is the result of a great meeting we had with ten of our female clients, asking them what else we could do to achieve our mission of helping them live great lives.

After considerable discussion, two areas of focus emerged:

First, they would like us to help them connect with women-owned and -led social enterprises—both for-profit and not-for-profit organizations. Visiting those organizations and learning more about their work emerged as a focus for this new initiative.

Second, they would welcome the opportunity to learn more about personal finances—but in a casual and comfortable social environment that included other women.

GatHERing will combine those two goals by providing at least two events per year—with each to take place at a woman-owned or -led business or social enterprise. A tour and presentation by that owner/leader will be the primary focus, but it will be followed by a 10-15 minute financial briefing by a member of our team—with the entire event to include wine, soft drinks and appetizers.



Wednesday,
September 26,
2018



Eleventh
Candle Co.



Led by Eleventh
Candle Co. founder
Amber Runyon

For more details and to make reservations,
go to our website, josephgroup.com.

“What is the purpose of this money?” is perhaps the most important question an investor can ask.

We believe wealth should be aligned with purpose. Each of The Joseph Group’s investment strategies is designed to serve as a tool for addressing different objectives within an investor’s wealth allocation. In this issue of MARKETalk, we look at the purpose behind each of our five strategies and current market themes impacting how we are managing each strategy in the current environment.

Travis Upton, Partner and Chief Investment Officer ▶



PROTECT CAPITAL

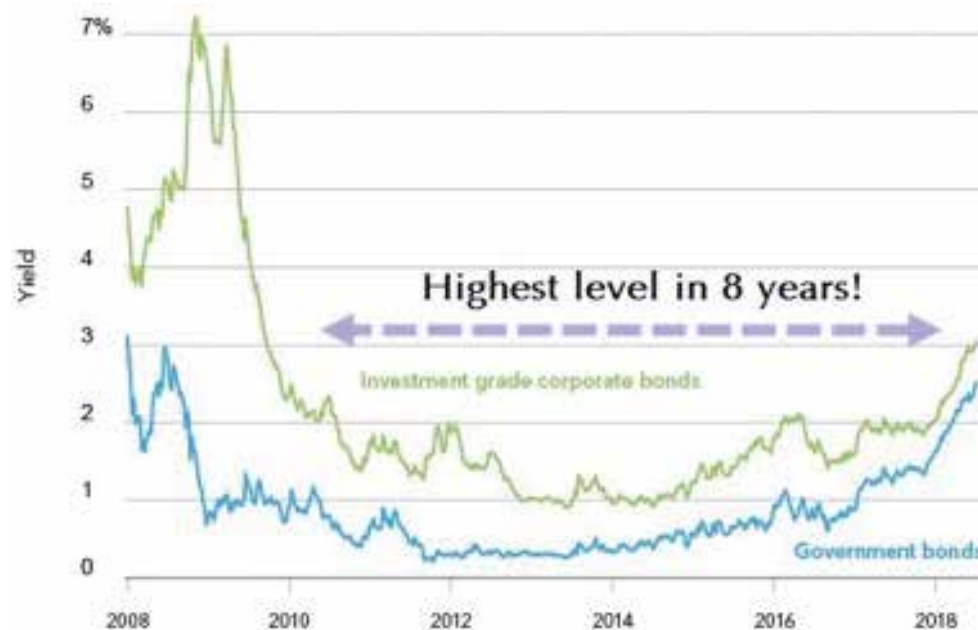
CONSERVATION STRATEGY

Conservation seeks to provide modest income and preserve principal over time periods of one year or more.

Interest rate hikes by the Federal Reserve mean investors have more options available for their longer-term liquid needs. In June, the Fed increased the target for the Fed funds rate to 2.0%. When the Fed hikes rates, it impacts all short-term bonds and means these bonds pay higher rates going forward.

Short-term bonds and floating-rate notes are Conservation’s primary hunting ground. The chart (shown below) shows yields (rates) paid by short-term and investment-grade corporate bonds. These rates are at the highest level in over eight years!

Higher short-term rates increase the attractiveness of a strategy like Conservation as a parking place for investors’ longer-term liquid needs.



▲ U.S. short-term bond yields, 2008–2018.
Source: Blackrock Investment Institute

PROVIDE CASH FLOW

PROVISION STRATEGY

Provision focuses on current income. It’s designed for investment goals with time frames greater than five years such as providing for cash flow needs in retirement.

Provision is a diversified strategy that invests across High Quality Bonds, Credit (junk bonds), Global Stocks, Real Assets, and Dynamic (flexible) strategies. The key is that every piece of Provision seeks to provide inflation protection or a growing stream of income and preferably both.

The way we allocate to Global Stocks within Provision is a great example of how we apply the “providing cash flow” mandate. We are looking for dividend-paying stocks across three sleeves:

1. **High Current Dividend Yield:** These are stocks which are paying high dividend rates today.
2. **Dividend Growth:** These are stocks where the dividend is growing over time. For example, a technology company may have paid a dividend of \$1.00 five years ago, but today the dividend is \$1.70. That 11% annual growth rate represents increased purchasing power.
3. **Foreign Stock Dividends:** The best dividend opportunities may not be in U.S. stocks. On average, the dividend rate on the MSCI EAFE is currently about 1% higher than that of the S&P 500.

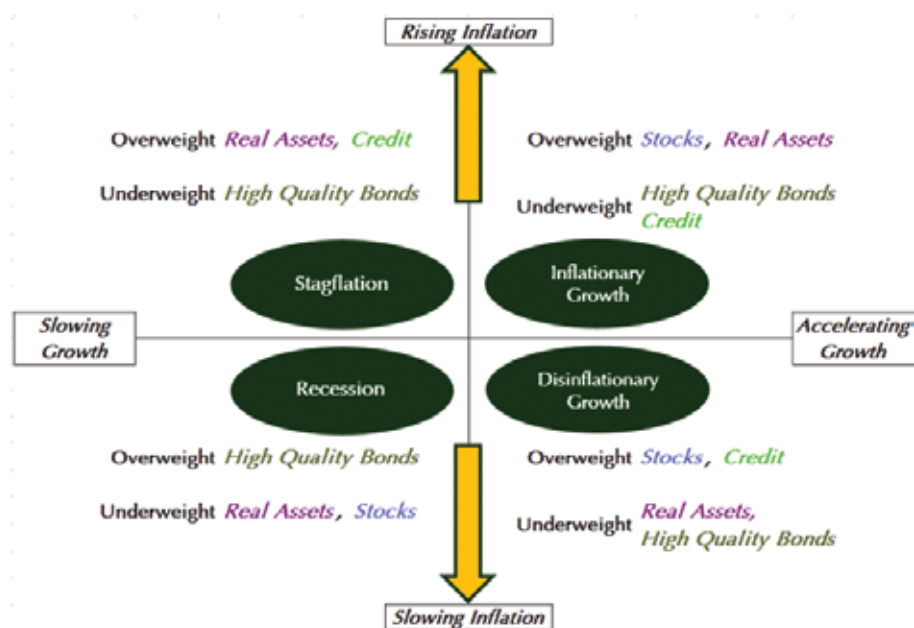
GROW TOWARD A LONG-TERM GOAL

HARVEST STRATEGY

Harvest seeks growth toward a tangible long-term goal such as retirement, college savings, or a charitable endeavor. Defining the tangible goal is important and it has risk management implications—an investor needs to take enough risk to get growth to reach the goal, but not so much risk that a bear market would make the goal unachievable.

Like Provision, Harvest is a multi-asset class strategy that is diversified across High Quality Bonds, Credit (high yield bonds), Global Stocks, Real Assets, and Dynamic (flexible) strategies. However, because Harvest is more focused on growth than income, it will hold different funds/ETFs (exchange-traded funds) than Provision.

Harvest also seeks to shift risk exposures to take advantage of the prevailing economic environment. As illustrated in the chart below, different asset classes tend to perform better in different economic regimes. For example, with accelerating growth and slow inflation, we would tend to overweight stocks and underweight high quality bonds.



▲ Harvest Strategy
Source: The Joseph Group

ASPIRE TO HIGHER LEVELS OF WEALTH

ABUNDANCE STRATEGY

Abundance is an aggressive portfolio of global stocks. It is appropriate for investors who are comfortable with a non-diversified, opportunistic strategy with a high degree of volatility.

We manage Abundance in four sleeves:

Two sleeves are “benchmark aware” and are focused on the MSCI All Country World Index (ACWI).

1. The Index sleeve uses index funds and ETFs to get global exposure in an inexpensive way.
2. The Active Global sleeve uses managers that specifically seek to outperform the MSCI ACWI over time.

The other two sleeves are “benchmark agnostic.”

3. The Unconstrained Stock Pickers sleeve looks for managers who run high conviction, concentrated stock portfolios and seeks to add value through stock picking, long or short.
4. The Thematic sleeve seeks to identify enduring trends, shaping the global markets. Currently, Abundance is investing in technology through a leveraged play on semiconductors (computer chips) and rapid growth in the middle class in the country of India.

HOME GROWN STRATEGY

The Home Grown stock portfolio is different from the other four strategies we manage because it is composed of individual stocks rather than funds or ETFs.

Home Grown is a concentrated portfolio of 23 individual stocks and the name comes from the fact that we target roughly half of the stocks in the portfolio to be headquartered in the great state of Ohio. The other half of the portfolio consists of large, blue chip stocks that are leaders in their industries.

- **Valuation:** The stock must be attractively valued relative to other stocks in the sector.
- **Momentum:** The stock either has a trend of outperforming in its sector, or has fallen so hard that “bad is good.”
- **Thesis:** We can articulate a reason why the stock should perform well in the future.

Each of our investment strategies is consistently managed toward a distinct purpose, but is flexible to respond to changing market conditions. Each month, we gather at Portfolios at Panera to discuss how we are viewing markets and what we are doing in portfolios. If you have questions or want to hear more about what we are doing and thinking, we hope to see you there!*

*There is no guarantee that a strategy's investment objective will be met.

CORE PORTFOLIO ALLOCATIONS

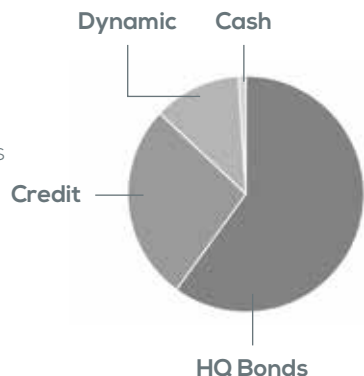
AS OF JUNE 30, 2018

CONSERVATION

Objective*: Minimal risk and modest income, consistent with preserving principal over time periods of one year or more.

SECTOR ALLOCATION:

- Cash:**
1% Liquidity
- HQ Bonds:**
60% Short duration bonds
- Credit:**
27% Corporate, asset-backed
- Dynamic:**
12% Absolute return



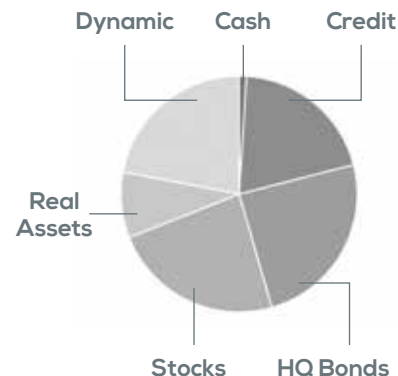
PROVISION

Objective*: Sustain wealth by focusing on current income and low principal volatility over the long term.

Volatility Target*: 3 to 8%

SECTOR ALLOCATION:

- Cash:**
1% Liquidity
- HQ Bonds:**
24.5% Corporate, TIPS
- Credit:**
20% High yield, 6% rates
- Global Stocks:**
23.5% Blue chip dividends
- Real Assets:**
9% REITs, commodities
- Dynamic:**
22% Tactical income



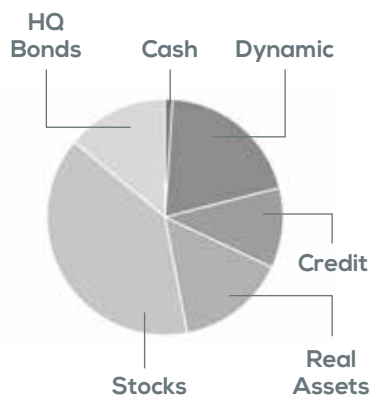
HARVEST

Objective*: Risk-managed growth through a multi-asset strategy to achieve long-term dreams and goals.

Volatility Target*: 8 to 15%

SECTOR ALLOCATION:

- Cash:**
1% Liquidity
- HQ Bonds:**
15% Corporate, TIPS
- Credit:**
11% High yield, 6% Rates
- Global Stocks:**
39% Active and index
- Real Assets:**
14% REITs, commodities
- Dynamic:**
20% Tactical allocation



ABUNDANCE

Objective*: Aggressive, concentrated portfolio that seeks to outperform major market averages over long-term market cycles.

Volatility Target*: 15 to 24%

SECTOR ALLOCATION:

- Cash:**
1% Liquidity
- Global Stocks:**
99% Global, stock picking



*There is no guarantee portfolio objectives or volatility targets will be met. Allocations subject to change without notice.

THE QUALIFIED CHARITABLE DISTRIBUTION—NO LONGER “MR. IRRELEVANT”

“Mr. Irrelevant” is the title given to the last player picked each year in the NFL draft—not exactly a vote of confidence! No one expects him to be a difference-maker. The Qualified Charitable Distribution (QCD) has been the Mr. Irrelevant of financial planning tools for most taxpayers. This is no longer the case thanks to the Tax Cuts and Jobs Act of 2017. Before we explore why, here is a Qualified Charitable Distribution refresher.

WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION (QCD)?

Qualified Charitable Distributions allow taxpayers over the age of 70½ to make distributions to charity using an IRA and:

1. Not report the IRA distribution as taxable income on their tax returns.
2. Not report the charitable deduction on Schedule A of their tax returns.
3. Count the distribution towards the annual Required Minimum Distribution (RMD) which must be made after age 70½.

A few important rules:

1. The IRA check must be directly payable to the charitable entity and not to the IRA owner.
2. The charity must be a public charity and not a private foundation or donor advised fund.
3. There is a \$100,000 annual limit on QCDs per taxpayer.

QCDs were created in 2006, but were not made permanent until 2015.

WHY MAKE A QUALIFIED CHARITABLE DISTRIBUTION?

Let’s consider a couple examples:

Mike makes a QCD and requests a check for \$5,000 to be payable from his IRA directly to his church. Mike does not report the \$5,000 as income on his tax return, but he also does not report the \$5,000 charitable deduction. There were no federal tax consequences.

John does NOT make a QCD. John requests a \$5,000 check to be payable to him from his IRA, deposits it in his bank account, and then writes a \$5,000 check to his church. John reports the \$5,000 taxable income from his IRA on his tax return, but he also itemizes his deductions so he claims a \$5,000 charitable deduction. For John, the deduction offsets his income and therefore, he too has no federal tax consequences—it’s a wash! This is why the QCD has essentially been irrelevant for most taxpayers who itemize their deductions.*

*The Joseph Group does not provide tax or legal advice. Before implementing a tax or legal strategy please consult your accountant or attorney.

If a taxpayer’s standard deduction is more than his itemized deductions, he claims the standard deduction and not his itemized deductions. This is where the Tax Cuts and Jobs Act of 2017 has impact: the Act nearly doubled the standard deduction available to taxpayers (in addition to eliminating or limiting several itemized deductions). This means many taxpayers will no longer be itemizing their deductions and will be claiming the standard deduction instead.

What if John’s itemized deductions were less than his standard deduction? He would claim the standard deduction, not get any tax benefit from his charitable contribution, and still be required to claim the \$5,000 as taxable income. To avoid the \$5,000 taxable income, John should make a QCD. It’s that simple!

If you are over 70½ and interested in making charitable gifts, talk with your tax advisor to see if the Qualified Charitable Distribution is right for you. With fewer people itemizing deductions, the QCD has become an incredibly powerful financial planning tool. Mr. Irrelevant is now a first-round draft pick!



▲ **Todd Walter, Partner and Chief Wealth Planning Officer**

FROM THE BOOKSHELF



The Heart-Led Leader, by Tommy Spaulding

Tommy Spaulding believes that every leader must have a leadership philosophy they can name and follow on a daily basis...a compass to guide every action and decision. Heart-Led Leadership is a clearly spelled-out leadership philosophy that is proven to drive extraordinary bottom-line results. Tommy believes that love and results are not opposites. They are two sides of the same coin. He calls it love-driven results.

Authentic leaders, Spaulding says, live and lead from the heart. The values and principles that guide our lives and shape our ability to lead others is far more important than our title, our ability to crunch numbers or the impressive degrees we display on our walls.

To effect true transformational change, heart-led leaders draw on the qualities of humility, vulnerability, transparency, empathy and love. Illustrated with stories from his own life, and from some of the exceptional leaders he has met and worked with over the years, Spaulding unpacks what those qualities mean. He talks about the 18-inch journey from the head to the heart—from our intellect to our emotions—and shows us how to incorporate these qualities into our careers, how we manage and lead others, and how we live our lives. It is a vision of leadership that has the power to transform everything we do and the lives of everyone we touch.



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Client assets under our management and consultation have grown from \$31 million, when we commenced business in February 1999, to more than \$540 million as of December 2017. Of that total as of December 2017, The Joseph Group's total regulatory discretionary assets were nearly \$425,662,000 and the remaining \$114,828,000 of assets were comprised of group retirement plans for which we consult.

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