



OUR MISSION IS TO CHANGE LIVES. **ONE "HEMINGTON" AT A TIME.**

HEMINGTON NEWSLETTER

Q2 & Q3 2024

Hemington Adds ETFs to Portfolios as Preferred Buys

By Steven R. Cherry, CFP®

Hemington is always seeking ways to enhance the value we bring to our clients, and now, after evaluation by the Investment Committee, we are excited to incorporate Exchange-Traded Funds (ETFs) as our preferred buys into our clients' portfolios.

Compared to mutual funds, ETFs have three primary advantages:

- » Lower expense ratios
- » Zero trading fees
- » Greater tax efficiency (as expanded on below)

ETFs trade like stocks, allowing for intra-day valuations (vs. after market close for mutual funds) and greater precision in rebalancing and trading for contributions and distributions.

While various ETF strategies have been available for some time now, it is just recently that ETFs with factor tilts that align with our investment philosophy have become available.

The tax-efficient structure of ETFs aligns well with our goal of maximizing after-tax returns. Several factors contribute to their tax efficiency:

- » ETFs allow for the creation and redemption of shares "in-kind," meaning authorized participants can exchange a basket of securities with the ETF issuer, reducing taxable distributions.

- » Many ETFs, particularly those tracking indexes, have low turnover. Securities are bought and held to match the composition of the portfolio's underlying index, resulting in fewer transactions and lowering the tax burden on investors.
- » Because ETFs trade like stocks, there are more opportunities to tax loss harvest than with mutual funds.
- » ETFs holding dividend-paying stocks may pass through qualified dividends to investors, which are taxed at lower capital gains tax rates rather than ordinary income tax rates.

As we introduce ETFs as preferred buys, it is essential to underscore that this expansion complements rather than replaces our current mutual fund strategy. If your current mutual fund positions have significant unrealized gains, we will not be replacing them; rather, we will add ETF positions with new money or reinvestments of interest and dividend income.

Mutual Funds and ETFs: Which Is Right For You?

	Platform Availability	Account Types	Unit of Transaction	Share Price	Platform Transaction Fees
Mutual Funds	Selectively available	Broad range	Dollar amount Can transact in partial or whole shares	NAV Shares are bought and sold at the end of the day at net asset value	Fees often apply¹
ETFs	Publicly available Restrictions may apply at the discretion of the platform and/or advisor	Broad range Generally not available in 401(k)s	Number of shares Can only transact in whole shares ²	Market price Varies throughout trading day; may be bought or sold at a premium or discount to NAV	Fees often smaller or do not apply¹

Notes: 1. Details vary by platform, refer to custodian for more information. 2. Reinvestments allow for partial share transactions



Secure Act 2.0

What You Need to Know for 2024 and 2025

The Secure Act 2.0, a significant update to the original Secure Act, has introduced several key provisions this year and will continue to usher in important updates in 2025. At Hemington, we are committed to keeping you informed and prepared for any planning opportunities.

KEY CHANGES FOR 2024

- 1. Expanded RMD Age.** The age for Required Minimum Distributions (RMDs) from retirement accounts has increased to 73, which allows you to keep your money invested longer before withdrawals are mandatory. This adjustment is particularly beneficial for those who don't need their retirement funds and prefer to let their investments grow tax-deferred as long as possible.
- 2. Emergency Personal Expense Distributions** Penalty-free distributions of up to \$1,000 are allowed from 401(k) plans for financial emergencies. This provision enables individuals to access funds in case of unforeseen expenses without facing penalties, provided only one distribution is made every three years (or annually, if repaid).
- 3. Domestic Abuse Withdrawals** Victims of domestic abuse can withdraw the lesser of \$10,000 (adjusted for inflation after 2024) or 50% of their 401(k)-account value without penalty.
- 4. Emergency Savings Accounts Linked to Retirement Plans** Employers may now offer emergency savings accounts as part of their retirement plans. Employees can contribute up to \$2,500 annually to these accounts, with penalty-free access for up to four withdrawals per year.
- 5. Student Loan Matching Contributions** Employers can now match employee student loan payments with contributions to their retirement accounts. This innovative provision helps younger employees who are paying off student loans to simultaneously build their retirement savings, addressing two financial goals at once.
- 6. Roth Accounts in Employer Plans** Roth accounts in employer retirement plans will no longer have RMDs, allowing those funds to grow tax-free for longer.
- 7. 529-Plan-to-Roth-IRA Rollovers** Probably the most exciting new provision effective in 2024 is beneficiaries of 529 college savings plans can now roll over up to \$35,000 of excess 529 plan funds to Roth IRAs over their lifetime, subject to annual contribution limits.

LOOKING AHEAD TO 2025

- 1. Auto-Enrollment in Retirement Plans** From 2025, all new 401(k) and 403(b) plans will be required to automatically enroll eligible employees. This move aims to increase participation rates and ensure more workers are saving for retirement.
- 2. Enhanced Saver's Credit** The Saver's Credit, a tax credit for low- and moderate-income taxpayers who contribute to retirement accounts, will become more generous and easier to claim with the aim of enhancing retirement savings.
- 3. Higher Catch-Up Contributions** Individuals aged 60-63 can make catch-up contributions of up to \$10,000 for 401(k) plans and \$5,000 for SIMPLE IRAs. These amounts will be indexed annually for inflation.
- 4. Long-Term Care Insurance Premiums** Retirement plans can distribute up to \$2,500 per year to pay premiums for specified long-term-care insurance contracts without penalties.
- 5. SIMPLE Plan Changes** SIMPLE IRAs and SEPs can now allow Roth contributions, employer contribution limits have been eased, and new catch-up contribution limits have been introduced. For 2025, the annual SIMPLE IRA and SIMPLE 401(k) deferral limit will increase by 10% to 110% of the 2024 deferral/catch-up contribution limits.

At Hemington, we are here to guide you through these legislative changes and help you make informed decisions that align with your financial goals. If you have any questions about how Secure Act 2.0 impacts you, don't hesitate to reach out to us. Together, we can navigate these updates and build a secure financial future for you and your family.

Please reach out to your Hemington Wealth Advisor with any questions.

The print version of this newsletter contained an error about the increased RMD age, which has since been removed.

Please note that the information provided here is based on the latest available data and may be subject to change pending further guidance from the IRS and other regulatory bodies.



WHAT'S NEW AT HEMINGTON?

MIKE AND AMY: "FIVE YEARS, FIVE WEEKS" SABBATICALS

At Hemington, after five years of service, employees are eligible for a five-week, paid sabbatical. This spring, two team members celebrated their well-deserved time off.



Mike Byman traveled around Ireland for two weeks and then spent the remainder of his time off in the local area.



During her sabbatical, **Amy Mitchell** enjoyed spending more time in nature and with her family, including a 10-day trip to Arizona with her husband and son to hike, mountain bike, and explore the local towns. On one of their excursions, the trio hiked into the Grand Canyon.



Your hardworking Client Service Managers recently enjoyed a special day together to practice a little self-care. Hemington treated **Kate Niemiec, Ivana Link and Lauren Andretich** to breakfast and mani-pedis before they returned to the office to resume their meticulous client care!

Congratulations to **Colin O'Connor, 2nd Lt, Marine Corps Officer!**

In May, Eileen's son Colin graduated from the United States Naval Academy with Distinction, where he was a wide receiver for the Navy Midshipmen and named to the American Athletic Conference All-Academic Team.





AWARDS & RECOGNITION



Investment News

Hemington was recognized for the 5th time as one of the top 75 **Best Places to Work for Financial Advisors**. Hemington placed 20th nationwide in the small company category and is one of only 8 companies in the DC/MD/VA area to make the list. This prestigious award identifies companies that go beyond offering their financial advisors attractive benefits and perks, creating workplaces that empower employees with the skills and confidence necessary to deliver the best possible investment and financial planning guidance to clients.



Forbes

For the 4th year in a row, **Eileen O'Connor** was named a **Best-in-State Wealth Advisor**, placing 5th in the Virginia (North) segment. In addition, **Eileen** and **Jen Dawson** were both named **Best-in-State Top Women Wealth Advisors**. SHOOK Research vetted over 44,000 nominations to find advisors who are leading the way in offering best practices and providing a high-quality experience for clients.



Washingtonian Magazine

For the 2024 edition of their survey, **Eileen O'Connor** was listed again as one of the DC area's **Best Financial Advisers**. Her consistent placement has also qualified her for their **Top Wealth Adviser Hall of Fame**. The list is based on recommendations from financial industry professionals who were asked whom they would trust with their own money.

A new client portal is on its way for Hemington clients. We will have more information soon, but it will include a new look and a new mobile app.

About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

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