Camden NATIONAL WEALTH MANAGEMENT

NEWSLETTER | SPRING 2019

A Focus on Giving: Highlights

Charitable Contribution Limit Increases

The 2017 tax law increased the deduction limit on charitable cash donations from 50% to 60% of a taxpayer's adjusted gross income. While most limitations on gifts of other property types remain the same, this increase may provide you an opportunity to give more money to worthy causes and receive a larger charitable deduction. Contact your Relationship Manager for help determining the best way to maximize your charitable impact under the new limits.

Millennials and Philanthropy

There are now more millennials in the workplace than any other generation, and 84% of them gave to charity in 2014. A recent Forbes article suggests the ability to give easily online and share community causes and activism on social media have contributed to millennials' growing status as a highly influential group of givers and philanthropists. As millennials develop their long-term giving strategies, it will be critical for nonprofits and families to understand and respond to their evolving giving habits.

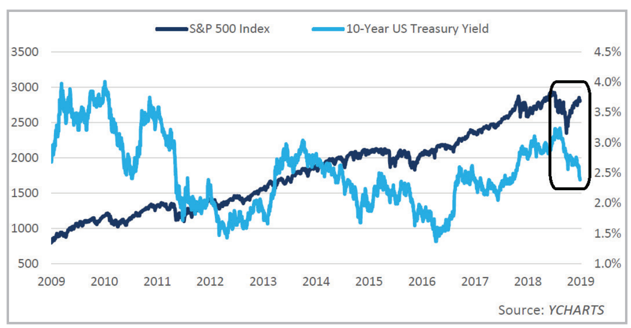
Written Acknowledgments for Charitable Gifts

If you make a charitable gift of $250 or more, be sure to obtain a written acknowledgment from the organization. If you don't, the IRS may disallow what it considers an "unsubstantiated" gift.

Insights from Our Analysts: The Diverging Paths of Stocks and Bonds

As of the end of March 2019, the S&P 500 was trading at nearly the same level as six months prior. During that period, investors saw one of the worst Decembers on record, with an intra month drop of 16%, followed by a complete recovery in the averages by the end of February. The journey has been anything but smooth. Markets remain volatile, driven in part by slowing growth and interest rate normalization. The current disconnect between advancing stock prices and lower bond yields highlights lingering uncertainties, even as U.S. equities have enjoyed one of the strongest starts to a year on record. Lower bond yields typically indicate worsening economic conditions, while advancing stocks signal a more positive economic outlook. These two diverging market paths reinforce our view that investors should be prepared for continued bumps in the road throughout 2019.

The Stock Market's View



Source: *YCHARTS*

There is an old adage that bull markets don't die of old age; they die from excess. While stocks have enjoyed one of the largest expansions in history, typical late stage excesses—such as speculative bubbles, over investment in housing and lofty valuations for stocks—have yet to appear. In early January, investors got the message they wanted to hear from Federal Reserve Chairman Jerome Powell, when he stated that the Fed would be more flexible on policy and in "no hurry" to raise interest rates. This pause in interest rate hikes helped spark the recent rally in stocks, with the potential drag to economic growth now off the table. The current market is pricing in an accommodative Fed, no recession and reasonable growth for the rest of the year.

The Bond Market's View

Future growth expectations drive bond yields—and current yields paint a considerably different picture for 2019 than stocks do. In stark contrast to their stock market brethren, bond investors have priced in no further rate increases from the Fed for 2019 and are even pricing in the possibility of a rate cut. This is evidenced by the drop in the 10 year Treasury yield from 3.25% last October to 2.40% in April. Does this posturing by bond investors raise legitimate concerns about future economic growth?

Continued on reverse side

We think the combination of reasonable stock valuations, controlled investor sentiment and modest long-term interest rates make it distinctly possible that both markets are right. Low rates and reasonable growth, aided by the fiscal stimulus from tax reform, encourages companies to reinvest in their businesses. This backdrop can be the ideal recipe for appreciating stock prices. As a result, although we expect volatility to persist, providing opportunities to purchase high quality companies at the right price, we consider a recession in the next 12 months unlikely.

The markets can send conflicting signals, and having a knowledgeable advisor at the helm is critical for sustainable financial success during these interesting times.

A Focus on Giving: Strategies

The Tax Cuts and Jobs Act of 2017 made sweeping changes to our tax system, many of which may affect charitable giving. Historically, the tax code has offered tax deductions to give Americans who itemize an incentive to make charitable donations. The increase in the standard deduction likely means fewer taxpayers will be itemizing, though nobody knows for sure how that change might affect charitable giving.

Here are some strategies we discuss with clients as they make decisions about their charitable giving:

- No longer itemizing, but still charitably inclined? Consider making charitable donations for multiple years in one lump sum to put you over the standard deduction threshold, and using a **Donor Advised Fund** at a community foundation or commercial gift fund. You receive a tax deduction in the year you make the gift, but you can recommend grants to various charities over a number of years.
- If you're 70½ or older and have an IRA, you may wish to consider making a **Qualified Charitable Distribution**. You can contribute up to $100,000 from your IRA directly to a qualified charity. The distribution won't count as income, but it also won't be eligible for a charitable deduction.
- Donate appreciated assets directly to charity or to a **Charitable Remainder Trust**. Either option avoids long-term capital gains taxes and removes the assets from your estate. Although the charitable deduction is limited to 30% of your adjusted gross income in a given year, you can carry the deduction forward for five years.
- A **Private Foundation** may be appropriate for those with significant assets and charitable interests. Although private foundations entail both initial set-up costs and ongoing expenses, they can provide a meaningful way for you and your family to leave a lasting philanthropic legacy.

No matter how many gifts you choose to make or how many nonprofits you decide to support, charitable giving sustains the institutions critical to our communities and quality of life.

Charitable Planning Expertise

Our team actively partners with clients to create a roadmap for the future. Charitable giving is often a critical component of short- and long-term financial plans, and we're here to help you determine how to make philanthropy part of your overall goals.

Audrey Klein-Leach
Vice President,
Client Advisor

Audrey Klein-Leach is a Certified Trust and Financial Advisor (CTFA) who brings more than 25 years of experience to her role as a Client Advisor and Trust Officer. Through her professional work, Audrey has handled many complex charitable gifts, including charitable remainder and lead trusts, gift annuities, retained life estates and general charitable bequests. Audrey coordinates with each client's attorney and CPA to help families and individuals create and fulfill their philanthropic legacies.

Camden National Wealth Management provides investment management, goals-based financial planning, and trust and estate services to individual and institutional clients in Maine and throughout the United States. Our highly credentialed team averages 25 years in the business and includes Chartered Financial Analysts, estate planning attorneys, CTFA trust specialists, and financial planners. Together, we bring a customized investment and planning approach to meet each client's unique financial needs.

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