



Independent, Objective Advice

Investment & Retirement Rx

A newsletter for Eli Lilly employees and retirees

1st Quarter 2020



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Happy New Year!

We hope you had a wonderful and safe holiday season. We want to thank our clients for allowing us to work with them over this past year. We enjoy our work and appreciate the trust and confidence each and every one of you have placed in us. We can never say it often enough, you are the reason Oaktree exists, and for that we thank you. Rest assured, we will continue to work hard to provide you with the best financial assistance that we can.

We wish you and your family a year of good health, happiness, and prosperity in 2020.

Continued thanks for your referrals

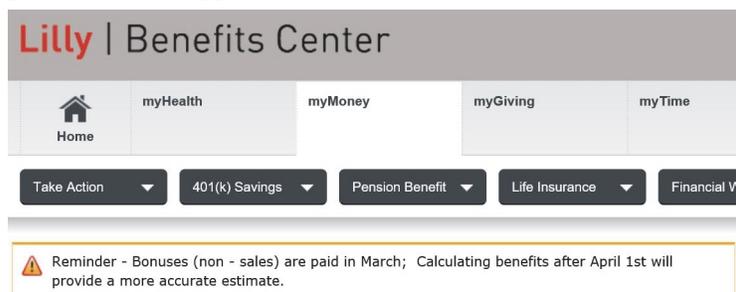
Many of our new clients come through your referrals. We would like to thank all of you who continue to refer your Lilly colleagues, friends and family members to Oaktree Financial Advisors.

We are committed to giving special attention to each person introduced to us, especially since they come from you, our respected clients.

Lilly pension calculator reminder

As a reminder, the pension calculator on the Lilly Benefits site will, in most cases, underestimate your pension from January through March of each year. This is because bonuses are not paid until March, therefore, they aren't factored in yet.

There is a warning on the pension calculator screen as shown below, but we find clients often overlook this and think their pension has dropped.



If you want to get a more accurate estimate prior to April, you need to manually override the annual income input.

If you are not sure how to do this, or need help, just contact us and we will guide you through it.

Lilly equity awards

It is that time of the year when those eligible for equity awards will be receiving vested award payouts and new 2020 awards.

If you receive new awards in 2020 all you have to do is accept those awards.

Awards that are vesting will have the net number of shares, after tax withholding, paid into your Merrill Lynch brokerage account. Some things to consider with these awards include the following:

- Do you want to continue to hold the Lilly stock or sell it? You can sell the shares at any time.
- The Merrill Lynch account is titled as an individual account and that can't be changed. Most people should consider moving these assets into a joint account or individual transfer on death account.

For assistance with these or any other issues related to equity awards please contact us at 317-818-1631.

Retirement plan numbers for 2020

For 2020, the following limits apply:

- \$19,500 - applies to 401(k), 403(b), and governmental 457 plans. The limit is \$26,000 for those age 50 or older due to the \$6,500 catch-up contribution.
- \$13,500 - applies to SIMPLE plans. The limit is \$16,500 for those age 50 or older due to the \$3,000 catch-up contribution.
- \$6,000 - applies to IRAs (both Roth & Traditional). The limit is \$7,000 for those age 50 or older due to the \$1,000 catch-up contribution.
- The eligibility to contribute to a Roth IRA phases out between \$196,000 - \$206,000 of modified adjusted gross income for married filing joint taxpayers and \$124,000 - \$139,000 for single taxpayers.

Oaktree Financial Advisors is an independent financial services firm specializing in working with employees and retirees of Eli Lilly. We are not affiliated with or endorsed by Eli Lilly.

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Oaktree's 20th anniversary

While both Chris and Ed have been in the financial planning business over 20 years, it was 20 years ago, in 2000, that they teamed up to form Oaktree Financial Advisors.

We have our clients, and a wonderful staff to thank for the success we have achieved over these 20 years. We've met so many great people along the way and while they start out as clients, many have become more like friends/extended family.

We have experienced many changes with our clients. Stock market ups and downs, retirements, kids graduating college, and deaths of clients or family members. Our clients call on us to be there to make sense out of all the financial noise during these events. It's been the pleasure of our professional careers to serve in such a trusted role.

Tax reporting of direct rollovers

If you made a direct rollover from your Lilly 401(k) or other qualified plan into an IRA last year, you will receive a 1099-R from the custodian of the plan. Box 7 of the 1099-R should contain the letter "G", indicating that this was a direct rollover and not taxable. But you **do need** to report this on your 2019 tax return.

If you have someone that prepares your return for you, just bring them the 1099-R along with your other tax information.

If you use tax preparation software these entries will be done for you when you answer the appropriate questions.

If you prepare your own taxes but do not use a software program, the following instructions will be helpful.

- Box 1 of your 1099-R shows the amount of the direct rollover. Report this amount on your form 1040, line 4a IRAs, pensions, and annuities.
- Box 2a of your 1099-R is the taxable amount of the distribution and should be zero. This number should go on line 4b Taxable amount, on your form 1040. Enter "Rollover" next to line 4b.

Is it time for a 401(k) Tune Up?

How long has it been since you last gave your 401(k) a tune up? One of the most valuable services we have been able to provide to our clients is a personal 401(k) Tune Up. This comprehensive analysis includes specific recommendations on how to allocate your account based on your personal situation and risk tolerance. Some of the topics covered in the 401(k) Tune Up include:

- How to determine which investment options to use
- What is the self-directed brokerage account (SDBA) and is it right for me?

If you're not sure your 401(k) is set up appropriately and you would like some professional guidance, **request our complimentary 401(k) Tune Up by visiting our website at www.oaktreeadvisors.com**. Once there click on the Contact link, fill out the form, select 401(k) Tune Up in the "I'm interested in" box, and click on Submit. You can also call our office at 317-818-1631 or toll-free at 1-877-901-1631.

Protect yourself after a data breach

Cyber criminals are showing no signs of slowing down. Data breaches are becoming more and more common. If it hasn't happened already – you may eventually be notified that your data has been compromised.

So, what do you do next? Here are the next three steps you can take ranked by effort and cost:

1. Minor: Watch your bank and credit accounts

Don't throw that paper statement in the recycling bin or delete that email before you take a closer look at it each month. Regularly log in to review your activities online, too. You could even enable notifications on your phone's credit card app to see when a purchase is made in real time.

2. Medium: Sign up for credit monitoring services

Would you rather have someone else take the time to review your finances? Fraud-protection specialists can watch for any out-of-the ordinary behavior on your accounts and ensure you're notified of any suspicious activity. Some are free, including Credit Karma, while others like LifeLock charge a fee. The four national credit reporting companies, Equifax, Experian, TransUnion, and Innovis, also offer their own versions of these paid memberships.

3. Major: Freeze your credit

You can essentially shut down all access to your credit report. This requires reaching out to each of the four national credit reporting companies:

Equifax 866-640-2273
<https://www.equifax.com>

Experian 888-397-3742
<https://www.experian.com>

TransUnion 888-909-8872
<https://www.transunion.com>

Innovis 800-540-2505
<https://www.innovis.com>

Once this occurs, lenders will not have access to your credit. This prevents anyone from opening fraudulent accounts or applying for loans in your name. As long as your credit is frozen, no new accounts can be created – even if it's you requesting them. To lift the freeze from your credit, simply reach back out to the four companies to unfreeze things.

You may not be able to prevent every cyber attack, but your options to fight back are fairly straight forward. Be vigilant. Get help if you can. If all else fails, freeze your credit until you need to access it.

Social Security sees a 1.6% COLA

Social Security benefits for more than 69 million Americans will increase 1.6 percent in 2020.

In 2020, workers and their employers will pay into the Social Security System until wages reach \$137,700. There is no earnings limit on payments to the Medicare portion.

Retirees under full retirement age can earn up to \$18,240 in 2020 without a reduction in Social Security benefits. Above \$18,240, recipients lose \$1 in benefits for every \$2 of earnings above the limit. There is no reduction in benefits for retirees who have reached their full retirement age and continue working.

What the SECURE Act means for IRAs

The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which became effective January 1, 2020 was attached to the year-end spending bill that was passed on December 20, 2019. This new law includes numerous changes to retirement accounts, some of the most significant changes to IRAs are explained below.

Age limit eliminated for Traditional IRA contributions

Beginning in 2020, the new law eliminates the age limit for traditional IRA contributions (formerly 70 ½). Now, those who are still working can continue to contribute to a traditional IRA, regardless of their age.

Required Minimum Distributions (RMDs) age raised to 72

The age for beginning RMDs was raised to 72 for all retirement accounts subject to RMDs. IRA owners reaching age 70½ in 2020 catch a break and will not have to take their first RMD in 2020 now that the RMD deadline has been extended to age 72.

No more stretch IRA

For IRA owner deaths after December 31, 2019, the ability for beneficiaries to “stretch” distributions for inherited IRAs out over their life expectancy is replaced with a ten-year rule for the majority of beneficiaries. The new law requires any beneficiary who is more than 10 years younger than the account owner to liquidate the account within 10 years of the account owner's death unless the beneficiary is a spouse, a disabled or chronically ill individual, or a minor child. For deaths in 2019 or prior years, the old rules would remain in place.

It is very important than anyone with qualified accounts review their retirement and estate planning to determine if they need to make any changes.

Can I afford to retire?

Not sure? Our Independent Professional Retirement Overview (IPRO) can help. We can help you determine if you can maintain your lifestyle throughout retirement based on an early retirement, a full retirement, or anywhere in between. There are many factors to consider other than just your pension. Oaktree Financial Advisors has developed the IPRO, a customized retirement analysis that takes into account your specific Lilly benefit programs. It is designed to help you understand what retirement will look like, before you retire. It's part of our effort to make your retirement preparation and transition as smooth and successful as possible.

To request your free IPRO simply visit our website at www.oaktreadvisors.com. Once there click on the Contact link, fill out the form, select IPRO in the “I'm interested in” box, and click on Submit. You can also call our office at 317-818-1631 or toll-free at 1-877-901-1631.

Oaktree Financial Advisors in the community



2020 Indiana Tour de Cure

Oaktree is proud to be a presenting sponsor of the 2020 Indiana Tour de Cure for the fifth consecutive year. This year's event will be held on June 6, 2020 and will include ride, run and walk options for the whole family! All riders, runners, and walkers will be treated to lunch and a fantastic celebration party for all to enjoy. The event will be held at Celebration Plaza, White River State Park. Visit www.diabetes.org/indytour for more details.



Face of Hope Breakfast

Oaktree was a proud sponsor of the 2019 Face of Hope Breakfast to benefit the Little Red Door Cancer Agency which was held on November 21, 2019. This was the 12th annual breakfast and the 6th that Oaktree has been a sponsor.

Little Red Door is the oldest, local cancer resource in central Indiana striving to make the most of life and the least of cancer, helping thousands of Hoosiers each year. By reducing the physical, emotional, and financial burdens of cancer for the working poor and unemployed Hoosiers, Little Red Door enables patients to understand, detect, and navigate cancer, while opening the door to hope.



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When patients want the very best medical expertise, they go to a specialist, not a general practitioner. Oaktree Financial Advisors specializes in helping current and former Eli Lilly employees and retirees.

We are not affiliated with or endorsed by Eli Lilly. We are an independent firm serving clients who work for or have worked for Eli Lilly.

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We're excited to present this issue of the Investment & Retirement Rx newsletter. We hope you enjoy it and that you'll share it with your colleagues.

“Overall, I see that the trustworthiness of mainstream business is going up and that of government is going down. And that distinction is pretty fundamental to the case for relying on commercial business to supply our needs and desires. Trustworthiness is an essential part of what makes lives worthwhile, what makes relationships work, and what makes some countries more desirable places to live than others. Given the higher trustworthiness of business and the lower trustworthiness of politics, I find it strange that many people look at the data and think it is a good idea to bring business more and more in thrall to government. **America just doesn't always understand how well its own companies are doing** (emphasis added).”

Tyler Cowen
 From his book *Big Business: A Love Letter to an American Anti-Hero*