OAKTREE
FINANCIAL ADVISORS, INC.

Independent, Objective Advice

Investment & Retirement Rx

A newsletter for Eli Lilly employees and retirees

3rd Quarter 2020

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Eli Lilly 401(k) updates

The following are a few recent changes with the Lilly 401(k).

- If you add/update an address you cannot request a distribution/rollover check to that address for 7 days. Previously, you could add/update the address and immediately request the distribution/rollover.
- When requesting certain transactions or resetting your password, the option to send a code via e-mail has been removed. The only two options are a text or phone call.

What you should do

- Make sure you have your work and personal e-mail addresses, along with your cell phone, in your profile. When you add one, it will not let you use that for verification for 7 days, so it must be done BEFORE it is needed.
- If you know you are going to be requesting a rollover soon, add the financial institution and address into the profile ASAP. If you wait until you go to request the rollover, you are not going to be able to complete the request that day.

If you have any questions or need help contact us.

Can I afford to retire?

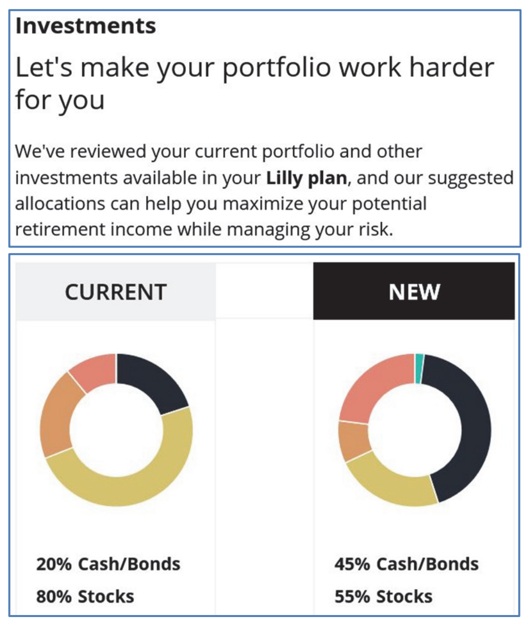
Not sure? Our Independent Professional Retirement Overview (IPRO) can help. We can help you determine if you can maintain your lifestyle throughout retirement based on an early retirement, a full retirement, or anywhere in between. Oaktree Financial Advisors has developed the IPRO, a customized retirement 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 is part of our effort to make your retirement preparation and transition smooth and successful.

To request your free IPRO simply visit our website at www.oaktreeadvisors.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.

Eli Lilly 401(k) warnings

Within the Eli Lilly 401(k) website clients often see warnings that they are too conservative, too aggressive, or not well diversified (see example below). This automated analysis cannot see the assets in the self-directed brokerage account (SDBA), assets held outside of the 401(k), and does not have any specific information on your risk tolerance. Because most of our clients are utilizing the SDBA, these warnings are usually not accurate.

Due to the lack of relevant information, the recommended advice is often not appropriate. For example, Mark in the above example was being told to make the following change to his allocation.



Mark is a client of ours and based on having detailed information on all his assets and his risk tolerance, the 45% Cash/Bonds and 55% Stocks allocation is not appropriate for him.

We recommend NOT making any changes based on these warnings. If you have questions/concerns, contact us to discuss.

Stock market volatility

While it would be nice if the journey of investing was always a steady uphill climb, we all know it doesn't work that way. Sometimes it is a run, others a crawl, and there are plenty of stumbles along the way. But in spite of all this, the path typically trends upward over time. Here are some good things to understand about volatility.

Put points in perspective

TV news stations tend to play into inciting market fear when there is a downturn. But it's all relative. A 1% swing at today's levels is about 260 points. When the Dow was at 10,000 points, 1% was only 100 points. Volatility is a matter of perspective.

No one said it would be easy

The S&P 500 Index has had an average annual return of 11.97% from 1979 through 2019, so many investors may have expected a similar return in any individual year. However, the Index returned between 9% and 12% only three times during this time period. Volatility is much easier to tolerate when you expect it.

The glass has been more than half full, historically

The markets have been positive more often than not. In fact, from 1979 through 2019 the S&P 500 has turned in a positive return 34 out of 41 calendar years, which means it has been on the rise 83% of the time.

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.

CollegeChoice 529 update

The 2019 SECURE Act amended Section 529 to permit withdrawals for the payment of principal and interest on certain qualified education loans (Education Loan Repayments) for a beneficiary or any of the beneficiary's siblings. The loan repayment provisions apply to repayments up to a lifetime maximum of $10,000 per individual. The effective date of the SECURE Act is January 1, 2019.

In March 2020, the Indiana code was amended to:

- Exclude Education Loan Repayments from Indiana Qualified Higher Education Expenses
- Revise the definition of an Indiana taxpayer to include married individuals filing separately. The maximum annual credit allowed for a married taxpayer filing separately is $500.

These changes are effective January 1, 2020. This means that a distribution to make an Education Loan Repayment will be subject to recapture of the Indiana state income tax credit. In addition, any earnings distributed will be included in your Indiana adjusted gross income for the applicable tax year.

As an example, if you were to withdraw $10,000 from your CollegeChoice 529 and use it to pay on education loans there would not be any federal tax or penalty. But, Indiana would consider that a nonqualified withdrawal and you would have to repay $2,000 in state income tax credits plus tax on the earnings.

Trust as IRA or 401(k) beneficiary

If you have named a trust or a trust under your will as the beneficiary of your IRA or 401(k) you should review this choice with your estate planning attorney.

Under the SECURE Act, which was passed late last year, most beneficiaries will no longer have the ability to stretch distributions out over their lifetime.

Instead, most beneficiaries, including trusts, will be subject to a 10-year payout rule. That means all the funds in the inherited IRA or 401(k) must be paid out either to the trust or the trust beneficiaries within 10-years.

Because trusts were often drafted with the goal stretching the payments over the beneficiary's lifetime, under the SECURE Act many trusts will no longer work as planned. The language used in the past, now may result in faster than expected payouts and larger than expected tax bill.

Watch out for Coronavirus scams

Fraudsters and scam artists are always looking for new ways to prey on consumers. Now they are using the same tactics to take advantage of consumers' heightened financial and health concerns over the coronavirus pandemic. Federal, state, and local law enforcement have begun issuing warnings on the surge of coronavirus scams. Here are some of the more prevalent coronavirus scams that consumers need to watch out for:

Schemes related to economic impact payments

The IRS recently issued a warning about various schemes related to economic impact payments that are being sent to taxpayers under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The IRS warns taxpayers to be aware of scammers who:

- Use words such as "stimulus check" or "stimulus payment" instead of the official term, "economic impact payment"
- Ask you to "sign up" for your economic impact payment check
- Contact you by phone, email, text or social media for verification of personal and/or banking information to receive or speed up your economic impact payment

If you have not yet received your economic impact payment you can check the status at irs.gov/coronavirus.

Fraudulent treatments, vaccinations, and home test kits

The Federal Trade Commission is tracking scam artists who are attempting to sell fraudulent products that claim to treat, prevent, or diagnose COVID-19. The U.S. Food and Drug Administration (FDA) has not approved any products designed specifically to treat or prevent COVID-19. The FDA warned consumers in March to be wary of companies selling unauthorized coronavirus home testing kits.

Phishing scams

Scammers have begun using phishing scams related to the coronavirus pandemic in order to obtain personal and financial information. Phishing scams usually involve unsolicited phone calls, emails, text messages, or fake websites that pose as legitimate organizations and try to convince you to provide personal or financial information. Once scam artists obtain this information, they use it to commit identity or financial theft. Be wary of anyone claiming to be from an official organization, such as the Centers for Disease Control and Prevention or the World Health Organization, or nongovernment websites with domain names that include the words "coronavirus" or "COVID-19," as they are likely to be malicious.

Charity fraud

Many charitable organizations are dedicated to helping those affected by COVID-19. Scammers often pose as legitimate charitable organizations in order to solicit donations from unsuspecting donors. Be wary of charities with names that are similar to more familiar or nationally known organizations. Before donating to a charity, make sure that it is legitimate and never donate cash, gift cards, or funds by wire transfer. The IRS website has a tool to assist you in checking out the status of a charitable organization at irs.gov/charities-and-nonprofits.

Protecting yourself from scams

Fortunately, there are some things you can do to protect yourself from scams, including those related to the coronavirus pandemic:

- Don't click on suspicious or unfamiliar links in emails, text messages, and instant messaging services.
- Don't answer a phone call if you don't recognize the phone number — instead, let it go to voicemail and check later to verify the caller.
- Never download email attachments unless you can verify that the sender is legitimate.
- Keep device and security software up-to-date, maintain strong passwords, and use multi-factor authentication.
- Never share personal or financial information via email, text message, or over the phone.
- If you see a scam related to the coronavirus, be sure to report it to the FTC at ftc.gov/complaint.

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What's Inside

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.

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.

Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance.

Warren Buffett

Stock prices are more volatile than the values of companies.

Nick Murray

We have two classes of forecasters: Those who don't know – and those who don't know they don't know.

John Kenneth Galbraith

No amount of sophistication is going to allay the fact that all of your knowledge is about the past and all your decisions are about the future.

Ian E. Wilson