

D E A R B O R N

P A R T N E R S

Private Wealth Management

Client Letter – Q4 2019

Introduction

Welcome to your quarterly investment update.

As always, we welcome your comments, questions and feedback.

Dearborn Partners Private Wealth Advisory Team

Michael B. Andelman

John V. Celentani, CFP® CPWA®

Thomas D. Horner

Bradley C. Smith, MBA

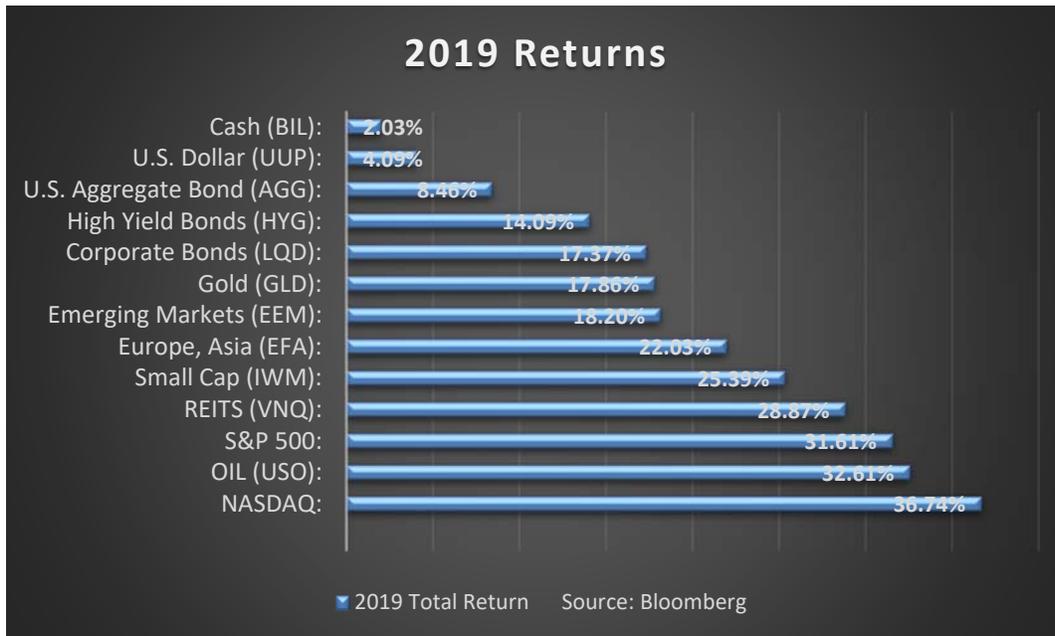
Review of 2019

U.S. markets finished 2019 on a very strong note, and every major asset class finished higher for the year.

Stock markets were supported by several positive factors throughout the 2019 campaign, including (but not limited to): healthy job and wage data, multiple cuts in the Fed Funds rate, strong corporate share buybacks, and progress in the China – U.S. trade talks.

Asset class returns are detailed in Figure 1. Growth stocks, value stocks and the more defensive sectors all appreciated well above their historic average annual rates.

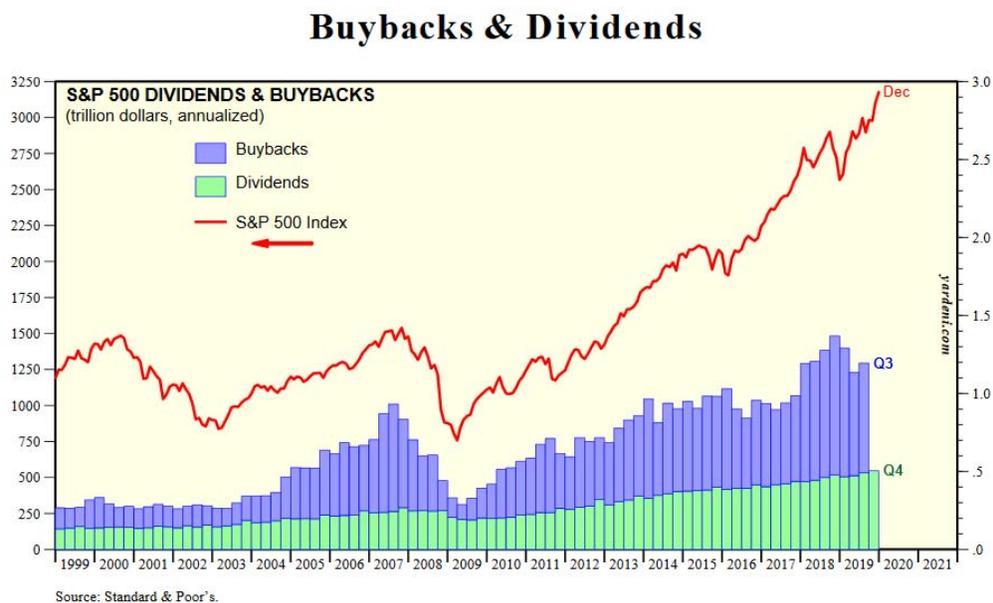
Figure 1



Record-Setting Dividend Rates

The stocks in the S&P 500 paid dividends in 2019 exceeding \$480 billion. The indicated dividend rate for 2020, as of year-end, is projected to be more than \$500 billion, as shown in Figure 2. Corporations are using more of their earnings to return cash to shareholders and buy back their own shares. With interest rates expected to remain at historically low levels, de-escalating trade tensions and favorable corporate tax rates, we believe this trend will continue in 2020.

Figure 2



SECURE Act Highlights

President Trump signed the SECURE Act into law December 20, 2019 as part of the government's spending bill. The legislation is intended to strengthen retirement security. The new rules for IRAs are of special importance:

- Required Minimum Distributions begin at age 72 (instead of age 70.5)
- No age limit for contributing to IRAs
- "Stretch" provision for non-spouse beneficiaries of IRAs is eliminated, meaning inherited IRAs for non-spouses must be distributed in 10 years

The SECURE Act also further expanded acceptable use of 529 Plan funds. Starting in 2020, qualified expenses are amended to include fees, books, etc. for beneficiaries enrolled in apprenticeship programs. Distributions may also be used to repay qualified education loans up to \$10,000.

The Premise for Our Equity Strategy

A key objective of our equity strategy is to reduce vulnerability. Among the ways that we attempt to achieve that objective are to emphasize, in our portfolios, companies that are in strong financial condition. These companies typically have little or no debt and are highly capable of increasing dividends at rates above the historic average annual 3% rate of inflation and have historically done so, regardless of the economic environment. Our strategy also seeks to diversify holdings properly across and within sectors.

The quality companies in our portfolios are likely to not only prosper long-term but continue to pay dividends with the potential to regularly increase. Successful investing typically requires patience. Our portfolios pay us for that patience.

Planning Tips

The IRS has announced several changes in contribution limits to various retirement vehicles:

401(k) Accounts

- Individuals can contribute a maximum of \$19,500 to 401(k) accounts for 2020, up from \$19,000 in 2019
- Individuals age 50 and older can make an additional "catch-up" contribution of up to \$6,500 in 2020, up from \$6,000 in 2019

IRAs

- Individuals can contribute a maximum of \$6,000 to IRAs for 2020, the same amount as in 2019, but are able to contribute past age 70.5
- The catch-up contribution for IRAs remains the same at \$1,000

Disclaimer

Past performance is no guarantee of future results. Dividends are not guaranteed and must be authorized by the company's board of directors. Dividend yield is one component of performance and should not be the only consideration for investment.

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