THE DOLLAR CHASE

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NOW MIGHT BE THE TIME

Most folks know withdrawals form a traditional IRA are fully taxable and required now at age 72, under the new regulations if you turned 70 ½ in 2020. Most know withdrawals from a Roth IRA are tax free and not required.

With the huge amounts of stimulus money from the federal government coming into the economy, it seems to us that federal and state income taxes will eventually need to increase—maybe substantially.

So, now might be the time to convert some or all of a traditional IRA to a Roth IRA. Two things in favor of that move: One, tax rates are lower now than they have been for some time. Since a conversion would be taxable, that's favorable. Tow, if a traditional IRA is fully or partially converted, the value of the amount converted is probably lower because of current market conditions. Therefore, less tax.

A couple of thoughts before making a decision: May wish to check your tax bracket before you decide the amount of the transfer. Many people would prefer not to move into a higher tax bracket even through a modest amount into a higher bracket would not be too costly. Another caveat is for people age 65 or older under Medicare B. If the conversion pushes adjustable gross income over $174,000 for couples, $87,000 for singles, the Medicare B premium increases dramatically.

Still, we think this is an opportune time to consider a conversion. Melissa did a video commentary on this topic posted on our website. Click here to access or click on the link on the newsletters' blog post page.

FINANCIAL FACTS 101

-Dollar-cost average for your entire life and you'll beat almost everyone who doesn't.

- Every five to seven years, people forget that recessions occur every five to seven years.

- Change your mind as often as the facts change.

- Imagine how much stuff you'd have to fill in if you were forced to talk 24/7. Remember this when watching financial news on TV.

- During the last 100 years, there have been more 10% market pullbacks than Christmases. Everyone knows Christmas will come; think of volatility the same way.

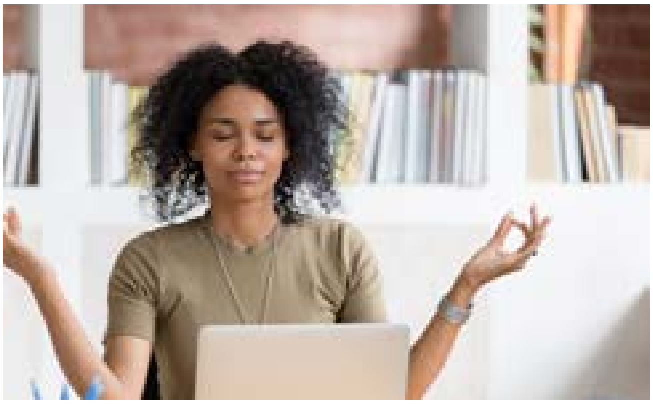
- Don't attempt to keep up with the Joneses without realizing the Joneses aren't any happier than you are.

- Not taking advantage of an employer match on your 401(k) is no different than declining a raise.

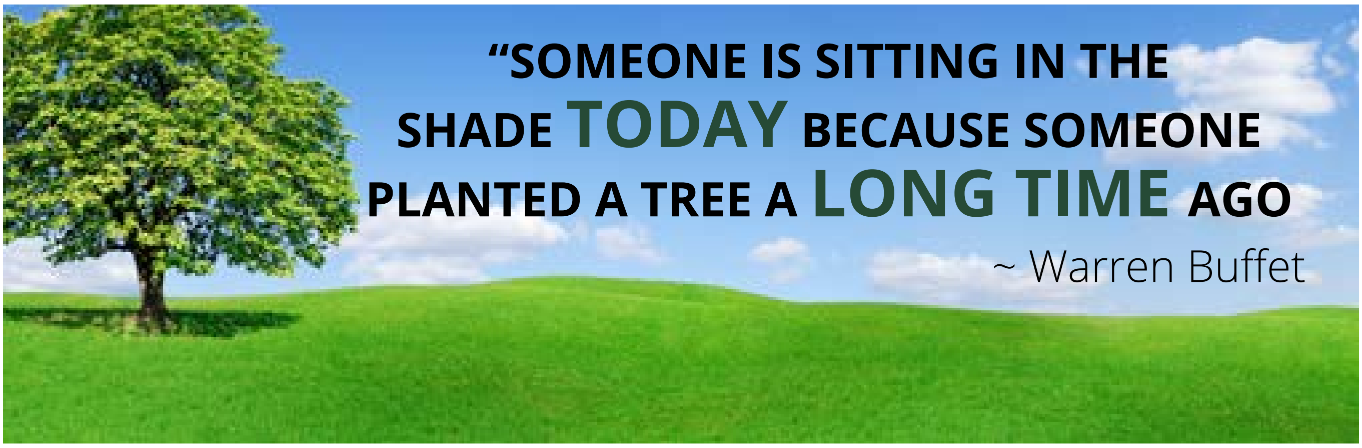
TARGET DATE INVESTMENTS

If you are a government employee and you hold any of the Lifecycle funds or non-government employee's work investment (401k, simple, 403b) plans that have a Target date or Lifecycle fund investment – PLEASE read on.

The concern we have with these funds that you need to consider is the following: Most of the funds in the 2030 or farther out portfolios, have a large holding – 20% or greater in many cases – in international positions where many are Europe heavy (please pull up your particular holding allocation to review how your account is broken out). We are not as comfortable with the outlook in this sector for the next few years, based on the history of US recovery vs Europe in the last recession. See the attached chart for the historical data from JP Morgan.



When we reviewed many of these Target/ Lifecycle funds at the 2030 level, most have 20% or greater in international holdings, which we feel is too high for most. Obviously, we would encourage you to review your specifics and not make any blanket change. We are suggesting you consider rebalancing that 2020 sleeve into other available options. Please call or email us if you would like to discuss.



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