

Hart to Heart



Wealth
Management

October 27, 2023

Spooky Season Is (Hopefully) Coming To An End

As we review our October statements in a couple of weeks there are a few things to keep in mind...

1. October was the third “down” month in a row for the major market indices, but three months does not “make or break” the financial markets.
2. Given the horror we’ve witnessed globally in both the Middle East and in Ukraine, the rapid rise in interest rates over the past 18 months, a dysfunctional Congress and an assortment of other perilous stats such as credit card delinquencies along with rising car loan defaults I must admit I’m a little surprised by Wall Street’s resilience. While three consecutive “down” months may not feel much like “resilience” to investors the avoidance of a more precipitous drop in the face of a plethora of negative news has been somewhat reassuring.
3. Finally, as we close out the month of October with one more Monday left in October (October 30th) I’m reluctant to say “we’re out of the woods” just yet. However, barring a major market selloff in the next couple of trading days we are heading into a period for the market (November to May) which has historically served investors well.

Among the top priorities Mara and I have in the fourth quarter of every year are getting “Required Minimum Distributions” (“RMD’s) paid out from our clients’ IRA’s, harvesting tax losses in non-IRA accounts and client account reviews.

With the Dow Jones Industrial Average having recently turned negative for the year and small caps trying to pick themselves up off of the floor there are occasionally names in our IRA accounts that have seen a decline in the past few months which in some cases have sent their share prices to new 52-week lows.

The problem with stocks in which we have an unrealized loss within our IRA is that we can’t take the tax loss to offset capital gains or reduce taxable income. Just like a “realized gain” within an IRA is not taxable, a realized loss within an IRA cannot offset realized gains or serve as a tax deduction against earned income.

However, there is one possible remedy to this dilemma of what to do with positions in our IRA’s that have declined noticeably from where we first bought them even though those losses can’t help us decrease our tax bill.

Updates

- Tax Harvesting Season!
- RMD Deadline: 12/31/23
- Are you donating all or a portion of your RMD? Let’s Talk!
- Schedule an end of year review
- Is an IRA to Roth conversion right for you?
- [Enroll for RBC Online](#) – account information, documents, all at your fingertips - call us for help!

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IRA to Roth Conversions

If a stock has dropped from \$30 a share to \$3 it's an eyesore in any investment portfolio. In a Traditional IRA, however, we can "convert" that depressed stock into a position held within a "Roth-IRA" where the new cost basis in those shares would be the value of the stock on the day it's converted from the Traditional IRA to a Roth-IRA.

Fresh Start

Granted, it doesn't make the pain of a poorly performing stock any more palatable, but it does give the position a "fresh start" with a new (and much

lower) cost basis. With the value of the converted stock being at the low end of its price range we add less to our taxable income in the year the shares are converted to a Roth-IRA.

If our research indicates the only thing that depressed stock may need is more time to recover then converting it to a Roth-IRA might give it the additional time needed to resume its growth and provide for a more valuable Roth-IRA.

No Age Limits! No Future Taxes!

Please note there is no age limit for converting securities from a Traditional IRA to a Roth-IRA and no matter the

value a Roth-IRA may grow to become the eventual withdrawals from a Roth-IRA are neither mandatory nor are the withdrawals taxable as the tax is paid on the value of the stock in the year it is converted.

Lemonade

If the converted stock's value is lower at the time of conversion then there is less of a taxable amount for the year in which the IRA owner does the conversion. In sum, this is simply a suggestion for "taking lemons and turning them into lemonade."

"...the idea of missing something means you're not living in the moment – and every moment is good for something." – Ricky Williams

No Texts, No Sports Updates, No Articles... Oh My!

Maybe it's a function of my age or perhaps it's just being human but last week I somehow managed to lock myself out of my office one evening and had to go some 15 hours without the use of my personal cell phone.

I couldn't check sports scores, read articles, text or make calls for an entire evening and into the following morning.

At first, I found myself reaching in my pocket for my phone only to remember it was in my desk at work which only reaffirmed my own fallibility.

When I got home that night I turned on a ballgame and sat there telling myself I couldn't call my Dad, text a buddy or even read the investor blogs which are so often a fountain of misinformation.

As my frustration continued to build our two pups joined me watching the ballgame (it's funny how both our boy dogs love watching sports on TV with their dad!) and it dawned on me that it wasn't that long ago I was in the same situation solely as a result of the "smart phone" not having been invented yet.

I'd sit there back in the 70's and 80's without so much as a thought of communicating with the outside world unless our landline rang at which point the greatest invention of the 20th century (that would be "Caller ID" for those who are wondering) would tell me if I wanted to pick up the phone or not.

After only a few hours of not having a hand-held device immediately available to me I started to feel an exhilaration of

sorts, a freedom I have not felt in years. While I spent just as much time following our pups around the house with a spray bottle of "Urine Destroyer" as I did watching the ballgame the tentacles of my smart phone made me feel smarter for having left it at the office, albeit by accident.

To quote former NFL running back Ricky Williams, "the idea of missing something means you're not living in the moment – and every moment is good for something."



**Happy
Halloween!**



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