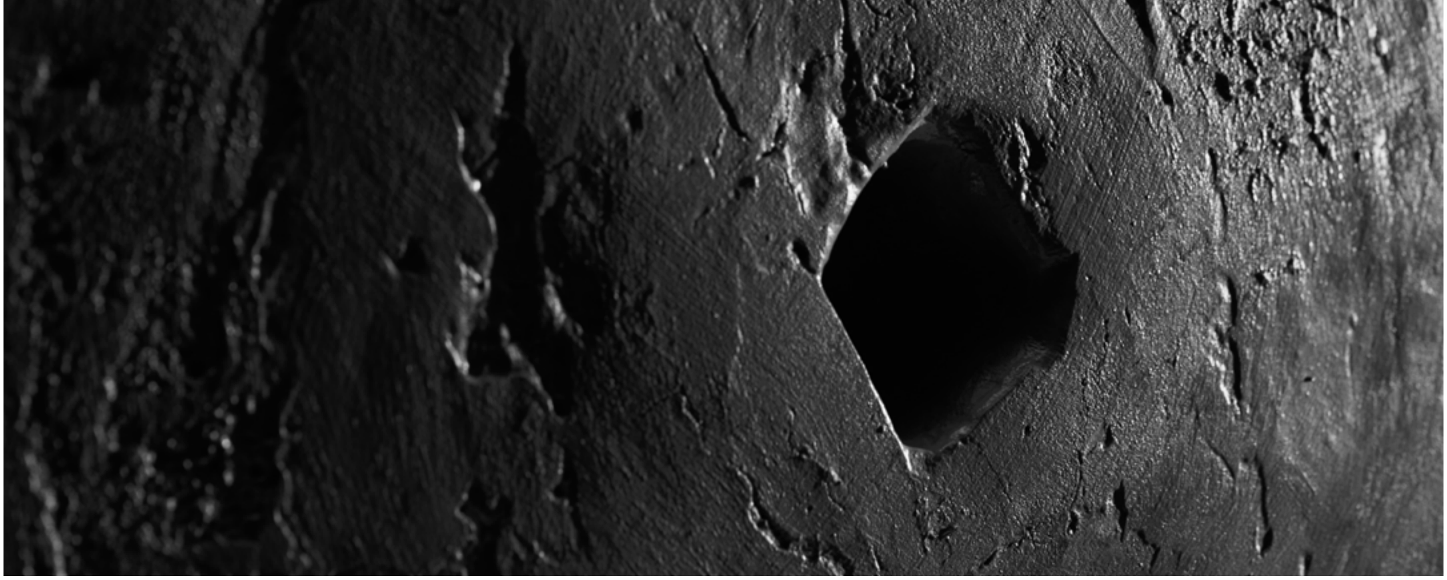
NewEdge WEALTH

Financial Spring Cleaning

OPPORTUNITIES IN CHAOS

WWW.NEWEDGEWEALTH.COM



No one likes seeing the value of their portfolio falling, however, as long-term investors, we should treat market corrections, bear markets and recessions as a normal set of outcomes when they occur. Because we anticipate these types of market environments, instead of panicking, investors should consider it as a time to perform some well-deserved “Financial Spring Cleaning.” Below are a few opportunities investors can focus on while asset prices have fallen:

Gifting & Wealth Transfer

The current lifetime exemption sits at $12.06 million. Making gifts during your lifetime that eat into your exemption can be a powerful way to decrease future estate tax obligations and increase the amount passed to the next generation. The gifted assets grow outside of your estate, thus when your estate tax is due, the growth is not considered as part of the original gift. When asset prices fall, the amount of the exemption used is less. So, if you believe that over time the asset being contributed will grow in value, gifting during a time of depressed asset values can be a great opportunity. In addition, there are strategies that can be employed that don’t utilize your exemption to accomplish a gift of appreciation (Grantor Retained Annuity Trusts as an example) which are worth exploring.

529 Plan Contributions

Like gifting above, contributing to 529 plans while asset prices are lower can also be a great opportunity. The gift amount, growing outside of your estate, is exempt from all taxes (capital gains, income and estate tax) when used for qualified educational expenses. However, not considered by most investors is superfunding, or five-year gift tax averaging. The annual exemption amount today is $16,000. Any gift of that amount or less to any person does not eat into your lifetime exemption amount. Many spouses each gift that amount or less to every child so as not to make taxable gifts. However, if liquidity allows, you have the ability to spread a larger one-time gift (up to $80,000 or $160,000 per couple) over a five-year period. There are some considerations when using this strategy, such as making sure to net out other potential uses of your annual exemption (insurance premiums, etc.), but when market values fall, this can be a very powerful way to supercharge your college savings.

Roth Conversions

A Roth Conversion is a strategy that allows high-income earners who can't contribute directly to a Roth IRA to contribute indirectly. To execute, the strategy simply requires an administrative step where one transfers a Traditional IRA balance to a Roth IRA account. When done correctly, the conversion will allow one to benefit from the enhanced tax advantages that a Roth IRA offers (tax free growth, no RMDs, no tax upon distribution, etc.). Anyone, regardless of income, can convert a Traditional IRA to a Roth IRA. The cost of the strategy is often related to the tax impact of the conversion, as the entire amount is typically deemed to be considered income at the time of conversion. One of the best ways to reduce your tax burden is simply to make the conversion when asset prices fall.

Tax-Loss Harvesting Losses

Tax-loss harvesting entails the selling of an asset for a loss to offset future expected capital gains. While you can buy back the same (or similar) investments after selling them, you must wait at least 31 days to avoid violating the wash sale rule. While most investors only look to their equities portfolio for losses, fixed income portfolios should also be considered. After a period of rising rates, fixed income portfolios can be a significant source of losses and can more easily avoid wash sale rules when buying similarly rated bonds as a replacement.

Increase Retirement Account Contributions

For those that have the flexibility, increasing your contributions during market sell-offs can be a powerful exercise to fuel long-term wealth creation. For younger investors, this is even more powerful, as their time horizon is that much longer. If your employer matches your contribution, that's an added bonus.

Educating the Next Generation

Market fluctuations offer a special opportunity to educate the next generation about market cycles and the economy. Depending on the age of the next generation, exposure to a full market cycle has been varied. Even for those that have gone through them, the impact is varied depending on their exposure to financial decisions during that time. Corrections are a powerful time to bring the next generation to the table and explain how decisions are made when things are not going as planned.

Buy Assets on Sale

While easier said than done, history has shown us that buying assets during a market sell-off can increase long-term rates of return dramatically. Sadly, our emotions often get in the way and investors tend to do the opposite – selling assets to avoid further losses. Compounding some of the ideas above (increased contributions and gifting) can provide for exponentially positive outcomes.

Let's talk.

For more information call 855-949-5855 or
visit www.newedgewealth.com.

Important Disclosures

NewEdge Wealth is a division of NewEdge Capital Group, LLC. Investment advisory services offered through NewEdge Wealth, LLC an investment adviser registered with the US Securities and Exchange Commission. Securities offered through NewEdge Securities, Inc., Member FINRA/SIPC.

The views and opinions included in these materials belong to their author and do not necessarily reflect the views and opinions of NewEdge Capital Group, LLC.

NewEdge and its affiliates do not render advice on legal, tax and/or tax accounting matters to clients. Any investment, tax, marketing, or legal information contained herein is general and educational in nature and should not be construed as advice. Please consult your tax advisor for matters involving taxation and tax planning and your attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning, and other legal matters.

The trademarks and service marks contained herein are the property of their respective owners. Unless otherwise specifically indicated, all information with respect to any third party not affiliated with NewEdge has been provided by, and is the sole responsibility of, such third party and has not been independently verified by NewEdge, its affiliates or any other independent third party. No representation is given with respect to its accuracy or completeness, and such information and opinions may change without notice.

Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results.

Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No assurance can be given that investment objectives or target returns will be achieved. Future returns may be higher or lower than the estimates presented herein.

An investment cannot be made directly in an index. Indices are unmanaged and have no fees or expenses. You can obtain information about many indices online at a variety of sources including: https://www.sec.gov/fast-answers/answersindiceshtm.html or http://www.nasdaq.com/reference/index-descriptions.aspx.

All data is subject to change without notice.

WWW.NEWEDGEWEALTH.COM