

Talk with Us! Wealth Strategies to Consider

Consider Roth Conversions

The combination of the fact we are near all-time lows in tax rates and equity markets are well off all-time highs creates an attractive opportunity to consider a Roth conversion.

A Roth conversion occurs when you take assets out of a tax-deferred account like a 401(k) or IRA and place the assets into a Roth account. This moves the assets from a tax-deferred account (money, when pulled out, will be taxable) to an account that will grow tax-free. The downside to this strategy is you are opting to pay the income taxes on the conversion amount now instead of later.

Normally we recommend completing Roth conversions near year-end to better gauge the income tax implications of the strategy on the current year's tax returns, but by completing the conversion now, you may be able to pay lower taxes on the converted amount and create tax-free wealth in your Roth account when equity markets recover.

Completing a Roth conversion is a taxable event and should be carefully considered based on your circumstances. Please speak with your tax advisor before completing a Roth conversion.

Review Gifting Strategies

With markets down now is a good time to review gifting strategies. Making a gift of assets while valuations are low can be very beneficial in the future. Essentially by making a gift of assets with a low valuation now, you can remove future growth out of your estate.

One particular way to benefit from this is using a Grantor Retained Annuity Trust (GRAT). A GRAT is an irrevocable trust where grantors typically place highly appreciable assets into the trust in exchange for fixed payments over a specified period. The trust pays income to the grantor based on the IRS section 7520 rate.

Using a GRAT is a strategy to "freeze the estate" by getting the appreciation out of the estate and eventually passing it to the heirs. This is a more advanced planning strategy so please speak with us and your estate planner to discuss the merits based on your circumstances.

Understanding Stock Options

The market downturn has significantly reduced the value of stock options. Now is a good time to develop a strategy to use your stock options to reduce potential taxes. Planning is especially important if you have stock options expiring soon. We are happy to review the best strategy for you regarding your stock options.

To better understand how you may benefit from these strategies do not hesitate to Talk With Us!

Disclosures

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Benefit Financial Services Group ("BFSG"), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from BFSG. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing.

BFSG is neither a law firm, nor a certified public accounting firm, and no portion of the newsletter content should be construed as legal or accounting advice. A copy of BFSG's current written disclosure Brochure discussing our advisory services and fees is available upon request.

Please Note: If you are a BFSG client, please remember to contact BFSG, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. BFSG shall continue to rely on the accuracy of information that you have provided.