

MARCH 31, 2020



In times of market volatility, many people become nervous about how the financial markets will play out and wonder how their personal and business finances will be affected. That is especially true for funeral and cemetery professionals who are dealing with various regulations and public health concerns that may be reducing firm revenue while also increasing call volume.

We believe that it is ok to be nervous; it is natural. Our job as a financial advisor is to guide you through periods like this. Additionally, we can help identify opportunities that come about from different financial market environments.

**"In the middle of difficulty
lies opportunity"**

Albert Einstein

SIX OPPORTUNITIES TO CONSIDER

1 REFINANCING A MORTGAGE OR OUTSTANDING DEBT

On March 5, 2020, Freddie Mac announced that the rate for its 30-year fixed rate conventional mortgage fell to its lowest level in the 50-year history of its weekly survey. Do you have a mortgage, Home Equity Loan, or other outstanding debt? With the Federal Reserve's recent interest rate cut, now might be a great time to look into options for lowering your rate. However, the decision to refinance is not a simple one. We can help you think through the options in terms of what makes the most sense for you. If you would like to speak with someone who can assist with presenting financing options, then we can help there as well.

2 ROTH CONVERSIONS

Have you considered converting any of your Traditional IRA assets to a ROTH IRA? It is likely that your accounts have fallen in value in the last few weeks. You could consider converting some assets now that the market has fallen. The future growth of the ROTH conversion would be 100% tax free and you are not subjected to required minimum distributions or RMDs with ROTH IRA assets. As the delayed tax filing deadline on July 15, 2020 approaches, we can coordinate and discuss with your tax advisor if this option may make sense for you.

3 REDUCE CONCENTRATED POSITIONS

Although financial advisors tend to counsel clients to avoid maintaining concentrated positions, these positions can sometimes make their way into a portfolio due to an inheritance, equity compensation, or simply the great performance of an underlying stock. The tax consequences of selling these positions may also drive behavior. For example, if you hold a stock with an unrealized gain of around \$100,000, you may pause at selling the stock given the capital gains taxes due from the sale could equate to \$15,000-\$20,000, in addition to state taxes.

Since the market has declined, those tax consequences may now play a smaller role in the selling decision and the position can likely be reduced. Although we do not know where the market will head in the near term, investors can consider reducing these concentrated positions and replace them with stocks that are significantly cheaper than they were just over one month ago.



4 FUNDING TRUSTS/GIFTS

There are a plethora of trusts that can be used by investors to accomplish estate planning objectives. In a market decline or economic contraction, investors may consider funding certain trusts that effectively freeze the current value of an asset and allows for future growth to take place outside of the investor's estate. One popular trust vehicle is commonly referred to as a Grantor Retained Annuity trust (GRAT). Creating and funding a GRAT may provide substantial benefits if you are transferring to a family member a closely held business, real estate or portfolio of assets that you anticipate will increase in value. A valuation for non-liquid assets such as a business would be paramount to funding a GRAT.

Before venturing into sophisticated strategies like a GRAT, you should also consider the annual gift exclusion exemption.



You can gift up to \$15,000 with no gift tax or effect on your lifetime gift exemption. Using low cost basis positions as gifts could allow for the receiver of the gift to reap the benefits of the future appreciation.

5 TAX LOSS HARVESTING

Once volatility stabilizes, it may be worthwhile to consider tax loss harvesting in your portfolio. If you sold certain positions prior to the market peak on February 19, 2020, you likely realized gains in 2020. Selling positions now and immediately replacing them with a security that maintains market exposure would allow you to realize the loss, but still participate in the gains in the market if they occur. If you are interested in repurchasing the sold security, you must wait 30 days to achieve the tax benefit of the loss.

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6 SPEAK WITH AN ADVISOR

Now is a great time to arrange a time to revisit your financial plan. For the average couple in your early 60's, your financial plan has likely accounted for a number of market declines throughout the life of your plan. We can show you how that works. Please reach out to us to discuss your plan and how it factors in volatile markets.

We welcome the opportunity to help you navigate and review your plans as well as suggest ways to modify them.

If you don't yet have a financial plan in place, we are available to help develop a strategy to help you reach your goals and objectives for financial independence.

**TAKE ADVANTAGE OF
THESE OPPORTUNITIES.**

Contact Us
TODAY

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