AS WE RECOVER – A 9-POINT FINANCIAL CHECK-UP FOR YOU

by Eric Coffman, CFP®, CKA® - Wealth Impact Advisors

Thankfully, the signs of normal life are gradually returning to our world. The personal toll of the COVID crisis has been devastating for some but significant for each of us.

Our financial lives may also have been negatively impacted by the loss of jobs, income, and a steep drop in the stock market. Some timely planning opportunities exist, however, due to historically low interest rates, new legislation and relatively low income tax rates.

Therefore, it is an ideal time for a financial check-up to assess any damage and consider planning opportunities that may lead to more wealth creation over the long run.

Here are nine things to review:

1. **Update Your Financial Roadmap.** Recent financial strains may have put some of your financial goals off course. Now is the perfect time to determine if adjustments are necessary to get these goals back on track.

   A financial plan can be viewed as a roadmap the defines the "Why, When, and How Much" related to your retirement and other goals. May you need to work a bit longer before retiring? May you need to save more in your retirement accounts? Does the risk level of your investments need to be assessed and adjusted?

   A financial roadmap can create clarity and confidence regarding your path to the future. If you do not have one, please consider creating one. If you have one, it is time to reassess and make any necessary adjustments.

2. **Convert IRA Money into Roth IRAs.** The ideal scenario exists today for converting pre-tax retirement dollars into a Roth IRA: depressed stock prices and lower income tax rates. Many other factors contribute to the decision to convert including your retirement time horizon, your income tax bracket and your wealth transfer plan.

   Creating a tax-free investment "bucket" for retirement and/or to pass along to your children is one of the most powerful financial strategies. Given the number of variables, consider reviewing a conversion with your tax advisor and your financial planner.

3. **Recalibrate Your Investments.** Investment losses are temporary. If you held your investments during the recent drop, your balances will likely recover over time. In fact, at the time of this writing, the stock market has recouped 2/3 of the amount it had dropped.

   Now is the time to consider if your investments reflect the appropriate amount of risk for your situation and recalibrate your portfolio if you are taking either too much or too little risk. With bond and CD yields at a historic low, it may be time to reevaluate your alternatives for providing income and safety.

4. **Harvest Investment Losses.** As mentioned last month, tax-savvy investment strategies for your non-retirement accounts can help you save taxes in the future when you may need to sell some of your investments to cover a need.

   Do any of your investments have unrealized losses? If so, it may make good financial sense to sell them, realize a loss, and reinvest the money back into similar investments to keep your financial roadmap intact. This is what we call a "win-win" strategy!

5. **Consider Suspending Your Required Minimum Distribution (RMD) for 2020.** The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) suspended the requirement to take RMDs from your retirement accounts. Normally, those age 72 and older are required to withdraw a percentage of their IRA and 401k balances which results in taxable income. In 2020 this requirement has been suspended.

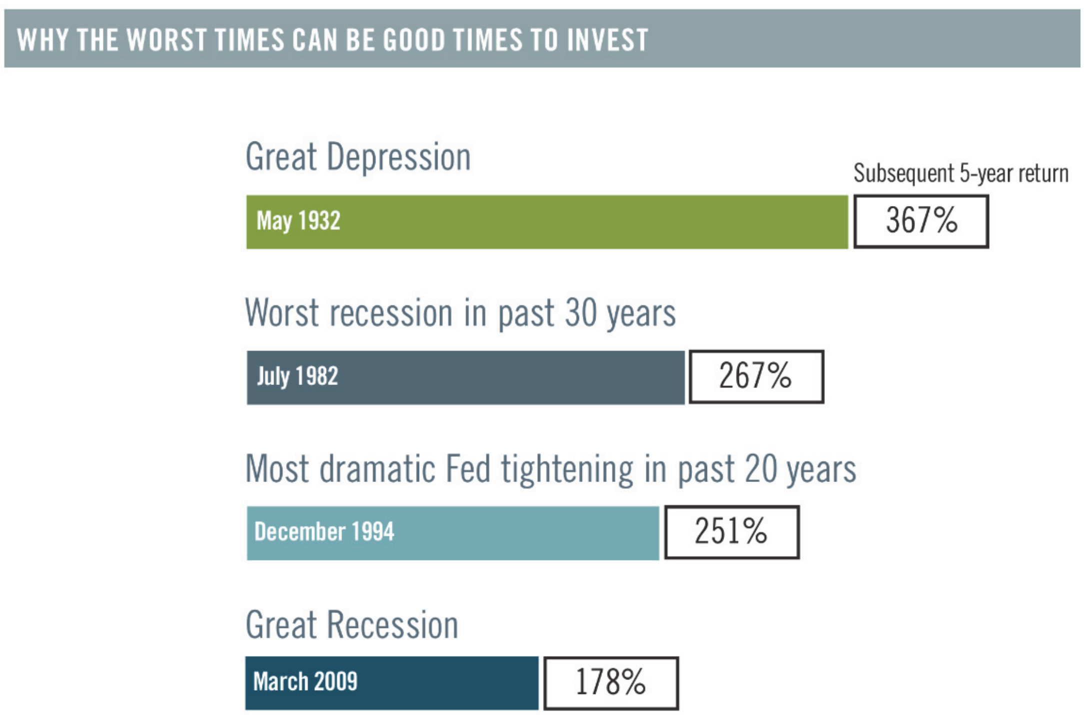
   Suspending your RMD will allow you to keep your investments intact thereby giving them the opportunity to recover. At the same time, you may avoid creating additional taxable income. Another "win-win" strategy.

6. **Refinance Your Mortgage.** Interest rates are historically low and may drop even further as the government props up the U.S. economy. *Depending upon the amount of the loan and the number of years over which you'd like to pay it off, you may benefit from refinancing your home.* Refinancing is generally worth it if you can reduce your interest rate by at least 1%. Be sure to consider the impact of closing costs. Refinance offers with no closing costs have a higher interest rate and thus are not always more inexpensive over the long term. Lastly, if you extend your

mortgage term beyond the current remaining term, you will lose some of your progress in paying down interest.

7. **Control What You Can – Don't Let Your Emotions Guide You.** We cannot control the stock market. But we can stop our emotions from wreaking havoc with our investment decisions. If your investment design is in accordance with your financial plan and you are taking an appropriate amount of investment risk, then stick with your investments – even when they are temporarily down in value.

   The "cost" of building wealth over the years is putting up with swings in investment returns (we call this volatility). The current market volatility maybe painful for you but it will pass. *Don't make the mistake of selling low and then buying back at a higher price later.* As the following chart from Fidelity illustrates, the stock market has produced strong returns after some periods of great uncertainty.



8. **Add to Your Equity Position.** If you were interested in buying a car or a house—and its price were to suddenly drop 15- to 25%—you'd likely jump to buy it. Yet the primary purpose of a car or a house is not to create future income, provide financial security and fund our life goals. Equities, however, are a key to building long-term wealth…and they are on sale.

   If appropriate, consider investing extra cash into equities. Dollar-cost-averaging can be an effective way to do so as you gradually invest the same amount of money over a set period;

commonly four to six months. With it, you buy more shares of an investment when its price is lower and less shares when its price is higher.

9. **Is It Time to Seek the Help of a Financial Professional?** Many times, we find that it is not about “whether” someone is able to manage their wealth but instead if they have the time or desire to do so. Our team can give you a second opinion on your current financial design. I invite you to contact me for a complimentary meeting.

Eric Coffman, CFP®, CKA®
Wealth Impact Advisors
ecoffman@teamwia.com
330-865-3545
www.teamwia.com/Eric

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