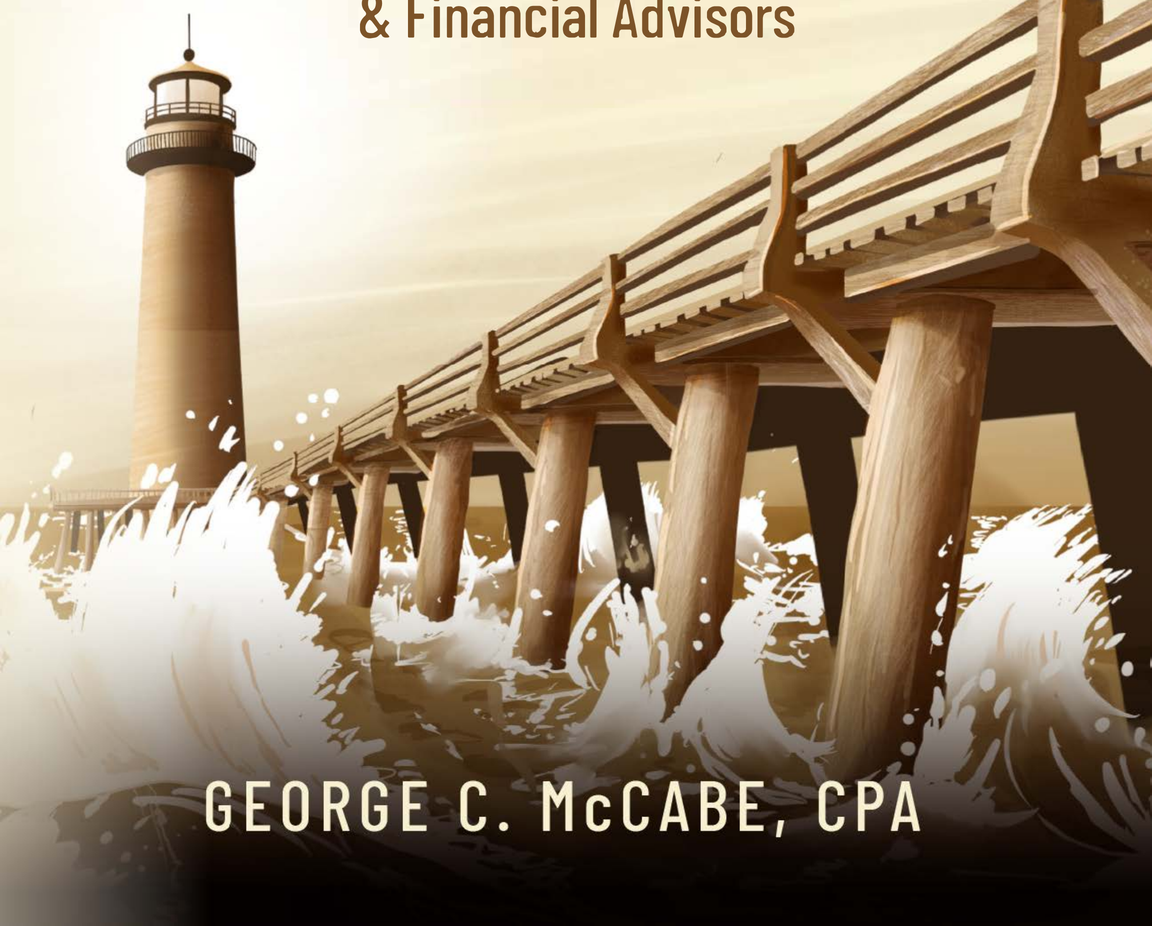
BUILDING YOUR

WEALTH BRIDGE

A Guidebook for Investors
& Financial Advisors



GEORGE C. McCABE, CPA

Building Your Wealth Bridge
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This book is dedicated to

My beloved wife, Kelly, for believing in me.
My parents, Tim and Meg, for supporting me.
And my siblings Emily, Will, and Nell, for always being there for me.

Prologue

On a stormy night, a lost traveler is in search of protection from the elements. In the distance, he sees a beacon of light and hastens through the forest towards it. As he reaches a cliff at the edge of the forest, he discovers that the beacon is a lighthouse in the middle of the ocean. To his right, a long wooden bridge connects the cliff to the lighthouse. He feels relieved to have found shelter. Yet the storm is raging, and to reach his sanctuary, the traveler must trust that the bridge will hold.

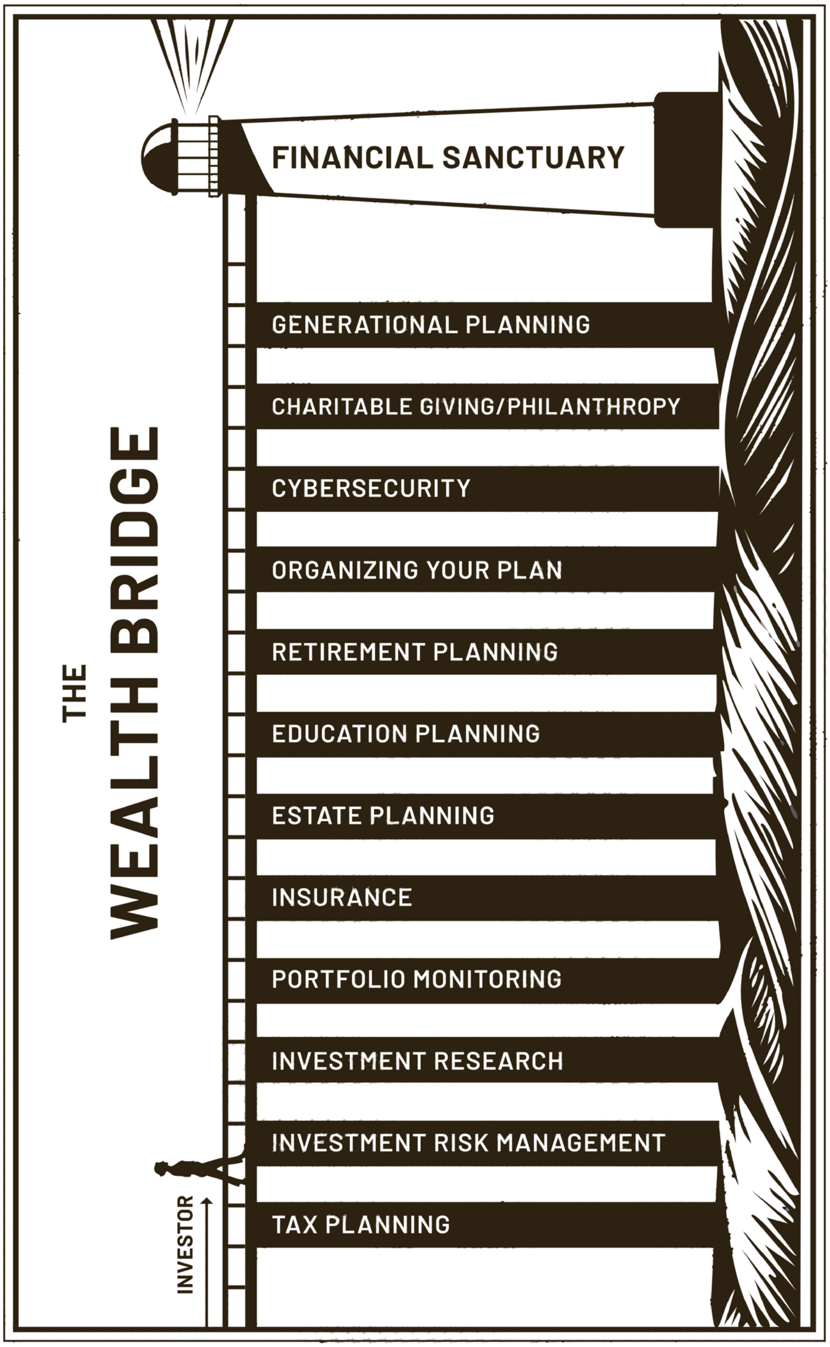
As he surveys the bridge, he sees the twelve pillars supporting its structure. Without them, the bridge does not stand. If one were to fall, it may not be enough to cause collapse, but it begins to put the entire structure at risk. Each of these pillars represents an important financial decision (tax planning, estate planning, insurance planning, etc.) that you will need to address at some point in your life. Some will need attention sooner than others. The traveler cannot reach the next pillar unless the one before it has supported him along the way.

Strong though the pillars may be, there is too much length between them for the traveler to jump from one pillar to the next. It is only the planks between them that allow the traveler to move forward. The planks between each pillar are smaller in comparison and less significant individually. Together, they perform a function equal to those of the pillars. Any plank that is missing or does not support his weight will not cause him to fall to the ocean but will certainly leave him worse off than he was the previous step. These planks represent the smaller financial decisions (buy versus lease, gifting to children, POA, etc.) you will need to make between each pillar, and the nails holding those planks in place represent the tools you may need to use to support those smaller decisions.

Upon inspection, the traveler decides that the bridge is sturdy and will support his every step to that lighthouse despite the storm. However, it is certainly possible that he will underestimate the power that Mother Nature may have on this journey. The waves below represent the uncertainty that comes up throughout the financial decision-making process. It's possible that he will walk between many pillars without any turbulence below. However, an unexpected wave may cause him to lose his balance.

Thankfully, when this occurs, there is a railing on either side of him. Even with all the support below him, if a large wave causes the bridge to rock, it may be the only thing that will allow him to regain his composure in a moment of terror. This represents the value a trusted advisor can provide. Always there, even if they're not always needed. A third layer of support that could be the difference between staying on course and falling off your bridge. It's possible that the traveler could make it from the shore to the lighthouse without having those railings next to him. For this traveler, it is comforting to know that they are there with him every step of the way.

Imagine the wave of relief that washes over the traveler as he reaches his sanctuary. He looks back at his path to acknowledge that it may not have been easy or assured but that it was worth it. What lies inside gives him the safety and security he wanted.


THE
WEALTH BRIDGE
FINANCIAL SANCTUARY
GENERATIONAL PLANNING
CHARITABLE GIVING/PHILANTHROPY
CYBERSECURITY
ORGANIZING YOUR PLAN
RETIREMENT PLANNING
EDUCATION PLANNING
ESTATE PLANNING
INSURANCE
PORTFOLIO MONITORING
INVESTMENT RESEARCH
INVESTMENT RISK MANAGEMENT
TAX PLANNING
INVESTOR

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Introduction

Have you ever struggled to come up with a perfect answer to the question, “What do you do for a living?” In the *Family Feud* game of life, that question would be a top three answer for, “Things You’re Likely to be Asked at a Cocktail Party.” But with as many repetitions as we get in answering this question, some of us have a hard time giving an answer that satisfies us. Too few words and the vagueness can lead to misinterpretations; too many words will have your acquaintance’s eyes begin to glaze over.

I ran into this situation face first a few years into my career. My wife, an associate auditor at her firm, had been invited to a corporate event at the United Center for a Bull’s game. Much of the night was spent interacting with people of all levels at the firm, from associates to partners. During a conversation with one of the younger partners I was asked the inevitable, “So, what do you do for a living?” to which I gave my standard response that I was “a financial advisor.” When he asked me what I meant I pivoted to my backup answer of “I’m in wealth management.”

This individual gently reminded me that this could mean a lot of different things. It could mean I worked for a bank, that I was in insurance, that I operated a hedge fund, or even that I could be a business consultant. It was almost as if he said, “If I were going to be a prospect, you’ve already lost me because I’m not sure what you actually do." That moment stuck with me for a few years; upon reflection, I noticed more and more that there was a particular vagueness to the industry I had joined. The terms "financial advisor" and "wealth manager" had become buzz words that were utilized across a range of industries; but those industries could not be more different in their purpose and day-to-day operations.

I don't believe this was or is the fault of the financial advisory industry. The industry itself is complex, and many financial advisors provide services that would fall under the umbrella of different financial service professions (insurance, investment, tax, etc.). We came up with "financial advisor" as a catch-all phrase because people are not interested in an hour-long explanation of how a financial advisor differs from an insurance broker or investment analyst. We want a concise description or phrase because it is a more efficient use of our time. So, how do we concisely describe the value of a profession that is inherently complex? Therein, as the Bard would tell us, lies the rub.

This dichotomy sat with me until I attended a conference in Minnesota during the Spring of 2023. The speaker was a consultant that elevated financial advisory firms to compete for top clients across the United States. Historically, he indicated, financial advisors have relied upon the qualitative aspects of trustworthiness and communication with their clients to point to the value they provide. However, in an increasingly competitive and saturated marketplace, these qualities have become more commodities than unique characteristics. In today's interconnected world where choices are everywhere, it has become vital that advisory firms indicate how their process of managing wealth separates them from the pack.

Like any other industry, the wealth management process can be another language to people who do not live and breathe it every day. However, he said, what people like is a good story. A story can help give context to something in a way that people can easily understand. A story helps people relate to something that initially seems unrelatable.

I'll never forget when the speaker said, "Become the Nike Swoosh of the financial services industry." In truth, my initial reaction was one of true cynicism; no matter how badly we may want it to be so, the financial services industry does not have enough swagger to ever be comparable to the Nike Swoosh. Over the next few months, though, I came to realize that I was missing his point entirely. It wasn't about creating an image that was aesthetically pleasing or had name recognition but rather about creating something that captures what you do and what you're all about.

Why was there a need for something like this in our industry in the first place? One of the answers can be found in the uncertainty that underlies the day-to-day performance of financial markets. Very few (if any) individuals have successfully been able to tell people how to consistently make large investment gains in short periods of time, not to mention the risks that can be associated with that type of approach. Knowing this, most financial advisors take what we feel is a "prudent" approach by diversifying assets across many different sectors and focusing on more consistent but longer-term performance. All we ask in return is that investors give us 5, 10, or 20 years to prove we are right. It may not seem like it at times, but it is an honest approach. However, that does nothing to quell the frustration investors feel in the first few years if things do not go as planned in financial markets.

That brings us to the second reason that financial advisors need to be able to concisely describe what they do: People become so focused on their investments that they completely forget all the other financial decisions that affect their wealth. If you are not diligent in explaining your value, you can quickly become known only as an "investment advisor" regardless of the different services you provide. On that note, I have noticed that investors are expecting more services than ever; not only that, but they are expecting them to be delivered in a specific way. The success story of Amazon has highlighted the premium that consumers are placing on convenience. The advances in technology have created an increased need for efficiency in decision-making. And finally, the effects of globalization and complexity of laws have demanded a higher level of expertise than ever before.

To that end, I felt it would be useful to create something that could serve as a response to all the above experiences. What came out of this was what I came to refer to as the "Wealth Bridge Process." The Wealth Bridge Process started as a story that put into context every individual's need to achieve financial security and the arduous journey that is required to successfully arrive at that destination. This journey is difficult for several reasons:

1. **Number of Decisions:** Almost every decision you make involves your wealth in one form or another. To be clear, this does not mean that you make your decisions because of your wealth, but simply that your wealth is affected by most decisions.
2. **Complexity of Decisions:** Creating your budget can be easy enough, but what about writing your trust, filing your tax return, or purchasing insurance? It is hard to be an expert in everything so you may need to involve outside professionals. However, knowing who you can trust and how much you should pay for that advice is not always intuitive.
3. **Uncertainty of Decisions:** When it comes to your wealth, no decision should be set in stone. Laws, family needs, and family dynamics can change with the blink of an eye. What is a good decision today can be a bad decision tomorrow. Knowing when to revisit decisions is just as important as making the right decision the first time.

While the exact path looks different for everyone, I have found in working with clients that there are 12 essential questions to ask:

1. How can I minimize my tax liability? (Tax Planning)
2. How much risk am I comfortable with? (Investment Risk

Management)
3. How am I choosing my investments? (Investment Research)
4. How am I tracking my investments? (Portfolio Monitoring)
5. How am I protecting my loved ones? (Insurance)
6. How will I pass on what I leave behind? (Estate Planning)
7. How will I pay for my children's schooling? (Education Planning)
8. How and when can I retire? (Retirement Planning)
9. How do I keep track of everything? (Organizing Your Plan)
10. How do I protect the wealth I've built? (Cybersecurity)
11. How can I give back? (Charitable Giving/Philanthropy)
12. How do I pass on my legacy to my family? (Generational Planning)

People typically take three approaches to answering these questions. The first is to simply do it on their own. While many professionals indicate that optimal planning cannot be done without their help, the purpose of this book isn't to convince you that you cannot do this on your own. With enough time and effort, I believe individuals can appropriately handle their financial decision making by themselves. The obvious pro of this approach is to minimize costs substantially over the long term. However, remember that just because cost is A factor does not mean that you should make it **THE ONLY** factor. You will have to invest a substantial amount of time to properly research and educate yourself before making optimal decisions. Additionally, you will need to be confident that you are using the best resources and technology available to you to support your decisions. Finally, you will have to continue to monitor the landscape and make sure that you are aware of any changes you'll need to make to your decisions as the world changes around you.

The second option is to work with professionals individually to address your planning decisions. This is one of the most common approaches—seeking out an accountant, attorney, investment manager, or insurance broker as specific needs arise. It is not nearly as cost-efficient as doing the legwork yourself, but you're paying for the experience you don't have. There can be a few drawbacks to this approach. Finding professionals you can trust can be time consuming; moreover, the dollar implications of making the wrong choice highlights that you need a razor-sharp vetting process to be successful. The larger issue is that these professionals may not communicate with one another. Your investment decisions affect your tax plan just like your insurance decisions affect your estate plan. It can be challenging, and often unlikely, for any professional to guide you toward the best financial decisions without having a comprehensive view of your entire financial situation.

The option that helps adequately address the above issues would be an effective financial advisor. What does it mean to be effective? Think of yourself as the owner of a major league sports team and your advisor as the general manager. An effective General Manager creates an environment where they can be the single touchpoint for the owner on any team matter. A valuable General Manager must be able to identify both strengths and weaknesses in the team's structure and pinpoint the resources that can fix those weaknesses. Lastly, a General Manager may not coach, play, or train the team but it is their responsibility to properly identify, evaluate, and hire qualified candidates that will put the owner's team in a position to win.

If a financial advisor can parallel these same qualities (convenience, efficiency, expertise) in their practice, it builds a strong value proposition to include them into your "Wealth Bridge" process. For that, your advisor needs to establish a process that ensures you feel confident about making them your first point of contact for any financial matter. You also have to be able to trust that they are managing new technology and AI responsibly so that they can make your decision-making process more effective and efficient. Finally, you need an advisor both humble enough to admit that they cannot do everything themselves and willing to connect and coordinate with other professionals to maximize outcomes.

As an advisor, I have seen a variety of different techniques used to answer the 12 main questions I've laid before you. Throughout the years, I have tried to pinpoint the ones that clients have found to be the most useful exercises or have provided realistic value to their family in one form or another. I hope this book gives people actionable planning items that are worth consideration. Where applicable, I will highlight real-life experiences to give context to the importance of some of these techniques. In other areas I may also highlight different technologies used by our firm; these are not endorsements of individual brands or vendors but simply one advisor's experience of where technology helped enhance financial decision-making.

On a personal note, I've found that building this process has helped me to create an ideal of the type of professional I'd like to keep building towards, and I would highly suggest it as an exercise for other young professionals. You'll not only find your satisfying answer to, "What do you do for a living?" but you'll also find that there will be a strong meaning and belief behind your answer.

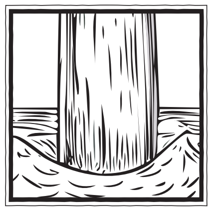
I wish you luck in building your Wealth Bridge.

George C. McCabe, CPA

How to read

Building Your Wealth Bridge

Each section is divided into two parts: one for individual investors and one for financial advisors. The investor sections offer an in-depth exploration of each topic, while the advisor sections present a professional's perspective, often providing a more advanced viewpoint. Whether you're an investor looking to deepen your knowledge or a professional seeking to refine your approach, feel free to read both sections or focus on the one most relevant to your needs. If you are an investor currently working with or considering using an advisor, you may find that the advisor section will help you set expectations for what an effective advisor can do for you.



PILLAR 1

TAX PLANNING

“How can I minimize my tax liability?”

PLANK 1

Engaging a Tax Professional

For Investors

The title of this first plank is a fancy way of telling you to get an accountant. Today, approximately 33% of people prepare their tax returns themselves and another 44% are relying on tax software to assist them. This leaves about 20% of individuals who proactively hire a CPA.[1] The main reason why people do not want or need to retain an accountant is lack of complexity. Their lives may be relatively straightforward and the income they need to report may only come from one or two sources, which makes accounting for that income relatively easy. As stated in the introduction, there are many cases where individuals with simplistic tax returns can properly file their taxes and save on cost by handling their filings themselves. However, if I may, I'd like to make the case for why hiring an accountant can be a good long-term investment for everyone.

The first reason is simply the peace of mind that comes with a licensed professional. Accountants are trained on all the essential documents (W-2s, 1099s, K-1s, etc.) that you should be on the lookout for when tax season rolls around. They are familiar with exactly how basic tax forms (1040s, Schedule Bs, 1098s, etc.) need to be filled out and even if they are needed at all. Finally, it can be comforting to know that another individual has copies of your documentation and tax returns if you are audited.

On that note, another big benefit of using a CPA is that they help you stay compliant. Tax law changes, which means that the way you file your taxes can be subject to change. Inappropriate accounting for taxes in prior years can start a clock on interest and penalties that can continue to grow until it is addressed. In effect, the cost you save by not engaging a professional can be overshadowed by the cost of an audit down the line. There is also a correlation between the complexity of your life and the amount of tax work needed to remain compliant. It never hurts to have a second set of eyes, particularly when it comes to dealing with the government.

The greatest impact a good CPA can have on your wealth is by minimizing your long-term taxes through effective tax planning. There is a difference between tax preparation and tax planning. If you are going to pay money to hire an accountant, make sure you ask them what value they are going to provide beyond preparing your tax return. This can come in the form of utilizing tax credits, deductions, itemizing, or even using tax-advantaged investment accounts. They should be considering the current tax year but should also have the foresight to look into future tax years. As an example, the current 2024 tax rates are lower due to the Tax Cuts & Jobs Act of 2017. However, those are set to expire at the end of 2025 unless they are extended. Even though it is a year away, good tax planners can help you answer these good questions:

- What's the likelihood that rates are going up?
- How will my situation change if they do go up?
- What strategies can I use now to pay less in total over the next five years?

Even if your life is simple, you may want to consider engaging an accountant now. This allows you to get a feel for the value they bring and the planning areas they will help you cover before your net worth grows considerably. Think of it like a trial period to prove their worth before the stakes get too high. By starting early, you can give yourself the opportunity to try a few different accountants to find the right one, so that you can capitalize on important tax decisions when it affects your wealth the most.

For the Effective Advisor

As I mentioned in the introduction, clients are expecting their advisors to offer more and more services today. Tax planning is at the top of the list of non-traditional advisory services that they want covered. Historically, opening tax-deferred accounts like IRAs and annuities, as well as suggesting things like a Roth conversion have covered this area to a certain extent. However, there are planning tools and technology, such as Holistiplan, that can enhance the level of planning we can deliver for our clients. Holistiplan formalizes the process by letting you collect a client's tax return and come back to them with planning strategies in a structured report addressing both federal and state concerns.

Even if you do not do any tax work yourself, find ways to meet qualified accountants to which you can refer your clients. In addition to being a considerable value add to clients, you'll be top-of-mind whenever the accountant brings them a tax benefit. Introducing yourself to your clients' accountant opens the door to enhanced planning as you're able to communicate with them throughout the tax year. You can provide their accountant with useful information that will either make their life easier or provide value to the client. It will also make them more likely to refer to you in the future.

This information may include:

- 1099 Information
- Estimated Capital Gain Information

- Estimated Dividend, Income, and Interest Information
- Tax-Loss Harvesting Opportunities
- Inquiring About Adjustments to Tax Withholding
- Communicating Roth Conversion Opportunities

PLANK 2

Adjusting Tax Withholding

For Investors

Tax withholding is a balancing act that can change for people as the years go on. Most of us participate in some sort of tax withholding through the paychecks we receive from work. Retired individuals will often have the choice to withhold money for distributions that come out of their retirement plan or IRA account. It can be difficult for people to know what percentage to withhold each year because not everybody knows what their exact annual income is.

Some people feel very strongly about the downside of withholding too much each calendar year. People in this camp argue that you are simply giving the IRS an interest-free loan each year until they pay you back via your refund each April. This can create an opportunity cost for those who would've preferred to invest or use those dollars throughout the tax year. Instead, by decreasing your withholding you can minimize what you give the government before April 15th and have more control over using your dollars before tax season.

However, a few cautionary notes on this approach before you decide on your withholding stance. First, those that do not do any withholding during the current tax year will have to come up with the taxes the following April. I once had a retired individual that was purchasing property using IRA funds shortly after his retirement. Despite my warnings, he decided to withhold a very small percentage of the large sum he distributed from the account. Not surprisingly, I received a panicked call from him in April after he met with his accountant stating that he owed more in taxes than he anticipated. With the tax deadline approaching, it left him very little time to come up with the funds he needed to settle up with the government.

Another common mistake is not withholding enough throughout the year. Those that do not may owe both interest and penalties to the government, which could have been avoided through increased withholding. Typically, to avoid this, you must pay the smaller of 90% of the tax you owe for the current year or 100% of the prior year's tax bill (110% if your income hits a certain threshold). The first method is not always easy to calculate because it can be hard to determine how much income you will have by the end of the year each year. The second method can be easier to calculate but is usually met through increased withholding or estimated tax payments (covered in the next chapter).

For the Effective Advisor

Clients will typically have the choice to withhold money from any distributions in their qualified accounts and any annuity payments they have set up. Particularly for those clients that have sizable Required Minimum Distributions (RMDs), I have found it useful to get a client's accountant information on file and check in with the accountant annually to let them know what the RMD payment is for the current year and what withholding we did for the prior year. It gives the accountant the opportunity to suggest a change in withholding for the client which may help ensure they pay in enough for the current year or will even allow the client to forgo paying estimates for that calendar year. Both the accountant and client will appreciate you checking in on this issue regularly.

PLANK 3

Estimated Tax Payment Tracking

For the Investor

Estimated tax payments are a foreign concept to some and an annual annoyance to many. If you are an individual who is purely a W-2 income employee, chances are you haven't had to deal with estimated tax payments (assuming you are withholding enough). However, for those that have multiple income streams (W-2, 1099, passive, dividend, etc.) odds are you are making payments to the government quarterly in addition to your April 15th tax payment.

As stated in the previous chapter, the reason for making estimated payments in the first place is to avoid underpayment of your taxes and facing potential interest and penalties on that underpayment. These payments are made in January, April, June, and September. This does not only apply to federal payments; in many cases if you're paying federal estimates, you'll also have to make estimated state payments as well.

The best way to calculate if you need to make estimates and what those estimates may be is to consult with your tax professional. Your estimates may change from year to year depending on how your income fluctuates. Additionally, you'll want to engage your tax professional to see what strategies you can use to minimize those estimated payments each year. This might include increasing withholding as an employee or making a SEP contribution as a business owner to lower your taxable income.

I have highlighted this not because I consider it a valuable financial planning technique, but rather because I frequently see individuals make mistakes when dealing with their estimated tax payments. Consider the below to avoid any penalties or interest in the future:

1. Paying by Check: Many individuals will choose to write checks each quarter and send them to the government. Make sure that you not only sign and date the check before each deadline but that you have it postmarked by the deadline.
2. Automatic Bank Withdrawals: You can have your accountant set up automatic withdrawals from your bank each quarter. If you do this, make sure you have enough money in your account each quarter to cover the payment. You may move money from your savings to your checking or deposit a check to cover the payment each quarter. Make sure you talk with your bank about whether there is a hold on any deposit or transfer that you might make. I have seen people move their money or deposit a check on time, but they still fail to make their payment because their bank has not released the funds yet.
3. April Double Trouble: Commonly, people forget that they still must make their regular tax payment in addition to their estimated tax payment in April. I've seen people budget for one or the other instead of both and it leads to a potential cash flow problem that is not always fixed on time.

For the Effective Advisor

There are a few different ways you can provide value to clients by assisting with their tax payments. As usual, the key is to be proactive in communicating with their accountant. Each April, reach out to your client's accountant to see what tax payments may be due that month and what payments will be due for the next three quarters. Clients typically will have one of three preferences:

a. Check Writing: If the client has checks for their investment account, they may want to send checks to the IRS using their brokerage checks. As the advisor, you can raise the proper cash for the payment quarterly and let the client know when they can write the check.
b. Sending Money to Bank: Some clients will want you to send them money from their investment account to their bank so that they can pay their estimated taxes from their bank. You can call the client quarterly to see if they need money sent to their bank for their tax payment.
c. Automatic Withdrawal: Some clients and accountants will want the money to be pulled directly from their investment account by the IRS. By monitoring the account each quarter, you can ensure that the client has enough cash to cover any tax payments they may have.

Of the three, Option C can be a huge value add to clients. You can completely take the burden of tax payments off their shoulders by giving them the knowledge that their taxes are going to be paid each year with minimal effort. They will no longer have to coordinate with their accountant on this matter, nor will they have to sit down and write checks or confirm they have the money in their checking account. This will also strengthen your relationship with the accountant because they can trust you to take care of this, and it will minimize the chances of missed payments.

PLANK 4

Capital Gain Projections

For the Investor

This chapter is specific to any investors that may hold mutual funds in taxable accounts. If you hold a mutual fund, you are probably aware that the managers of those funds are buying and selling shares of companies daily (hopefully, at a gain). The basic premise is that these gains need to be passed onto the holders of mutual funds at some point. These are referred to as capital gain distributions and they typically occur at the end of each year (if at all).

Much like when you sell an investment at a gain, capital gain distributions can add to your tax bill for the year. However, the difference between the two is that you can choose whether to sell an investment; you do not get a choice in whether capital gains are distributed. These distributions are variable each year which means that in some years you can have no distributions and in others you have large distributions. Usually, you will see the larger distributions occur when the market has had a strong run over a few consecutive years.

It is important to track these distributions for two reasons. The first has to do with minimizing your tax bill for the current tax year. If you have a good sense of your total capital gains for the year you will give yourself the opportunity to offset the proper amount of gain through tax-loss harvesting. Because these distributions mainly occur in December, this gives you a limited window to get this done.

Additionally, if you choose to pay 90% of your current year tax bill through estimates, then tracking your capital gain distributions is critical. If you have large distributions in December, you may have to adjust your estimated tax payment in January to avoid an underpayment penalty.

Rightfully so, most people would rather avoid these distributions all together so that they do not run into the above problems. Here are some possible strategies to minimize capital gain distributions:

1. Use mutual funds in tax-advantaged accounts like your IRA and 401(k).
2. Utilize ETFs in your taxable accounts as they typically have lower distribution rates than mutual funds.
3. Look at the turnover ratio of a mutual fund to see how often the managers are selling positions and triggering potential gains.
4. Look at the historic distribution rates of mutual funds you are considering.
5. Sell investments at a loss to offset any gains that are distributed.

For the Effective Advisor

Projecting your clients' capital gain distributions can be an extremely tedious project but there is a strong correlation between the value in providing the estimates and the amount of wealth a High-Net-Worth (HNW) or Ultra-High-Net-Worth (UHNW) client has in taxable accounts. Even though we know these distributions are completely out of our control, accountants will be quick to point the finger at the advisor if there are big distributions in December, the client does not adjust their January estimate, and the client ultimately faces an underpayment penalty.

By coordinating with your client and their accountant, you can turn a potential problem into a value add. There is usually a tight window to calculate estimated capital gain distributions in a timely fashion. You need to start the process early enough so that the client/their accountant can make any last-minute tax moves they need to before year-end, but late enough so that your projections are going to be accurate (as fund companies may change their projections). I usually suggest calculating these in mid-to-late November and communicating the results early-to-mid-December. This will give the accountant time to determine whether any changes to the client's January tax estimate need to be made. It will also prompt conversations about the ability to tax-loss harvest a client's securities before year-end to offset any potential distributions that are anticipated.

PLANK 5

Tax-Loss Harvesting

For the Investor

Nobody likes to sell an investment at a loss. It is a recognition that you were wrong about the investment you made. However, selling investments at a loss can be a useful tax tool if you use it correctly.

You can use investments you sell at capital losses to offset any capital gains you may have for the current year. The most important thing is to note the phrase **capital gains**; you cannot use capital losses to offset ordinary income (such as your W-2 income) for the calendar year. As an example, let's say you sold an investment for a capital gain of +$100k but you have losses of -$80k in investments you haven't sold yet. By taking no action, you'll have to pay tax on the entire +$100k gain. However, by selling all your losses you can bring that gain down to +$20k for the year, which will substantially reduce your tax bill.

One concern people have when harvesting losses is that they may have to sell out of investments they believe to have long-term upside. What is nice about tax-loss harvesting is that you do not have to stay out of the investments you sell forever. If you wait 30 days after you sell an investment, you can buy back into that same investment without negating the tax loss you captured. However, if you buy it back before the 30-day period, you will lose any losses you triggered so be careful to wait the appropriate amount of time. Additionally, during that 30-day period, you can move the money into a similar security if it is not "substantially identical" (IRS term) to the security you just sold. This allows people to keep their money invested instead of having it just sit in cash for 30 days.

Another concern people have is triggering too much in tax losses for the year. What happens if you had gains of +$100k for the year but you triggered losses of -$200k for the same tax year? The good news is that you'll be able to carry forward any unused losses indefinitely to offset any future capital gains that you have. Furthermore, you can use $3,000 in unused losses to offset ordinary income each year until the losses are exhausted.

Knowing all this, my general advice to people is to capture tax losses where you can. We never know when the market will go up or down, but we know exactly how much loss we can trigger by selling an investment. Even if you do not use the losses this year, you'll be able to use them in the future. You can look at this at any point throughout the year, but I think the best time is to look right before the end of the calendar year. By that time, you should have a good idea of what your gains are for the year, which can help you make better decisions on how much you want to trigger in losses and when you want to trigger them.

For the Effective Advisor

This is a tax opportunity that can be analyzed annually for a client. Typically, December is a useful time of year to employ this, as clients typically have a good idea of their tax situation by then. However, different markets (such as the early part of 2022) can provide opportunities throughout the year and so it's important that you let the client know you are looking at these situations when they arise. Usually, clients are never against capturing tax losses, as they can be used in future tax years. However, it can still be beneficial to check with the client's accountant first because they may have large historic losses they have not used up yet. In this case, it will actually be more beneficial to look to trigger long-term gains each year in order to whittle away at those losses.

However, assuming the client could use the losses, it's important to let them or their accountant know what securities you could sell before the end of the tax year to trigger a loss and what securities may be a good substitute for the next 30 days. This can calm the fears of anyone who is nervous of "being out of the market" just to capture a tax loss. Using each of these steps you've created a win-win for the client; you've captured a tax loss that can offset gains for the year, reinvested the proceeds in a reasonable substitute for the next month, and have gotten them back to where they started 30 days later. It also shows the client that you were closely monitoring their account during an important part of the year, coordinating with their tax professional to provide them with a tax benefit, and being diligent about following up even after the benefit was captured.

PLANK 6

Roth versus Traditional Qualified Accounts

For the Investor

To Roth or not to Roth? That is the question. Whether it is your 401(k) or your IRA, it is likely that you will have a choice concerning what type of account (Roth or Traditional) you want to open up. First, an explanation of the difference between a traditional qualified account and a Roth qualified account.

Historically, most people have had their 401(k) money contributed to a traditional or pre-tax 401(k) account. There is a tax benefit to putting money into this type of account: every dollar you put into a traditional 401(k) is deductible on your tax return. This means that you can pay less in taxes each year by contributing to a traditional 401(k) account. This money can be invested and grow tax-deferred inside the account for decades. However, when you retire and start taking money out of the account you will have to pay taxes on every dollar that comes out (both your contributions and the earnings on those contributions).

The Roth 401(k) is essentially the opposite of the traditional 401(k). When you put money into the account you do not get to deduct that money on your tax return. This means that you will pay taxes on those dollars even though they are sitting in a retirement account. However, when you retire and start taking money out of the account you **will not** have to pay taxes on your contributions **or** the earnings that you have made on those contributions.

The question you need to ask yourself is, "Do I want to pay tax now or do I want to pay it later?" An even better question is, "Will it cost me more to pay the tax now or to pay it later?" When deciding which type of account to choose you will want to look at what tax bracket you are in now versus the tax bracket you plan on being in 10, 20, or 30 years from now.

Many times, Roth IRAs or Roth 401(k)s are found to be a better fit for young people who are just starting their careers. Why is this? The idea is that it is better for them to contribute to an after-tax account now while they are in a lower tax bracket. Then, when they are retired and hopefully in a much higher tax bracket, they will be able to pull the funds out of the account without having to pay additional tax.

Conversely, people in their peak earning years tend to be a better match for pre-tax 401(k) contributions. If you are in the 40% tax bracket, you can save forty cents on each dollar you put into your retirement account for that tax year. If you find yourself in the 25% bracket when you retire and your income drops, you're better suited to pull the pre-tax funds out at that point and pay the taxes at a lower rate.

If you find yourself in a commission job where your income fluctuates every year, you will be best served to analyze your tax bracket annually before you decide on where you want to put your retirement money. If you're not sure which one is a good fit, check with your accountant to see what they suggest.

Finally, many people do not know which tax bracket they'll be in during retirement, nor do they know what the future tax rates will be. If you feel this way, a good strategy is to put part of your savings into a Roth each year and part into a pre-tax account. By doing this, you guarantee that you'll get a little bit of a tax benefit now and a different benefit later.

For the Effective Advisor

The pre-tax versus post-tax conundrum can be a great way to start a conversation with a prospect. Typically, we find that this advice is applicable to the child of a retiree who is just starting their work career. Most young people are completely foreign to the term "Roth," and it can be helpful to them to help explain the difference between a tax benefit now or a tax benefit later. It also opens the door to conversations around backdoor Roths for those young but high earning clients.

Additionally, in today's world many "retirees" who are clients are continuing to work in a remote working world. It's a win-win: they continue to work doing what they enjoy but they are doing it at a reduced salary and at reduced hours. This is where a vigilant advisor and accountant act. This may provide an opportunity to suggest that they contribute to an after-tax account if they are now under the income limits.

Many times, these "Roth years" come and go more quickly than people think. If a client is semi-retired, it is likely that there will be a one-to-five-year window of potential Roth contributions before they officially retire and no longer have any earned income going forward. Even though they haven't been eligible for a regular Roth contribution in 30 years, it can show them that you are constantly on top of their changing circumstances and are looking to take advantage of any small benefit you identify.

PLANK 7

Backdoor Roth and Mega Backdoor Roth Contributions

For the Investor

When The Notorious B.I.G. said, “Mo Money Mo Problems,” I always thought there was a slim chance he was referring to the financial planning process. And if that’s the case, it’s a possibility that he was referring specifically to the fact that high-income earners have a harder time taking advantage of after-tax retirement accounts. Because of their income level, the government feels that high-income earners should not enjoy the tax-free growth on earnings that can be made inside of a Roth account. However, I’d like to respond to Mr. B.I.G. by stating “Mo Planning Mo Solutions.” Although you need to tread carefully, there are two different ways to get money into Roth IRAs and Roth 401(k)s even when you are at a higher income level.

Let’s talk first about getting money into a Roth IRA as a high-income earner. Typically, if you reach a certain income threshold (this threshold changes most years) you cannot make a regular contribution into a Roth IRA. The good news is, there is a concept known as a “Backdoor” Roth contribution that still allows you to get money into a Roth IRA each calendar year.

Below are the steps:

1. Open a traditional IRA.
2. Make a non-deductible contribution to a traditional IRA.
3. Convert the funds from your traditional IRA to your Roth IRA.

A few cautionary notes on this process. First, you may want to wait a few weeks after you make the initial contribution before you make the conversion to your Roth. You want to make it clear that steps two and three were distinct and separate so that the IRS does not consider this to be a Roth contribution. Secondly, and more importantly, beware of the "pro-rata" rule. Basically, what this rule means is that you will trigger additional taxes if you already have pre-tax money in any traditional IRAs before you begin the above process. The best way to avoid this would be to perform a rollover of those pre-tax funds from your traditional IRA to your traditional 401(k). By emptying out the traditional IRA, you can avoid the pro-rata problem entirely.

Thankfully, there are no income limitations on Roth 401(k) contributions. You can earn as much as you want and still put all your 401(k) contributions into a Roth. However, if you are a high earner, you may max out both your backdoor Roth IRA contribution and your Roth 401(k) and still have money left over that you'd like to put into an after-tax account. Enter the "Mega-Backdoor Roth" contribution. Essentially, you can put additional after-tax contributions into your 401(k) retirement account above and beyond the regular contribution. Then, before there are significant earnings on those dollars, you can convert that after-tax money into your Roth 401(k).

However, taking advantage of this requires the following conditions to be met:

1. You must have enough W-2 income to make those after-tax salary deferrals.
2. Your employer plan must allow you to make after-tax contributions.
3. Your employer plan must allow you to make periodic in-service distributions of your after-tax money (beware, the "pro-rata" rule may trigger additional taxes).

Not surprisingly, almost nobody knows if their 401(k) permits numbers two and three. However, just go to the plan administrator (usually HR) and ask them! Each 401(k) plan has a plan document that outlines the rules and provisions of the plan. By checking with them, you can be confident that you have all your bases covered.

For the Effective Advisor

It's important to bring as many ideas to the table as you can, especially when it comes to prospective clients. If you introduce a strategy that another advisor may not, it not only informs your client that you have a good understanding of their situation, but also that you are considering all possibilities on their behalf. By exploring all possibilities with clients, you also remove the risk that a competitor can point to something that you failed to bring to the client's attention.

For those prospects or clients who are trying to contribute as much after-tax money as possible, here are a few strategies you might suggest that other advisors may not:

1. Backdoor Roth Contributions: Although there are several steps to completing this process, you are providing value to your high-income earners by figuring out a way to get money into an after-tax account even though they don't qualify for a normal Roth contribution.
2. Performing an IRA to 401(k) Rollover: People who have taxable money in an IRA normally aren't a good fit for a backdoor Roth contribution because the pro-rata rule causes additional taxable income to be generated during the Roth conversion. However, this can be avoided by first rolling over the taxable dollars in the IRA to a traditional 401(k). This clears out the account and creates the opportunity for a backdoor Roth contribution that doesn't create additional taxes. You have provided value by coming up with an unorthodox way to get money into an after-tax account, but you probably lowered your compensation in the process by moving the funds away from the IRA you manage. Clients recognize this, and it is the kind of advice that can instill long-term trust in a relationship.
3. Mega Backdoor Roth Contributions: These contributions are specific to employer-sponsored plans and therefore don't normally fall under your management as an advisor. The concept can still be extremely useful to high-income earners and usually goes unmentioned because the plan must have specific provisions for an individual to even make this type of contribution. Again, bringing to light ideas that don't boost your bottom line helps emphasize to a client the quality of your advice and the quality of person you are.

PLANK 8

Roth Conversions

For the Investor

Most people think that the only way to get money into a Roth account is by making an after-tax contribution into an IRA or a 401(k). However, a Roth conversion can be a useful tool if you initially made contributions into pre-tax accounts but decide later that you'd like to shift money over to an after-tax account. Why would you want to do this? As we discussed in previous chapters, after the funds are placed in the Roth account, they can be pulled out tax-free and the earnings on those funds can also be pulled out tax-free (after you reach age 59 ½).

There are two things you need to know about Roth conversions before you consider completing one. The first is that a Roth conversion creates a taxable event. Thankfully, unlike Roth contributions, there is no limit on how much you can convert from a pre-tax account to an after-tax account. However, whatever amount you do convert over will be taxed at ordinary income rates. Especially if you are still working, this will cause your tax bill to rise and potentially push you into a higher tax bracket. Remember that your conversion money will end up in a Roth account and that you'll have to have enough cash somewhere else to pay the tax bill in April.

Also note that if you convert money from a pre-tax account to a Roth, you will not be able to touch that money for five years. This is different from a regular Roth contribution that allows you to pull out your contributions if you need the funds. Why can't you touch Roth conversion money for five years? The reason is that the government does not want people to convert money over to a Roth before they turn 59 ½ and immediately access that money just to avoid the 10% early withdrawal penalty on traditional IRA distributions. One final thing to note is that this 5-year clock applies to every Roth conversion. For example, if you convert $10k to a Roth in 2025 and another $20k in 2027, you will be able to access that $10k in 2030 but you won't be able to access the additional $20k until 2032.

There are a few different scenarios where you would want to consider a Roth conversion. The first is if tax rates change and decrease from where they are today. Similarly, if it looks likely that they are going to go up (like they may in 2026), you will also want to consider a conversion. It's simplistic, but the idea is that you can pay the tax now at a lower rate than you would when rates are higher.

The second scenario is for those that find themselves in the retirement "sweet spot" (usually ages 65-72) for Roth conversions. These are individuals who may be recently retired and no longer have income flowing in from their job each year and they see their taxable income drop dramatically. These individuals may or may not have started Social Security but have not reached the RMD age (when the government forces you to take money from your IRA/401(k) each year). If your yearly income drops dramatically due to retirement, it is a great time to consider a Roth conversion because you may be able to get money into a Roth account at a much lower tax bracket than when you were working. Additionally, if you have a large pre-tax account ($2 million+) you can shift money into a Roth in small chunks over several years and you will ultimately lower the annual RMD amount when you come of age. This could potentially save you tax dollars on both ends.

The third scenario is when individuals are looking to maximize the amount of tax-free income they are going to leave their family. With the recent changes in the tax laws, children who inherit their parents' IRAs/401(k)s now must empty the accounts over a period of 10 years (with exceptions). For people with sizable accounts, this creates a tax issue for their children, particularly if their adult children are working and in their peak earning years. By getting the money into a Roth now or over a period of 10-15 years, you can pay the tax in smaller chunks; when your children inherit it, they can continue to grow it tax-free for another 10 years and empty the account in the 10th year without paying a penny of tax.

Finally, you may want to consider a Roth conversion during a bear market. The idea is that you can move funds from a pre-tax account to a Roth when the values of those investments are depressed. If the market rebounds after the funds are in the Roth, you will have saved yourself some tax dollars by getting the funds into the Roth before the values increase again.

Like many of the planning techniques in this book, Roth conversions are all about taking advantage of the right tool at the right time. More than that, you need to be aware of the consequences of completing this technique. There is a thin line between a conversion being a tax advantage or disadvantage, and proper planning is the only way to make sure you stay on the right side of it.

For the Effective Advisor

Roth conversions can be useful for a client of any age, but you'll find that it's a topic that can pertain more to your older clients (50-80). The Roth IRA wasn't created until 1997, and it is much more popular today than it was in the late 90s. More often than not, I run into individuals who have placed almost all of their retirement funds into pre-tax accounts which makes them prime candidates for a Roth conversion analysis.

Like most of these tax chapters, it is just another way to be proactive with the client's accountant without completely stepping on the accountant's toes. The different scenarios above apply to the advisor when thinking about when to introduce the idea to the client. However, I think these are the benefits for the advisor that come from introducing the idea in each scenario:

Scenario One: It shows the client you are reading and staying up to date on changes to tax law or proposed changes to tax law. If these are proposed changes (like the sunset changes in 2026), by reaching out 18-24 months ahead of time, you are showing the client that you are planning for both the now and the later. It is another layer of professionalism that sets you apart from other advisors.

Scenario Two: This shows the client that you are keeping up to date on what is going on in their life and how different types of value can be created through changes in their life. Again, it speaks to your sense of timing and confirms for the client that you are staying vigilant about new opportunities for them.

Scenario Three: Having a proactive conversation provides value both from a tax and generational planning perspective. It shows the client that you are looking at the big picture by helping to maximize value for their family as a whole as opposed to just the wealth they will have during their lifetime.

Scenario Four: This shows the client that you are keeping a close eye on their portfolio during different market cycles. The client will also be impressed by your ability to take a negative situation and create something positive out of it by acting quickly.

PLANK 9

Coordinating Income with Tax Sensitive Items

For the Investor

When you are in retirement, it is not only important to determine how much income you will need, you will also have to figure out the best sources to get that income. I will give you an example of why this is crucial.

Let's say there is a retired individual who has money in their bank, both their IRA and their Roth IRA, and they get an income amount from Social Security every year. This individual knows that money from Social Security is taxable up to a certain percentage, the IRA money is always taxable at ordinary income rates, and the bank and Roth money can be used virtually tax-free (unless there is interest on their bank money). However, many times the individual won't give much thought as to why they should take money from one source or another.

This same individual happens to be on Medicare and has both Part B and D as part of their plan. Each month they pay a monthly amount to cover both plans. One thing that retirees don't often think about when planning their income is that their Medicare premiums can be affected by the amount of income they generate each year. If they are not careful about where they are pulling their retirement income, they may inadvertently trigger an Income-Related Monthly Adjustment Amount (IRMAA) that could cost them hundreds more in Medicare premiums per month. The IRS calculates this IRMAA by looking at your tax returns from the **prior two years**, which means that a mistake in one tax year will haunt you for the next two.

However, if the individual is mindful about planning with their tax professional, they may be able to come up with a game plan that both gets them the money they need to fund their retirement without costing them extra dollars for their health care. When looking at minimizing IRMAA surcharges, realize that each of these actions could affect the rate you are charged:

1. Distributions from IRAs
2. Roth Conversions
3. Filing for Social Security Benefit Amounts
4. Filing for Pension Benefit Amounts
5. Capital Gains triggered from Asset Sales
6. Annuity Income Streams

This example brings home the point that many of your planning decisions are interconnected. Pulling one lever affects another and not always in a way that will be beneficial to you. Always anticipate the full consequences of your planning actions before you go through with them.

For the Effective Advisor

One of the frustrations with our role in tax planning as financial advisors is that we usually have some of the pieces to the client's tax puzzle, but some are missing from our puzzle box. This puts us in a bit of a tough position: Clients expect us to give them tax advice because their investment portfolio has tax implications, but we cannot always give them direction because of the fear that there is something else outside of the portfolio of which we are not aware.

I've found it more efficient to provide a client's accountant with the necessary information to ensure optimal tax planning. This way, you'll make sure you have covered your tax bases as the financial advisor, and you have made the accountant's life easier by having all the information they need surrounding the client's investments.

When it comes to coordinating income, I think the following items can be helpful to provide the accountant:

1. If the client has RMDs, let the accountant know what that income amount will be for the calendar year.
2. If the client has annuity income streams from investments with you, let the accountant know what those annual amounts are going to be each year.
3. Ask the accountant if they want you to accelerate qualified income in certain tax years.
4. Let the accountant know what you estimate the capital gains will be for the year or if you are able to harvest losses.
5. Let the accountant know what income, dividends, and interest may be generated from the portfolio.

Most of the above are individual chapters in this section, but you can see how they aggregate and involve you in the tax planning process. If you choose not to address them, it becomes easy for the accountant to point the finger at you in a year where the client gets hit with a larger than normal tax bill.

PLANK 10

Intra-Family Loans

For the Investor

You have probably read that even with the occurrence of the Tech Bubble and the Great Financial Crisis, there has been a tremendous amount of wealth gathered over the last 30 years due to several fortuitous bull markets. One of the effects of this has been that some retirees find themselves with more money than they will ever spend. They have accomplished their main goal of conquering the fear that they will outlive their money.

Anecdotally, I have noticed that these same people are being extremely generous with their children once they have confirmed that they are financially secure in their own retirement. More than ever, I have seen children living with their parents for extended periods of time beyond college graduation to save on rent. Additionally, I have seen parents purchasing "investment properties" in major cities while letting their children live rent-free as they begin their career. And most notably, I have seen a peak in the number of people helping their children purchase their first home.

Most parents do not think twice about writing checks to their children because they are family members. However, the IRS only allows you to gift a limited amount of money to any individual during a calendar year. Every time you go above this limit you are supposed to be filing gift tax returns, and the excess gift comes off your lifetime exemption amount. For wealthy families, this could cost you dearly if you die and must pay estate tax at higher rates. However, in the current environment (2024) of high interest rates, many parents do not want their children to have to apply for a mortgage where their monthly payment would be much higher than it was two years ago, particularly if they have the cash to assist them.

This is where the concept of an intra-family loan can be extremely helpful. Instead of borrowing money from a bank, children can borrow money from their parents when they are making a large purchase. There are several different benefits to this:

1. Many times, you can secure an interest rate that is lower than what you would get at the bank.
2. The interest paid stays within the family rather than being paid to a third party.
3. You might be able to avoid certain transaction fees.
4. You may be able to secure a larger dollar amount even if you do not have an exceptional credit score.

What is critical when using this planning technique is structuring a loan document and abiding by the terms of that document. If you give your child a “loan” but you frequently forgive interest or principal payments, it is extremely likely that the IRS will simply consider the loan to be a gift which will completely defeat the purpose of what you are trying to accomplish. You’ll want to structure the loan amount, the interest rate, the payback period, default provisions, etc.

I would highly recommend using a third party to both write and administer your loan document to ensure everything goes smoothly. A good starting place is to check with your accountant or attorney to see if he or she has experience in structuring family loan documents. Alternatively, a company like National Family Mortgage may cost a little more upfront but they may have more expertise in this area which may make the process more efficient for your family.

Even when parents have the wealth to help their children, there is an understandable hesitation to take advantage of something like this because:

1. They do not want their children to be aware of how much wealth they have amassed.
2. They want their children to experience the responsibility of filing for a mortgage on their own and being liable for the payments each month.

The sound reasoning in #2 is not necessarily something on which you can place a price tag. However, for those that look at their wealth on a family level it is important that they know how much it would cost the family for their children to navigate this on their own. Additionally, and again this is anecdotal, I have had many clients who were very hesitant to give gifts or loans to their children before they passed. However, those that did told me later on how thankful they were to be able to watch their children enjoy their gifts during their lifetime rather than shield them from their wealth until after their death.

For the Effective Advisor

Sometimes, introducing the concept of an intra-family loan to a client can be difficult because they do not always share when they are making gifts to children or buying them a house. However, many times you will be involved with the process if they need you to send them money from their investment account to fund the gift/purchase.

I believe intra-family loans to be a little bit of a differentiator as an advisor. Most do not have it top of mind because they usually will not be involved in the drafting of the document nor its administration. But when you do bring it up, you are providing value in two different planning areas:

1. You are helping them with long-term estate planning by keeping their lifetime exemption intact.
2. You are assisting them with generational wealth planning by keeping the dollars inside the family.

Most importantly, you found a way for a parent to help their child, which can be an invaluable suggestion and one that the client is not likely to forget throughout the rest of your relationship.

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Disclosures

George C. McCabe, C.P.A.
Financial Advisor
McCabe & Associates, Inc.
9480 Enterprise Drive, Suite 1
Mokena, IL 60448-8690

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All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful.

Asset allocation is an investment strategy that will not guarantee a profit or protect you from loss.

Rebalancing may be a taxable event. Before you take any specific action be sure to consult with your tax professional.

Distributions from traditional IRAs and employer-sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRA tax penalty.

Converting from a traditional IRA to a Roth IRA is a taxable event.

A Roth IRA offers tax free withdrawals on taxable contributions.

To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

Before deciding whether to retain assets in a 401(k) or roll over to an IRA, an investor should consider various factors including, but not limited to, investment options, fees and expenses, services, withdrawal penalties, protection from creditors and legal judgments, required minimum distributions and possession of employer stock. Please view the Investor Alerts section of the FINRA website for additional information.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable by having the policy approved. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

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Alternative Investments often engage in leverage and other investment practices that are extremely speculative and involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, including the loss of the entire amount that is invested. There may be conflicts of interest relating to the Alternative Investment and its service providers. Similarly, interests in an Alternative Investment are highly illiquid and generally are not transferable without the consent of the sponsor, and applicable securities and tax laws will limit transfers.

The interest on I bonds is a combination of a fixed rate and an inflation rate. The fixed rate and inflation rate will vary, and past performance does not guarantee future results. Series I bonds are meant for long-term investors, and if you don't hold the I bond for a full year, you will not receive any interest. To purchase Series I bonds, investors must open an account at Treasury Direct.

T-Bills are backed by the full faith and credit of the US Government as to the timely payment of principal and interest. The principal value will fluctuate with changes in market conditions. If they are not held to maturity, they may be worth more or less than their original value.

Charitable Remainder Trusts are used to develop a vehicle for donations to a favorite charity, which also allows for the reduction of income taxes through a charitable deduction and favorable tax treatment at the date of the gift by non-recognition of built-in capital gains. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

Generally, a donor advised fund is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Each account is composed of contributions made by individual donors. Once the donor makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account. Donors take a tax deduction for all contributions at the time they are made, even though the money may not be dispersed to a charity until much later.

Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investing in any state's 529 Plan.

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Investing in mutual funds and exchange-traded funds is subject to risk and loss of principal. There is no assurance or certainty that any investment strategy will be successful in meeting its objectives.

Investors should consider the investment objectives, risks and charges and expenses of the funds carefully before investing. The prospectus contains this and other information about the funds. Contact your financial professional to obtain a prospectus, which should be read carefully before investing or sending money.

Although it is possible to have guaranteed income for life with a fixed annuity, there is no assurance that this income will keep up with inflation. There is a surrender charge imposed generally during the first 5 to 7 years or during the rate guarantee period.

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