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COROMANDEL WEALTH MANAGEMENT

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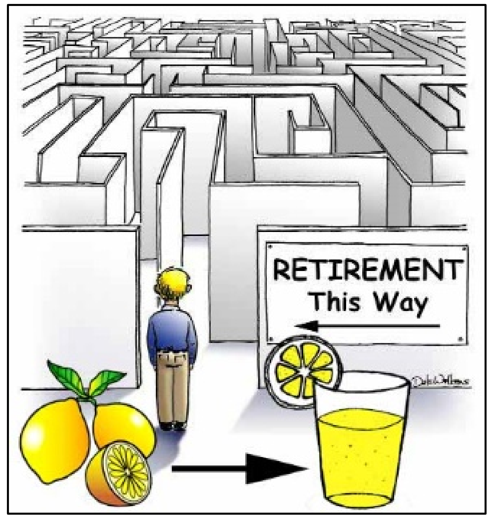
Investing in the time of coronavirus

Navigating the Retirement Maze



"There is always something left to love."

- Gabriel García Márquez, Colombian author (1927 - 2014)

Bear markets can be painful to experience. Gone are the days when you used to check your investment statement balances regularly to see how much you were worth that day. (Admit it. You know you did.) Watching CNBC for market gains has now been replaced with CNN bulletins on the spread of the coronavirus.

Yet you shouldn't ignore your investments and wait until the worst is over, because sometimes the best opportunities come during market corrections. One way to look at this situation: Stocks are now on sale compared to a year ago. There are measures that you can take now to reduce your taxes and position your portfolio for future gains.

Do some tax loss harvesting

Make lemonade out those stock loss lemons by reducing your 2020 taxes. Let's say that you bought shares of Exxon Mobil (XOM) back in January, and have watched the shares fall over 40 percent in less than three months. You believe that oil stocks will eventually come back, so you don't want to give up the potential upside in the stock. One strategy would be to sell XOM and take the tax loss that could be applied against future capital gains or up to $3,000 of income each year, and repurchase a similar stock such as Conoco (COP) or Chevron (CVX). That way you lock in the loss, are still positioned for future gains, and don't violate the "wash sale" rule which would eliminate your tax loss if you bought back the same stock within 30 days.

Roth conversions on sale

A provision in the SECURE Act signed last December eliminated the "stretch IRA," and now requires non-spouse beneficiaries of newly inherited IRAs to empty them within 10 years. This could potentially create significant tax liabilities for beneficiaries in their peak earning years. One of the easiest solutions to this problem is to convert IRAs into Roth IRAs, paying the taxes now so that your beneficiaries will have tax-free distributions when funds are eventually withdrawn.

The current market pullback creates a good opportunity for doing Roth conversions. Think of it as converting IRA assets that were worth $10,000 just a few months ago but are now down to $7,000. The tax bill for the conversion is reduced by 30 percent, and those same assets now have greater upside potential than they did prior to the correction. If the market continues its downward trajectory, your future Roth conversions could be priced even better for a tax savings. So convert some IRA assets now, and if the market falls further, convert some more. Be mindful of your marginal tax brackets when doing conversions so that you can convert them at your lowest possible tax rate.

Put together your "Buy" list

Do you have any favorite stocks or funds that you want to own, but seemed on the pricey side last year? They're now on sale. These discounts could increase further over the coming weeks and months, so don't go on a buying spree all at once. Instead, spread your purchases over time, even as the markets begin to recover. Many "best in class" companies may be on sale for a while, so load up while the market is offering these blue chip "blue light specials."

Use perks built into the CARES Act

Most people have heard by now that 2019 taxes are due on July 15th this year, a 3-month delay. However, there are several other provisions of the bill that have mostly gone unnoticed that can benefit you:

- **No RMDs for 2020 –** This applies to all tax-deferred accounts: IRAs, 401(k)s, 403(b)s, 457s, and inherited IRAs. If you took an RMD fewer than 60 days ago, you could redeposit it without penalty as long as it is done within 60 days of withdrawal. Important note here: You are allowed only one 60-day rollover per year. If you withdrew from several tax-qualified accounts, you could only redeposit one of them without penalty.
- **10% early withdrawal penalty waived –** Applies to "affected individuals" – check the actual definition to be sure that you qualify – for up to $100,000 of distributions from IRAs and employer retirement plans during 2020. Taxes are still due next year, but can be spread out over three years, and the funds can be repaid into the IRAs over three years.
- **Increased company retirement plan loan limits –** Also applies to "affected individuals," where loans from company plans can be for the lesser of 100 percent of vested funds or $100,000. Due date for loan repayments is a year from the bill's enactment. Also, any repayment of loans due between the date of enactment and December 31st of this year can be suspended for one year. This applies to any loan taken out within 180 days of the bill's enactment.
- **Student loan interest waiver and payment suspension –** Payments on federal student loans are suspended from March 13 through September 30, 2020. Interest payments will not accrue during this time period.

As this crisis unfolds over the coming months, expect the markets to do things that may surprise or shock you. Just make sure to keep your emotions in check, and look for opportunities to save taxes or profit down the road. Fortune may favor the brave, but victory goes to the prepared.

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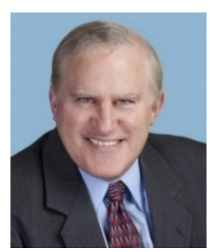

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