



Things You Control

Year End Tax and Investing Moves

As we have experienced during 2020, threats like the Coronavirus, election uncertainties, supply chain disruptions, the Hacking of the US Government etc., make portfolio returns unpredictable. Not only are these market movements unpredictable, they are things you **cannot** control. Yet investors spend a lot of time worrying about the market.

In our ongoing focus on Investment activities you **can** control: Year-end is a good time to do tax planning; you have time to act and take advantage of 2020 opportunities. And it's a best-practice to review your financial matters regularly.

Here is a short checklist of actions that are relevant to Individuals and families. I offer them with the disclaimer that they are not intended as professional advice and may not even apply to you. But you may want to scan these topics and evaluate if you need to take action on them before year-end. Do check with your Tax-advisor before taking action.

- Investing: Re-balance portfolios, 401k, IRA, Deferred Compensation etc.
- Investing: Insure you have and keep the cost-basis for your non-covered holdings.
- Plan your saving-waterfall for 2021: (First fund tax-advantaged accounts, then taxable accounts).
- Tax-Planning: Evaluate dividends, realized & unrealized gains and the potential to offset them.
- Tax-Planning: Make gifts and charitable donations to take advantage of the tax code.
- Tax-Planning: Convert traditional IRAs to a Roth IRA to take advantage of "tax-diversification".
- Retired? - Take Required Minimum Distributions (if this applies to your situation) – can be waived for 2020 per CARES Act.
- Employed? - Maximize contributions into your retirement accounts (401k, IRA's etc.).
- Executive? - Harvest stock options and RSA's.

Why It's Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we **do not** control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we **do** control. And, by picking activities that are in our control and that are important to our future we have



a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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