Wealth Builder

In this Issue:

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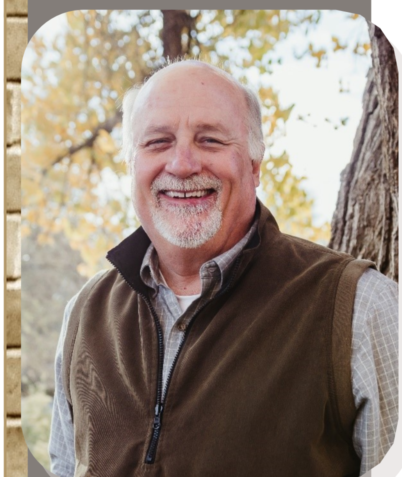
LEGACY WEALTH MANAGEMENT, LLC



If Things Are So Bad... By Mike Berry, CFP®

The most asked question over the past few months is, "if things are so bad, why is the stock market continuing to go up?"

Over the past twelve months our country has been hit by a pandemic that literally shut down our economy and has now allowed it to gradually open back up, but not all the way yet. The pandemic has killed over 440,000 people in the U.S. as of this writing. We have gone through a cantankerous election and a very uneasy transfer of power. Racial tensions overheated this past summer with the death of George Floyd at the hands of law enforcement. Millions of people are out of work and our national debt continues to skyrocket out of control due to "stimulus" packages coming out of Washington, trying to save businesses and put money in people's hands to spend to move the economy forward.

Continued on page 2

I Fired... Myself? By Jeff Funderburk, CFP®

A few weeks ago I received a notification from the Colorado Department of Labor and Unemployment (CDLE) that one of my employees had recently filed for unemployment benefits and they had a questionnaire that I, as the employer, needed to fill out to confirm the facts that the employee had submitted in his/her claim.

"That's strange," I thought to myself, since my business doesn't have any employees other than me. So, I dutifully logged in to see what was up, and there it was – the employee that filed the unemployment claim was...

Continued on page 4

If Things Are So Bad... *Continued from p. 1*

> *"The surest strategy to investing is to stay invested and to invest when you have the money."*

First, we need to remember that right up to the time when COVID-19 reared its ugly head, the U.S. economy was clicking along on all cylinders. Unemployment was at an all time low, for all groups, regardless of gender or race. Wages were rising due to a scarcity of workers to fill jobs. There was no strong economic cloud on the horizon that would indicate the economy was slowing or headed for trouble. Having a strong economy going in, should help the economy regain its momentum quickly as we get a handle on COVID-19. This was the viewpoint that moved the economy off it's April lows and started the momentum to move upward.

Second, we also need to remember that stock prices can be affected in the short term by political factors and other things like pandemics, as witnessed in March and April of last year. But in the long term, stock prices reflect the health and profitability of the company. Even through all the headwinds we have faced, companies were still producing, selling and making money. Businesses adapted. Some have not come back yet, such as those in the travel and hospitality industries. Some will fail and go bankrupt, which most likely would have happened anyway, but was quickened by the pandemic. Some companies even thrived this past year. So even when things are "bad", some stocks can still move forward.

Finally, investors are always looking for the best return for the least amount of risk. Interest had been very low for years and when the economy was shut down due to the pandemic, the Fed dropped interest rates down to almost zero in an effort to keep the economy moving forward. I got a quote on a one year CD the other day for .1%. Onetenth of 1%! Do you realize that on $100,000 that is a whopping $100 in interest over the course of a year. Bond yields aren't much better. To get any type of return at all on your money, investors have to move up the risk ladder and that is driving more money into stocks, which is also serving to drive up stock prices.

The moral of the story is that stock prices very rarely reflect geopolitical concerns on a long term basis. They also don't necessarily reflect the condition of the economy because stock prices tend to be leading indicators, so they may be going up even while the economy is in the doldrums because future conditions favor the economy picking up steam. It can also work the other way and stock prices can be declining when the economy is doing well because future conditions point to the economy slowing down.

The surest strategy to investing is to stay invested and to invest when you have the money. ♦

'YAY' For Roth IRAs! By DanFunderburk, CFP®, CKA®

I've always been a fan of Roth IRAs. After all, tax-*free* growth is hard to find in today's economy. There's something inherently powerful about knowing an investment's exact tax liability. Sure, we can estimate taxes from pre-tax money (i.e., 401ks and Traditional IRAs), brokerage accounts, and real estate, but we never really *know* what our taxes are going to be until we use the funds at some point down the road – a time at which tax laws could be drastically different than today.

But then comes the Roth IRA. Since you don't save taxes when you make contributions, you don't pay taxes when you withdraw funds in the future. This removes the huge unknown of future tax rates from the equation. Basically, if you're fine paying today's tax rate on your money, you may as well get as much as you can in Roth assets because you won't pay another dime of taxes when you make a qualified distribution later. There are nuances that could make funding other accounts more appropriate, but as a general rule, I tend to prioritize Roth contributions.

If you weren't convinced that Roth IRAs were great already, you should be, after Congress passed the SECURE Act in December of 2019. The Act introduced some major retirement plan changes but didn't get a bunch of press because COVID-19 blasted onto the scene before people really had time to digest its ramifications.

Specifically, the SECURE Act removed the ability to stretch inherited IRAs over the beneficiary's lifetime. Before 2019, if you inherited an IRA (or a Roth IRA), you were required to withdraw money from the account each year. However, the required withdrawal amount was based on your life expectancy, enabling you to *stretch* the account over your lifetime. The SECURE Act eliminated that ability, and instead, requires beneficiaries of retirement accounts to withdraw the entire account within 10 years.

This may not seem like a big deal, but let's dig a little deeper. People typically inherit money from their parents, who normally pass away in their 70s, 80s, or 90s. That means most people will inherit money when they are between 40 and 60 years old, during their peak earning years. If you inherited money while you're already in a relatively high tax bracket, wouldn't you want that money to come to you tax free so you're not paying an *even higher* tax rate because of the inheritance? Hence the new and improved power of the Roth IRA.

Beneficiaries of Roth IRAs are also required to completely withdraw the account within 10 years, but since the original owner already paid the tax on the money, withdrawals from Roth IRAs come out *tax free* to the beneficiary as well. From a multi-generational standpoint, the SECURE Act made the strategic use of Roth IRAs even more powerful. This is why we like to look at planning opportunities (i.e., Roth Conversions) with our clients to see if we can keep more of their dollars out of the IRS' hands over multiple generations. Yay for Roth IRAs indeed! ♦

"If you inherited money while you're already in a relatively high tax bracket, wouldn't you want that money to come to you tax-free so you're not paying an even higher tax rate?"

I Fired Myself? *Continued from p. 1*

...me! Apparently, I fired myself last fall and I now owe myself unemployment benefits starting 1/31/21.

Obviously, this is not accurate since I'm fairly certain I'm still working, so I did what you're supposed to do. I completed two fraud claims on the CDLE website (tried calling them, but good luck with *that*) one as the employer and one as the employee, notifying them of the fraudulent claim. But instead of getting a case number of some kind so I could track the investigation into my identify theft, all I got was a canned message on the website that pretty much said, "We're sorry this happened. We can't investigate every claim because there are too many. But relax - we take it seriously." Very comforting.

" ...it's critical for the systems responsible for getting the money in the right hands are designed well and operate effectively. "

I even received a debit card pre-filled with cash a week after I submitted the fraud claim. There is absolutely nothing other than my morals keeping me from activating that card and spending this "free" money. We've got to get some controls around this government spending. I get that many people need this aide, and that's why it's critical for the systems responsible for getting the money in the right hands are designed well and operate effectively. Safe to say that's not the case now.

In an article written on 9news.com, it turns out so many scam artists have connected to the state's labor system, that they've managed to file more fraudulent claims than the legitimate claims filed by Coloradans; 1.1 million fraud claims filed and processed vs. 1,043,760 legit. However, the state said it has only paid out $6,562,264 to scammers over the last year. That may be a small percentage of total claims paid, but I'm supposed to feel good about only $6.5 million going out the door due to fraud? The state needs to do better.

But at least I'm not alone in this. Not only am I one of the 1.1 million fraudulent claims, but my wife is one too! She had this same thing happen to her. Twice – in two states! She had claims filed for her in Colorado and in Kansas. She received the new funded debit card and all! Aren't we lucky.

So, we're now in the process of dealing with our bank to get those *reliaCards* cancelled, pulling our credit reports to make sure everything is okay there, and putting a credit freeze on file with all three credit bureaus. Then there will be the fun of tax time next year, when we both get a notice from the state of taxable unemployment benefits we "received" that need to be reported to the Feds. Fun stuff.

The pandemic has certainly accelerated many trends in our nation, and it seems identify theft/fraud was no exception. Stay vigilant out there. ♦

On a Lighter Note…

Since this past year has been filled with delays and disappointments, cancellations and uncertainties, we thought it would be nice to finish our Spring newsletter off with a little humor.

Lawrence Peter (Yogi) Berra was a Hall of Fame catcher who played for the New York Yankees in the late 1950's and early 1960's. He played 19 seasons and then managed in the majors after that. Even with all those credentials, Yogi is probably best remembered for his Yogi-isms. Take a moment and soak in a few with us.

"Better cut the pizza into four slices, I'm not hungry enough to eat six."

"If you don't know where you are going, you might end up someplace else."

"The future ain't what it used to be."

"When you come to a fork in the road, take it."

"A nickel ain't worth a dime anymore."

"It ain't the heat, it's the humility."

"Pair up in threes."

This could go on for pages, but we're out of room.

Our team at Legacy Wealth Management wishes you and your families health, safety, peace, and community this beautiful Spring.

Take Care,

Dan, Mike, Jeff, Peggy, Alyssa and Sondra

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