



A look back

by Jon Sevenker

In our 25-year history, we've never been busier than we were from late February through early April 2020. The markets provided us with plenty of portfolio work, not to mention the number of client conversations we've had over the last 60 days. Our team has done a fantastic job under difficult circumstances. Throughout much of this time, the majority of our office was (and still is) working remotely from home. Now that we've had time to come up for air, here's a look at some of the behind-the-scenes actions we've taken, as well as some of the questions we've been asked in the last two months.

Portfolio work

- **Tax-loss harvesting** - For taxable accounts, there are several benefits to realizing losses in a portfolio and moving these to a client's income tax return. First, these losses can be used to offset future capital gains. Second, any unused losses can be carried forward into future tax years. Lastly, up to \$3,000 of losses per year can be used to offset ordinary income. This amounts to good tax planning. When life gives you lemons, make lemonade.
- **Rebalancing** - Client portfolios we manage have a target asset allocation or investment mix. With the market gyrations in March, many portfolios fell below their target weight to stocks. Rebalancing is the process of bringing a portfolio back to its target weight, and this doesn't just happen in down markets. After a strong 2019, we trimmed stock exposures in many client accounts to bring them closer to their target allocation.
- **Cash needs** - We've helped many of our clients set up recurring distributions from their accounts to cover living expenses...a "retirement paycheck" if you will. For these clients, we'll typically keep enough cash in their accounts to cover six months of expenses. Client portfolios generate income from stock dividends and bond interest, which all flow to the cash line and will help pad this number a bit. Having cash (and bonds) in an account helps to avoid selling long-term investments (stocks) to fund short-term needs (living expenses) in a down market.

Client questions

- **Are we still okay?** - The reason to save and invest is to be able to achieve what's important, whether it be a financial or life goal. The purpose of a financial plan is to consider many inputs and assumptions surrounding your financial life and to project out the results over the long term. Short-term market hiccups and indigestion is more tolerable if you find out your long-term financial plan is still on track. Over the last 60 days, we have updated a number of client financial plans. If you'd like to have us update yours, please connect with us.
- **Where are the opportunities?**
 - Maybe you've considered a [Roth conversion](#) in the past. A market pullback provides you more bang for your buck when converting pre-tax IRA monies to a Roth.
 - If you've taken your RMD in the last 60 days, you may be able to put those monies back into your IRA, as the government is [waving RMDs for 2020](#).
 - If you've intended to fund a 529 plan (or start one), you're still getting a discount in the market by doing so now versus in January. [Check out Trey's 529 Plan Playbook here.](#)
- **How are you doing?** - We've all been through a lot as investors, as Americans, and as humans the last two months. Yet, throughout this, we've had a number of clients reach out to thank us for what we're doing. Those messages are uplifting and reinforce our collective belief that we're making a difference in your lives. So thank *you* for expressing your trust and confidence in, and appreciation for, our efforts.

For additional reading, be sure to [check out the latest P&A quarterly letter here](#). Pitt explores how portfolios work as well as some of the business and social implications of the pandemic. And if you're looking for a non-COVID-19 article with a fun twist, [check out Blake's article here](#). Stay safe and healthy!

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