Fall 2020

GROW TRUST partners

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Five Strategies for Tax-Efficient Investing

You may be able to use losses within your investment portfolio to help offset realized gains. If your losses exceed your gains, you can typically offset up to $3,000 per year of the difference against ordinary income.

After factoring in federal income and capital gains taxes, the alternative minimum tax, and possible state and local taxes, your investments' returns in any given year may be reduced by 40% or more. Here are five ways to potentially lower your tax bill.[1]

Consider Tax-Deferred and Tax-Free Accounts

Tax-deferred accounts include employer-sponsored retirement accounts such as traditional 401(k)s and 403(b) plans, individual retirement accounts (IRAs), and annuities. In some cases, contributions may be made on a pretax basis or may be tax deductible. More important, investment earnings compound tax deferred until withdrawal, typically in retirement, when you may be in a lower tax bracket. Contributions to nonqualified annuities, Roth IRAs and Roth-style employer-sponsored savings plans are not deductible. Earnings that accumulate in Roth accounts may be withdrawn tax free if you have had the account for at least five years and meet the requirements for a qualified distribution.

Withdrawals prior to age 59½ from a qualified retirement plan, IRA, Roth IRA or annuity may be subject to ordinary income taxes and an additional 10% federal tax.

In addition, early withdrawals from annuities may be subject to additional charges by the issuing insurance company.[2]

Note that, in general, annual withdrawals from traditional IRAs and employer-sponsored retirement plans must begin by April 1 of the year after you reach age 70½. The penalty for not taking the required minimum distribution (RMD) can be steep: 50% of what you should have withdrawn. Withdrawals from Roth IRAs, however, are not required during the owner's lifetime.

Consider Government and Municipal Bonds

Interest on U.S. government issues is subject to federal taxes but is exempt from state taxes. Municipal bond income is generally exempt from federal taxes, and municipal bonds issued in-state may be free of state and local taxes as well. Sold prior to maturity, government and municipal bonds are subject to market fluctuations and may be worth less than the original cost upon redemption.

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Look for Tax-Efficient Investments

Tax-managed or tax-efficient investment accounts are managed in ways that can help reduce their taxable distributions. Investment managers can potentially minimize portfolio turnover, invest in stocks that do not pay dividends and selectively sell stocks at a loss to counterbalance taxable gains elsewhere in the portfolio.

Put Losses to Work

You may be able to use losses within your investment portfolio to help offset realized gains. If your losses exceed your gains, you can typically offset up to $3,000 per year of the difference against ordinary income. Any remainder can be carried forward to offset capital gains or income in future years.

Keep Good Records

Maintain records of purchases, sales, distributions, and dividend reinvestments so that you can properly calculate how much you paid for the shares you own and choose the most preferential tax treatment for shares you sell.

Keeping an eye on how taxes can affect your investments is one of the easiest ways you can enhance your returns over time.

Required Attribution

[1]This information is general in nature and is not meant as tax advice. Always consult a qualified tax advisor for information as to how taxes may affect your particular situation.

[2]Before investing, investors should consider the investment objectives, risks, charges, and expenses of an annuity and its underlying investment options. Guarantees are based on the claims-paying ability of the issuer and do not apply to a variable annuity's separate account or its underlying benefits.

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Growtrust Happenings

Congratulations Geoffrey and Nichole Sadek on the birth of their third child, Theodora! Nichole and baby are doing great and Desmond and Genevieve are loving their new baby sister.

If you are ever on the NE side of Grand Rapids be sure to check out Too Tall's. Chris Engle's son, Chef Andy Engle, has purchased and became the proud new owner of Too Tall's on 2963 Coit Ave NE. From savory burgers to multiple flavors of ice cream treats, Too Tall's serves it all! Our team loves afternoon treats from Too Tall's!

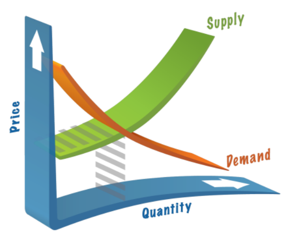
Valuable Verbiage

Law of Supply and Demand

The law of supply and demand is a theory that explains the interaction between the sellers of a resource and the buyers for that resource. The theory defines what effect the relationship between the availability of a particular product and the desire (or demand) for that product has on its price. Generally, low supply and high demand increase price and vice versa.

Key Takeaways:

- The law of demand says that at higher prices, buyers will demand less of an economic good.
- The law of supply says that at higher prices, sellers will supply more of an economic good.
- These two laws interact to determine the actual market prices and volume of goods that are traded on a market.
- Several independent factors can affect the shape of market supply and demand, influencing both the prices and quantities that we observe in markets.



Social Security Tip

Approaching and preparing for retirement can be a daunting task, but Social Security makes it as easy as possible.

Social Security has eliminated the forms, signatures, wait time, and appointments. They make it easy, convenient and secure. You can complete their online retirement application in as little as 15 minutes from your preferred location, at a time most convenient for you.

Before you apply, you should think about things like how you'll receive benefits, your health, and whether anyone else in your family can get benefits on your record. Let's go over the basics together, just to make sure you're on the right track for retirement, when the time comes:

The age you choose to retire affects the amount of benefits you receive and when you can start receiving them. If you start them any time before your full retirement age, it will reduce your monthly benefit. Depending on your year of birth, your full retirement age is likely between age 66 and 67. You may start receiving benefits as early as age 62 or as late as age 70.

If you elect to receive benefits before you reach full retirement age, and continue to work, it can affect your benefits. Social Security has an awesome tool called the *Retirement Estimator* that calculates a personal estimate of how much your benefit will be at different ages and "stop work" dates. You can use it to find the best combination for your situation.

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Growtrust Partners Newsletter –Fall 2020

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Our name says it all.

Iced Pumpkin Cookies

Ingredients:

- 2 1/2 cups all-purpose flour
- 1 teaspoon baking powder & 1 tsp baking soda
- 2 teaspoons vanilla extract
- 2 teaspoons ground cinnamon
- 1/2 teaspoon ground nutmeg
- 1/2 teaspoon ground cloves
- 1/2 teaspoon salt and 1 egg
- 1/2 cup butter, softened
- 1 1/2 cups white sugar
- 1 cup canned pumpkin puree
- 2 cups confectioners' sugar
- 3 tablespoons milk
- 1 tablespoon melted butter

Directions:

- Preheat oven to 350 degrees. Combine flour, baking powder, baking soda, cinnamon, nutmeg, ground cloves, and salt; set aside.
- In a medium bowl, cream together the 1/2 cup of butter and white sugar. Add pumpkin, egg, and 1 teaspoon vanilla to butter mixture, and beat until creamy. Mix in dry ingredients. Drop on cookie sheet by tablespoonful's; flatten slightly.
- Bake for 15 to 20 minutes in the preheated oven. Cool cookies, then drizzle glaze with fork.
- To make glaze: Combine confectioners' sugar, milk, 1 tablespoon melted butter, and 1 teaspoon vanilla. Add milk as needed, to achieve drizzling consistency.