



TAKE
FULL
ADVANTAGE

Taking Advantage of Tough Times

The economic turmoil we have been experiencing lately has been anywhere from unsettling to dire. With the preventive measures in place to reduce the spread of COVID-19, many businesses have been forced to press the pause button on the goods and services they provide. This has led to significant unemployment and many individuals and business owners searching for answers. Of course, the greatest concern is for the safety and wellbeing of our family and loved ones.

From a financial perspective, this is a painful reminder of how our livelihood can be impacted by external forces. Market downturns are not new. The catalyst may be – whether war, the early 2000s internet euphoria, or the most recent global pandemic. But, just as market downturns are nothing new, neither are recoveries. And whenever we turn the corner, we typically see significant and rapid growth from the bottom. So, with these tough times come opportunities. Take control.

WHILE WORKING

- Continue to contribute to your 401k and retirement plans. Investing during a correction or recession is the ideal time to capitalize on the age-old adage of buying low.
- If cash flow allows, consider “fast-forwarding” contributions and add even more via increased deferral percentages or additional retirement and 529 contributions.
- With furloughs and pay cuts, many will see reduced income and, consequently, taxes in 2020. Consider converting investments from an IRA to a Roth IRA, which will position your portfolio to capture the recovery in a tax-free vehicle at a cheaper cost.

IN RETIREMENT

- Your shelter needs to be built before the storm. When relying on the portfolio for cash flow, as opposed to wages, you need to have a portion of your portfolio in bonds. Although the overall account balances may be difficult to look at and create angst, now is the time to rely on conservative investments to weather the storm. The idea is to never be a forced seller of depressed assets. Once the equity markets recover, you will want to stay disciplined and replenish the bonds you have relied on during the pullback.
- Assuming your portfolio is positioned appropriately, do not make the (tempting) decision to cut your losses and sell low.

- Consider generational planning if you have built your assets beyond what you will realistically need. This may entail 529 contributions for grandchildren. Additionally, with required minimum distributions waived for 2020, shift cash flow reliance to a taxable account if available. This will reduce your taxable income and could offer an opportunity to convert IRA funds to a Roth IRA for your beneficiaries’ benefit.

OTHER OPPORTUNITIES

- Tax-loss harvesting. Within a taxable investment account, consider taking advantage of realized losses and shift to like-positions in order to participate in the pendulum swing back. This will maintain your desired diversification while reducing your tax bill.
- Consider refinancing. When we experience economic strife, interest rates typically dip to stimulate the economy through borrowing. Rates are at all-time lows, which could offer the perfect time to reduce your mortgage interest and overall payment.

Reach out to a CERTIFIED FINANCIAL PLANNER™ practitioner to take a comprehensive look at your financial picture. Lay the groundwork for not only staying disciplined during difficult times, but also taking advantage of the opportunities that arise.



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INVEST IN YOUR PEACE OF MINDSM



This **Industry Insight** was written by Matthew D. Kelly, CFP®.

As an advisor with Allegheny Financial Group, Matt helps guide individuals and families toward achieving their distinctive financial goals. Matt and his wife, Mia, live in Mt. Lebanon with their two kids and are enjoying family life in such a friendly community.

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