



A&I FINANCIAL SERVICES LLC
Optimizing Assets and Income

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Global Market Volatility: How to Stay In and Weather the Storm

CFP Board Consumer Advocate Offers Tips on Dealing with a Turbulent Global Economy

Washington, D.C., August 1, 2016 – With Britain’s recent vote to leave the European Union, the stock market experienced a 700-point decline. In moments like these, the urge to do something with your U.S. and international equities can be overwhelming.

“The greatest threat to our long-term financial future is our short-term behavior. The person we are becoming, who is going to live off today’s investments, depends upon us to make good decisions in her best interests (not our own, today). As scary as it may seem, often the best decision to make is to do nothing at all,” says Karl Frank, CFP® and owner of A&I Financial Services LLC.

In a recent article posted to LetsMakeaPlan.org, CFP Board provides a few ideas for those looking to make a move in the wake of a changing global stock market:

- **Doing an IRA-to-ROTH conversion**
One of the benefits of a ROTH account is that your assets can grow tax-free for your lifetime and that of your heirs. At the time of conversion, you will incur an ordinary income tax liability on the value of the assets transferred. Doing this when asset values are depressed allows you to get more of your IRA assets into a ROTH for a given tax cost.
- **Undoing, then redoing, an IRA-to-ROTH conversion**
When stock prices fall significantly in value a window of opportunity also opens for those who did an IRA-to-ROTH conversion in the prior year or earlier in the same year when asset prices were higher. You are able to reverse this conversion, putting the assets moved into the ROTH back into the IRA, which eliminates the tax liability incurred at the time of converting. You can then move the assets returned to the IRA back into a ROTH after a 30-day waiting period. In so doing, again you will incur taxes, but because asset values have declined, the tax cost of the second conversion will be much lower. (Be sure to check the rules and deadlines for ROTH re-characterizations and subsequent conversions on www.irs.gov.)
- **Leveraging gifts**
Let’s suppose you have a block of stock that you intend to give to children or grandkids, but want to keep within the annual gift tax exemption limits. If you make the gift at the time of a big market decline, you can get more shares of stock to your beneficiaries without incurring any gift tax liability.



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- **Reducing the value a large estate to save estate taxes**

A down stock market may benefit beneficiaries of very wealthy, recently deceased individuals whose taxable estate consists primarily of stocks. Estate executors can value the estate at the time of death or at an alternate date up to six months after date of death if property is not otherwise sold before, in which case the sell date determines the estate value of the disposed property. A market decline soon after the death of a wealthy individual opens the possibility of using an alternative date for estate valuation, resulting in more wealth being transferred to beneficiaries and less to the IRS.

So when the next crisis hits and the urge to do something becomes overwhelming, try this: Call a CFP® professional and get your own exit plan, one that is triggered by changes in your life and circumstances, and not by all the other people running for the doors.

ABOUT CFP BOARD

The mission of Certified Financial Planner Board of Standards, Inc. is to benefit the public by granting the CFP® certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning. The Board of Directors, in furthering CFP Board's mission, acts on behalf of the public, CFP® professionals and other stakeholders. CFP Board owns the certification marks CFP®, Certified Financial Planner™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements. CFP Board currently authorizes 74,000 individuals to use these marks in the U.S.

ABOUT KARL FRANK AND A&I FINANCIAL SERVICES

Karl Frank, CFP®, MSF, MBA, MA, is the President of A&I Financial Services LLC, a Colorado company that helps a small number of successful families grow and protect their investments and choose how they want to be taxed. Learn more at www.assetsandincome.com.

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