



DARNALL SIKES
WEALTH PARTNERS



YOUR PROSPERITY. OUR PRIORITY.

As we all continue to find our way during this very unique time in history, our team has been searching for ways to assist you in navigating through these difficult times from a financial viewpoint. We are all adjusting to life in this “new world,” and we have no doubts that we will all be better off after this crisis than we were before. This tends to be true after each crisis this great country overcomes. As the saying goes, “when life gives us lemons, let’s make lemonade!” Here are a few ideas of how to do that from a financial planning point of view. While each situation is completely different, *some actions to consider during down cycles are as follows:*

Roth Conversions

A Roth conversion refers to taking all or part of the balance of an existing traditional IRA and moving it into a Roth IRA. This is worth some consideration if you have the ability to pay taxes now on the amount you convert to potentially save from paying taxes (potentially at a higher rate) when you withdraw the money during retirement. When taking withdrawals from a traditional IRA, you would have to pay taxes on the money your investments earned—and on any contributions you originally deducted on your tax return. With a Roth IRA, as long as you meet certain requirements, all of your withdrawals are tax-free. This is one financial topic we may want to discuss.

Tax-Loss Harvesting

Tax-Loss Harvesting is a strategy that we often use wherein there are losses on taxable investments that can be used to offset realized gains. The intent is to decrease the investor’s overall tax burden – considering both capital gains and ordinary income taxes. This is another strategy that may be worth considering if you have sizable losses in taxable accounts. As always, there are many rules to consider, so let me know if you would like to discuss with us and your CPA.

Rebalancing

While we rebalance our clients’ accounts regularly to keep investments aligned with indicated financial strategies and asset allocation, we place an added focus on rebalancing during market downturns. Rebalancing during a market downturn often gives us the opportunity to utilize high-performing investments to reinvest, sometimes buying into equities at lower prices. The end effect of rebalancing is that all of your

LAFAYETTE

O: 337-237-0112
2000 Kaliste Saloom Road

NEW IBERIA

O: 337-359-4379
1101 East Admiral Doyle Drive

MORGAN CITY

O: 985-384-6264
1201 Brashear Avenue

EUNICE

O: 337-457-4146
1231 East Laurel Avenue



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assets are allocated according to the risk you decided to take on as an investor, and possibly owning more shares for the same dollar amount of your investment.

Investing Cash

Perhaps the most logical and easiest action you can take during a down cycle is to invest any cash that you have available. We have a long-standing belief that investing in stocks has rewarded investors over the long term. Ownership of stocks is important for the growth of capital for investors. Though past performance makes no guarantee of the results we will see in the future, U.S. stocks have historically rebounded after periods of negative performance.

Control what you can control – you can control how many shares you own. Make sure that amount is not reduced when prices eventually rebound!

Refinancing Debt

As a result of the recent financial market movements, interest rates, in both the short and longer terms have fallen significantly in 2020. If you have higher interest rate mortgage debt, business debt, etc., you may want to consider refinancing this debt now with lower interest rate debt.

As a final thought, we would also like to share with you a question that was brought up as a result of the recent events. The **QUESTION** raised by a client was: **“When this is all over, what will I wish I had done?”**

This **QUESTION** is one that many of us have been thinking about each day and we encourage you to think about it as well. If you would like to discuss specific answers to this **QUESTION** or any of the potential topics mentioned as it pertains to your situation, please contact us to discuss.

Until the next time we visit, enjoy your family and stay healthy.

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