

## Summary

The bear-market decline in asset values and falling interest rates have a silver lining — potential tax and interest savings. Opportunities range from taking capital losses and funding IRAs and 529 Plans when stock and bond prices may be cheaper, to refinancing mortgages and personal loans at historically low interest rates. Consider the following checklist and descriptions that follow:

- Roth conversions now cost less
- Funding IRAs and 529 Plans
- IRA required minimum distributions (RMDs)
- Re-finance mortgages and personal loans
- Employment-related taxes
- Check for tax-related updates on our [website](#) or [GlenmedeConnect](#)

## Realize capital losses

Discuss with your Portfolio Manager whether losses can be realized in your accounts without disrupting your asset allocation. The “wash sale” rule disallows a loss if a substantially identical security is repurchased within 30 days. With markets being so volatile, investors may want to avoid being out of the market during periods when markets may rise. In general, tax decisions shouldn't drive your investment strategy — in other words, don't let the “tax tail wag the dog.”

## Converting traditional IRAs to Roth IRAs

Paying income tax now to convert a traditional IRA to a Roth makes more sense than ever as

asset values are depressed and income tax rates low. Before making the decision, consider three important variables:

- Where will the cash come from to pay the tax on the conversion?
- Will a conversion push you into a higher tax bracket?
- Do you think recent events, both political and economic, may lead to higher income tax rates in the future?

You can read our full analysis of “When to Roth” [here](#).

## IRA required minimum distributions (RMDs)

The federal stimulus legislation aimed at combating the economic effects of the COVID-19 pandemic may waive the requirement for 2020 IRA required minimum distributions for persons aged 72 and older. In addition, the legislation may provide for penalty-free withdrawals up to \$100,000 from 401(k)s and IRAs for persons younger than 59 ½. Stay tuned as more information becomes available. Any withdrawals from an IRA will, however, remain subject to income tax.

## Funding IRAs and 529 Plans

Individuals may make their 2019 IRA contributions any time before July 15, 2020 (the date is newly extended). If you have cash available, however, it may make sense to fund both your 2019 and 2020 contributions now. Similarly, 529 Plans have contribution limits and funding at low asset values is prudent. Your cash contributions can be invested while assets values are low and the IRA or 529 Plan has an enhanced chance to grow tax-free until withdrawal.

## Refinance outstanding loans and mortgages

Bank mortgage and personal loan rates likely will not come down to the newsworthy low

federal funds rate, but may see new lows in the near term. Consider starting a conversation with your lender about refinancing.

## Compensation

- Adjust your paycheck withholding if you expect your compensation to be lower this year, either because of your employment status or because your expectations about profit-sharing and bonuses have changed.
- Executives receiving 2020 stock grants should consider making an 83(b) election choosing to pay income tax on the grant currently.

## Tax updates

The current pace of change in the income tax arena is astounding and we know that what we publish today may not still be true tomorrow. We are trying to balance our desire to provide up-to-date information with the realization that we all suffer from information overload. The most current information can always be found on [www.glenmede.com](http://www.glenmede.com) and [GlenmedeConnect](#).

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