

# SHOULD YOU CONSIDER TAX LOSS HARVESTING?



Every cloud has a silver lining, or so the old saying goes.

When it comes to investment losses, one silver lining is your ability to use those setbacks to reduce your tax bill.

It's a process called "tax-loss harvesting." In the simplest terms, it's when you sell and replace investments which have dropped below the price you originally paid for them, and on your taxes use that loss to offset gains from the sale of other securities.<sup>1</sup>

One of the advantages of having a truly diverse portfolio is that some of your investments will be moving in opposite directions—even in a year like 2017 where the market has generally been moving up.

However, just because you *can* do some tax-loss harvesting doesn't mean you should. While it's good to recoup something from your losses, you shouldn't let your tax strategy override your investment strategy.

## **Are You A Good Candidate For Tax-Loss Harvesting?**

Here are a few things you should consider and discuss with us.

Estimate how much you think you'll save. Assess your year-to-date gains and losses ahead of time so you have some idea how much you might expect to recoup. You might have the potential to realize some big tax savings, or it might not be worth the effort.<sup>2</sup>

Take a look at your tax bracket. Tax-loss harvesting makes the most sense for investors in the 25% bracket or above. Trading costs may make it less effective for people in the 10-15% bracket.

If you don't want to change investments, there is a way for you to sell a security at a loss to

realize the tax savings and then buy it back. However, there are some IRS rules you must follow or your tax credit won't count. If you plan to buy back a security you sold at a loss, you need to wait at least 30 days under the "wash sale" rules. This also applies to reinvesting in securities that are "substantially identical."

Are you a recent retiree? If you're drawing down on assets you've accumulated over a long period, you will probably realize some significant capital gains. You may be able to offset some of these with losses.

If you're liquidating some of your portfolio to pay for a large expense such as college tuition, you can use your losses to reduce your capital gains.

If you fit into any of these categories, autumn is a good time to calculate if your gains can be offset by tax-loss harvesting before the end of the year.

### **Look At The Big Picture**

Tax-loss harvesting won't be able to turn your loss into a gain, but you may be able to mitigate some of your current tax liability on other realized gains.

We've given you a high level view of the process and your options to consider. Before deciding on this or any other action that can affect your tax and financial situation, be sure to consult with a qualified tax professional and us.

Have a great Thanksgiving weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



### Compress Your Irons

Successfully compressing your ball will create a characteristic sound similar to a pressure cooker releasing steam. By hitting down on the ball with the center of your iron's face, you can hear that sound with every hit. To practice this shot, follow this technique:

- 1. Set:** You need a strong setup to compress the ball. To do so, favor your left leg slightly at address and lean the club shaft just a bit forward. The butt should be closer to your target than your clubhead.
- 2. Cover:** Steepen your angle and improve contact by keeping your chest on top of the ball as you swing. Test your stance by hanging your club down from your sternum; it should point directly at the ball.
- 3. Lean:** Keep that forward lean, and let your hands lead as you make contact with the ball. Your clubhead should trail the club's grip up until you hit the ball.
- 4. Drill:** Now practice your swing by placing a tee down a few inches behind the ball's position. When you swing, hit only the ball, leaving the tee in place. With this swing, you should hear that distinct compression sound.

Tip adapted from *Ron Kaspriske* | Golf Digest Magazine<sup>i</sup>

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## Recipe of the Week



### Harvest Succotash Ravioli

Serves 4

#### Ingredients:

1 pound cheese ravioli  
2 small bell peppers  
1 medium onion  
3 slices bacon  
1 teaspoon fresh thyme leaves  
2 tablespoons water  
½ cup corn kernels, fresh or frozen  
1 teaspoon olive oil  
½ teaspoon salt

#### Directions:

1. Boil water and add ravioli. Cook according to directions.
2. Deseed and chop the bell peppers and finely chop the onion. Save ingredients for later.
3. Chop bacon slices and toss into a skillet with olive oil. Cook on medium heat until the bacon crisps, roughly 6 minutes.
4. Remove cooked bacon from pan and transfer to a bowl lined with paper towels to drain. Keep the bacon fat in the skillet.
5. Combine the chopped onions, bell peppers, thyme, and salt in the skillet, and sauté for about 7 minutes.
6. Add corn kernels and cook for 2 minutes.
7. Toss in the cooked bacon and ravioli, and combine to serve.

Recipe adapted from Good Housekeeping<sup>ii</sup>

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## Health Tip of the Week



### Stay Ahead of Colon Cancer

Colon cancer typically affects people when they get older, making regular checkups with your doctor once you turn 50 important. If you have a history of colon diseases, you may need earlier or more frequent visits.

Certain risk factors can increase your chance of developing colon cancer. These can include:

- **Family history:** If your family history includes relatives that developed colon cancer, you may be more at risk of developing the disease.
- **Diet low in fiber, high in fat:** Studies correlate an increased risk of colon cancer in people who eat a lot of fat and not enough fiber. Avoid eating diets rich with red meat and processed foods.
- **Not enough exercise:** Those who live sedentary lifestyles are more at risk of having an unhealthy colon.

If you worry that you may be susceptible to colon cancer, be sure to consult your doctor.

Tips adapted from Mayo Clinic<sup>iii</sup>

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**Sources:**

1. <http://go.efficientadvisors.com/e/91522/ffordability-a-growing-concern/4rld1/280983368>
2. <http://go.efficientadvisors.com/e/91522/our-house-is-not-an-investment/4rld3/280983368>
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<sup>i</sup> <https://www.golfdigest.com/story/compress-your-irons-like-a-pro>

<sup>ii</sup> <http://www.goodhousekeeping.com/food-recipes/a40849/harvest-succotash-ravioli-recipe/>

<sup>iii</sup> <https://www.mayoclinic.org/diseases-conditions/colon-cancer/symptoms-causes/syc-20353669>