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THE WEISS REPORT

SMART AND STEADY

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Stocks and Bonds Extend Their Declines in the 3rd Quarter

Before we dive deep into what happened to markets in the third quarter, we wanted to acknowledge just how challenging 2022 has been. We have seen some of the most volatile markets of recent memory and collectively we're going through what is likely unchartered water for most of our clients and readers. Many of you have taken this time to schedule reviews with us to discuss your accounts and goals, but for those of you who still have questions – please contact the office so that we can schedule a time to meet. Also, please take note of Enclosure 2. It provides an actionable and timely idea that you may want to consider and discuss with your tax professional.

Additionally, in this edition of The Weiss Report you may notice a few extra charts showing performance of additional indices. Traditionally we reserve space for U.S. Equities only, however in an effort to fully show the scope of what occurred in the quarter, and so far in 2022, we've included some international, bond, and commodity indices to give more context.

Global markets declined again in the third quarter as inflation remained near multi-decade highs, geopolitical tensions escalated further, and the Federal Reserve continued to aggressively hike interest rates signaling future rate increases will be larger than previously expected.

The third quarter started with a solid rebound in stocks and bonds that was driven by resilient corporate earnings, signs of a possible peak in inflation, and hints from the Federal Reserve that the end of the rate hiking cycle may come sooner than markets initially expected. Starting with earnings, corporate results for the second quarter were much better than feared. Despite high inflation and lingering supply chain issues, the majority of Q2 earnings reports beat estimates, and that solid performance by corporate America showed investors that, despite numerous macroeconomic challenges, U.S. earnings were holding up much better than expected. On inflation, several survey-based economic reports showed price declines in June and offered hope that inflation pressures were peaking. Finally, in late July the Federal Reserve raised interest rates by another 75 basis points, but at the press conference Fed Chair Powell stated that, at some point in the future, it'd be necessary for the Fed to slow the pace of interest rate increases. Investors interpreted that comment as a signal that the end of the rate hike cycle may be closer than previously thought. Hope for a less-aggressive Fed paired with resilient earnings and a possible peak in inflation fueled a 9.2% gain in the S&P 500 in July, its best monthly return since November 2020.

Stocks continued higher through the first half of August, driven by more proof of a peak in inflation and the growing hope that the Federal Reserve would soon "pivot" to a less-aggressive policy stance. Specifically, the July CPI report (released in August) showed clear moderation in price pressures, further entrenching the idea that inflation had peaked. Investors welcomed this news and confirmation of a peak in inflation, combined with the aforementioned hope of a "Fed pivot," pushed the S&P 500 to nearly four-month highs by mid-August. But ultimately, the move higher in July and early August was nothing more than a "Bear Market Rally" as in late August, while making remarks at the Jackson Hole Economic Symposium, Fed Chair Powell dismissed the idea of a looming Fed pivot to less-aggressive policy, dashing hopes that the end of the rate hike cycle was in sight. Additionally, Powell warned that the U.S. economy will likely feel some "pain" from the Fed's actions. The reiteration of aggressive policy and historically large rate hikes combined with the warning of looming economic pain hit stocks late in the month, and the S&P 500 gave back all the early August gains to end the month solidly lower, down 4%.

The selling continued in September, as the August CPI report (released in September) showed a slight increase in prices, implying that while inflation pressures had potentially peaked, inflation was not rapidly declining towards the Fed's target (meaning rates would likely stay high for the foreseeable future). Then, at the September FOMC meeting, the Federal Reserve again hiked interest rates by 75 basis points and signaled rates will continue to rise to levels higher than previously expected. Geopolitical concerns also pressured stocks in September as Russia escalated the war in Ukraine by holding referendums in occupied Ukrainian territory, and by announcing a 300,000-person "mobilization" from the general Russian population. Finally, during the last few days of the month, global currency and bond markets saw a dramatic increase in volatility, as the government of the United Kingdom announced a spending package designed to stimulate the economy. But that would also likely add to inflation pressures and the announcement resulted in a spike in global bond yields while the pound collapsed to an all-time low vs. the dollar, adding to general macroeconomic volatility. The combination of sticky inflation, expectations of numerous future Fed rate hikes, rising geopolitical tensions, and currency and bond market volatility weighed heavily on stocks and bonds into the end of September, as both markets finished the quarter near the lows for the year.

In sum, the third quarter started with optimism surrounding a resilient corporate earnings outlook, a potential peak in inflation, and a closer-than-expected end to the current Fed rate hiking cycle. But throughout August and September that optimism was eroded by sticky inflation data and a more hawkish-than-expected Federal Reserve. As we start the fourth quarter markets remain in search of concrete positive catalysts that signal declining inflation pressures and a less-aggressive Federal Reserve.

Third Quarter Performance Review

All four major stock indices posted negative returns for the third consecutive quarter, although unlike the first two quarters of 2022, the tech-heavy Nasdaq did not badly lag other indices and the quarterly declines were fairly uniform across the most widely followed U.S. equity indexes.

By market capitalization, small-cap stocks outperformed large-cap stocks for the first time this year, although the performance gap was modest. Small cap outperformance came mostly from gains early in the third quarter as markets broadly rallied on hopes of a quick decline in inflation and a sooner-than-expected Fed pivot. But as those hopes faded in late August and September and interest rates hit new highs, investors rotated back to the perceived safety of large-cap stocks diminishing the performance gap between small and large caps significantly.

From an investment style standpoint, both value and growth registered losses for the second straight quarter. However, unlike the first half of 2022, growth relatively outperformed value in the third quarter. Growth enjoyed a strong rebound early in the quarter, again as markets rallied on the hope of peak inflation and a Fed pivot that would signal a peak in interest rates. However, that growth outperformance shrank late in the quarter as inflation remained high and the Fed signaled there was no imminent end to the rate hiking cycle.

On a sector level, just one of the 11 S&P 500 sectors finished the third quarter with a positive return. Consumer discretionary posted a positive return thanks to strong consumer spending and still-low unemployment. The energy sector, meanwhile, finished the quarter with a fractional loss as energy stocks benefitted from solid earnings and strength in natural gas prices. More broadly, traditionally defensive sectors relatively outperformed over the past three months, as investors positioned for slower future economic growth.

Sector laggards in the quarter included communication services, real estate, and materials. Communication services have lagged throughout 2022 as investors shunned expensively valued tech companies. Real estate, meanwhile, declined in the face of spiking mortgage rates and as home price appreciation began to slow. Finally, the materials sector traded lower following earnings warnings from multiple chemical companies and a sharp drop in certain commodities prices in the third quarter, which was driven by a stronger dollar and growing worries about the global economy.

US Equity Indexes	Q3 Return	YTD
S&P 500	-4.88%	-23.87%
DJ Industrial Average	-6.17%	-19.72%
NASDAQ 100	-4.42%	-32.35%
S&P MidCap 400	-2.46%	-21.52%
Russell 2000	-2.19%	-25.10%

Source: YCharts

Internationally, foreign markets badly underperformed U.S. markets during the third quarter, as surging electricity prices in Europe and the U.K., interest rate hikes by the European Central Bank and Bank of England, and lasting geopolitical risks weighed heavily on foreign developed markets. Emerging markets, meanwhile, underperformed both foreign developed markets and U.S. markets as a surging U.S. dollar offset hopes for a continued economic reopening in China.

International Equity Indexes	Q3 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	-9.29%	-26.76%
MSCI EM TR USD (Emerging Markets)	-11.42%	-26.89%

MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	-9.80%	-26.18%

Source: YCharts

Commodities dropped sharply in the third quarter as a combination of a multi-decade high in the U.S. dollar, growing fears of a global recession, and sharply rising real interest rates weighed on industrial commodities as well as traditional safe havens like precious metals. Oil prices fell in the quarter as concerns about future demand offset geopolitically based worries about supply. Gold, meanwhile, logged solidly negative returns for the second straight quarter thanks to rapidly rising real yields, the surging dollar, and fading market-based inflation expectations.

Commodity Indexes	Q3 Return	YTD
S&P GSCI (Broad-Based Commodities)	-10.31%	21.80%
WTI Crude Oil	-24.73%	6.31%
Gold Price	-8.62%	-9.19%

Source: YCharts/Koyfin.com

Switching to fixed-income markets, most bond indices posted solidly negative returns for the third straight quarter. Stubbornly elevated inflation, continued Fed rate hikes and a late-quarter selloff in global sovereign bonds (driven by the ill-conceived fiscal spending package from the United Kingdom) saw most bond classes end the third quarter lower, extending the year-to-date declines.

Looking deeper into the bond markets, as has been the case all year, shorter-term Treasury Bills outperformed longer-duration Treasury Notes and Bonds as the threat of greater than previously expected Fed rate hikes and still-high inflation weighed on fixed income products with longer durations. For the second straight quarter, short-term Treasury Bills finished the quarter with a slightly positive return.

Corporate bonds relatively outperformed longer-duration government bonds in the third quarter thanks mostly to still-solid U.S. economic data. Higher yielding, lower quality corporate debt declined less than investment grade corporate bonds as resilient corporate earnings kept default risks generally low.

US Bond Indexes	Q3 Return	YTD
BBgBarc US Agg Bond	-4.75%	-14.61%
BBgBarc US T-Bill 1-3 Mon	0.47%	0.63%
ICE US T-Bond 7-10 Year	-5.80%	-15.72%
BBgBarc US MBS (Mortgage-backed)	-5.35%	-13.66%
BBgBarc Municipal	-3.46%	-12.13%
BBgBarc US Corporate Invest Grade	-5.06%	-18.72%
BBgBarc US Corporate High Yield	-0.65%	-14.74%

Source: YCharts

<u>Fourth Quarter Market Outlook</u>

As we start the final quarter of 2022, an honest assessment of the macroeconomic landscape reveals that the markets and the economy are still facing numerous challenges from still-high inflation, ongoing Fed rate hikes, and geopolitical instability. But while the outlook for risk assets remains challenged, that reality must be considered in the context of a market that has declined substantially and, presumably, already priced in a lot of "bad news." Valuations on many quality companies are quickly approaching pre-pandemic levels, while the S&P 500 more broadly is trading at a valuation that has, historically speaking, been attractive over the longer term.

Additionally, multiple sentiment indicators have hit or are approaching levels that historically have represented extreme pessimism and bearishness, and they are largely ignoring the reality that there has been some improvement in the macroeconomic outlook over the past several months.

First, inflation has likely peaked. Multiple inflation indicators are showing a peak and decline in price pressures, and while the Consumer Price Index remains far above the Fed's target of 2%, any swift deceleration in inflation would likely be a material positive catalyst for both stocks and bonds.

Second, the less-aggressive Fed pivot will still occur, perhaps as early as the fourth quarter. According to the Fed's estimates, interest rate increases will begin to slow in the coming months, and the last rate hike for this cycle could occur in March 2023 or sooner. If that turns out to be the case, and the Fed signals to markets that this rate hike cycle is approaching its end, that will likely be a materially positive catalyst for both stocks and bonds, and that's evidenced by the July and August rallies that were driven by hopes of a less-aggressive Fed.

Third, geopolitical tensions remain very elevated as Russia has recently escalated the war in Ukraine and the risk of a broader conflict simply can't be ruled out. But most Western countries remain united in their opposition to the Russian invasion of Ukraine and that will continue to be a powerful deterrent to Russian President Putin. Additionally, even some of Russia's most important allies, including China and India, have voiced concerns about the escalation of the war over the past month which has further isolated Russia from the global community. Any reduction in geopolitical tensions would provide a surprise boost for global risk assets, including U.S. stocks and bonds.

Finally, amidst a difficult macroeconomic backdrop, the U.S. economy and corporate America have proven impressively resilient. Most measures of U.S. economic growth remain in solid shape, while U.S. corporate earnings estimates have stayed largely elevated, and the widespread earnings declines that were feared back in early 2022 simply have not materialized.

Bottom line, the outlook for markets and the economy remains challenged, but investors have again priced in a lot of "bad" news already, with valuations now at levels that are historically attractive. Additionally, according to some indicators, sentiment is as pessimistic as it was during the depths of the financial crisis, and if inflation suddenly decelerates quickly, the Fed signals a clear end to rate hikes, or there's positive geopolitical news, the potential is there for a powerful rally in both stocks and bonds.

This is a difficult market and a complicated moment for the world, but history is clear: Positive surprises can and have occurred even in difficult times such as this, and through periods of similar macroeconomic turmoil, markets eventually recouped the losses and moved to meaningful new highs. There is no reason to think this time will be any different.

We understand the risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even extended bouts of volatility like we've experienced so far this year are unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, it's critical for you to stay invested (should that meet with your goals and plan), remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

Rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Please do not hesitate to contact us with any questions, or comments, or to schedule a portfolio review.

Enclosure #1 – Our first enclosure is the Investment Strategy Quarterly piece from Raymond James. This provides a quick understanding of relevant themes in the investment world. Additionally it provides an economic snapshot as well as a tactical outlook. We like to include this in the Weiss Report as a handy two-page reference.

Enclosure #2 – Our second enclosure is a piece from Putnam Investments discussing actionable strategies that investors may want to consider in their Roth IRAs.

Enclosure #3 – Our last enclosure is a new writing from our team member Lenny Weiss. He discusses the "Golden Goose" of capitalism and how collectively we are rewarded, or punished, depending on how we treat her.

Important Disclosures

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ex USA Investable Market Index (IMI) captures large, mid, and small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States) and 24 Emerging Markets (EM) countries. With 6,211 constituents, the index covers approximately 99% of the global equity opportunity set outside the US. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks.

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Investing in commodities is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

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Enclosure #2: Information was developed by First Trust, an independent third party. The opinions of Brian Wesbury are independent from and not necessarily those of RJFS or Raymond James.

*Prices of DJIA and NASDAQ as of 10/07/2022 close.

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

OCTOBER 2022

THEMES

The Fed's Conundrum

The Federal Reserve (Fed) and the market are going to have a tough time during the last quarter of the year with the economy showing no signs of slowing down. The best-case scenario, for both the Fed and the markets, is for the labor force participation rate to continue to go up so unemployment continues to increase. An increase in the labor force participation rate will help reduce the pressure from higher wages on inflation which, today, seems to be at the top of Fed officials' concerns. The risk is that the Fed overplays its hand and increases the federal funds rate more than what would be necessary to bring inflation down. We believe that the US economy could go back to pre-pandemic conditions with lower rates of inflation once all the supply conditions come back to more normal levels.

Deglobalization: A Double-Edged Sword

Complex and robust supply chains were a key component in the development of globalization. Over the last few years global supply chains have faced a variety of headwinds, ranging from economic nationalism, a pandemic-induced shutdown, and most recently, a major geopolitical conflict. The Russia-Ukraine war has shown the world just how interdependent we are and has increased awareness of the dangers of that interconnectedness. Globalization is both a blessing and a curse, one from which a developed economy such as the US reaps more benefits than not.

The State of the Midterm Elections: Red Wave or Blue Wall?

In the midterms, Democrats are battling history and an unfavorable macro environment. There are signs that the floor is rising in terms of expected Democratic performance. Political support for the Biden Administration's regulatory agenda and the ability of the White House to confirm candidates for top government posts rests with control of the Senate. The Dobbs decision by the Supreme Court impacts key Senate races in terms of turnout, enthusiasm, and support from Democratic-leaning independent voters. The result of a split Congress following the midterm elections may be the Goldilocks outcome for the markets.

Q&A: Dollar Dominance: Can It Continue?

The surge in the dollar this year has primarily been driven by the hawkish Federal Reserve, as higher relative interest rates are supportive for the US dollar. The challenging macroeconomic backdrop and uncertain geopolitical climate has also contributed to the US dollar's ongoing strength. When the US dollar is strong relative to other foreign currencies, it drives up the cost of imported goods and feeds inflation directly into other economies. This is precisely what is happening today as the strong dollar is contributing to inflation pressures globally. Despite ominous predictions about the dollar's status as the preeminent global reserve currency, the reality is there is no serious alternative.

For more information, refer to the full Investment Strategy Quarterly.

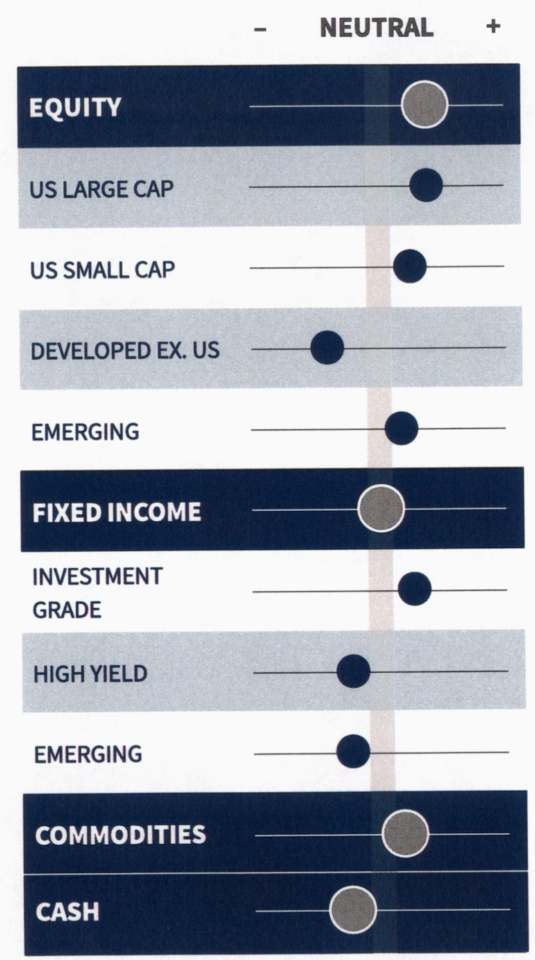
Economic Snapshot

Economic Indicator

FAVORABLE	THE DOLLAR
NEUTRAL	GROWTH
	EMPLOYMENT
	CONSUMER SPENDING
	BUSINESS INVESTMENT
	MANUFACTURING
	LONG-TERM INTEREST RATES
	FISCAL POLICY
	REST OF THE WORLD
UNFAVORABLE	HOUSING AND RESIDENTIAL CONSTRUCTION
	INFLATION
	MONETARY POLICY

Eugenio J. Alemán, PhD
Chief Economist, Raymond James

Tactical Outlook



The tactical asset allocation outlook above reflects the Raymond James Investment Strategy Committee's recommendations for current positioning. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

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INVESTMENT STRATEGY QUARTERLY QUICKVIEW

OCTOBER 2022

Capital Markets Snapshot

EQUITY	AS OF 9/30/2022*	3Q 2022 RETURN**	12-MONTH RETURN**
DOW JONES INDUSTRIAL AVERAGE	28,725.51	-16.74%	-15.12%
S&P 500 INDEX	3,585.62	-16.56%	-16.76%
NASDAQ COMPOSITE INDEX	10,575.62	-27.08%	-26.81%
MSCI EAFE INDEX	1,661.48	-25.01%	-24.75%
RATES	**AS OF 9/30/2022**	**AS OF 12/31/2021**	**AS OF 9/30/2021**
FED FUNDS RATE TARGET RANGE	3.00-3.25	0-0.25	0-0.25
3-MONTH LIBOR	2.13	0.05	0.03
2-YEAR TREASURY	4.2	0.73	0.16
10-YEAR TREASURY	3.8	1.52	0.93
30-YEAR MORTGAGE	7.06	3.11	3.18
PRIME RATE	6.25	3.25	3.25
COMMODITIES	**AS OF 9/30/2022***	**3Q 2022 RETURN**	**12-MONTH RETURN**
GOLD	$1,672.00	-5.62%	-4.84%
CRUDE OIL	$79.49	8.19%	5.94%

*Price Level
**Total Return

Sector Snapshot

	SECTOR	S&P WEIGHT
OVERWEIGHT	HEALTH CARE	14.7%
	FINANCIALS	11.1%
	ENERGY	4.6%
EQUAL WEIGHT	INFORMATION TECHNOLOGY	26.6%
	CONSUMER DISCRETIONARY	11.8%
	COMMUNICATION SERVICES	8.2%
	INDUSTRIALS	7.8%
	MATERIALS	2.5%
	REAL ESTATE	2.8%
UNDERWEIGHT	CONSUMER STAPLES	6.7%
	UTILITIES	3.2%

DISCLOSURE:

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Past performance is not indicative of future results. The performance mentioned does not include fees and charges which would reduce an investor's returns. Fixed income securities are subject to interest rate risk. Generally, when interest rates rise, bond prices fall, and vice versa. Specific sector investing can be subject to different and greater risks than more diversified investments. Investing in small-cap and mid-cap stocks generally involves greater risks, and, therefore, might not be appropriate for every investor. High-yield (below investment-grade) bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

INDEX DESCRIPTIONS: Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns. Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The returns noted do not include fees and charges which will affect an investor's return.

Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.

10 Roth IRA strategies to hedge the risk of higher taxes

The current tax environment and potential for higher tax rates in the future create an opportunity for tax-smart planning.

Since the Tax Cuts and Jobs Act of 2017 (TCJA), tax rates remain relatively low on a historical basis. However, a myriad of factors may suggest higher taxes in the near future. These include the expiration of most tax provisions in 2025, unprecedented federal budget deficits, and potential tax law changes being discussed by lawmakers in Congress.

Investors may want to consider certain strategies to hedge against the risk of higher taxes, including using a Roth IRA conversion.

Roth accounts can offer certain tax advantages, such as providing tax-free income in retirement without required minimum distributions for the account owner. Roth income is also not considered part of the income calculation when determining the taxation of Social Security benefits, or if higher Medicare premiums apply.

Here are 10 Roth IRA strategies to consider:

1. **Determine projected income before year-end as a basis for a partial Roth IRA conversion**
Calculating projected income may help taxpayers determine the potential tax consequences of converting to a Roth IRA. A good projection can identify your marginal tax bracket, while providing a sense of how much income can be added without creeping into the next, higher tax bracket. Investors may consider a partial Roth conversion that would generate taxable income at a level that would not push them into a higher tax bracket. Lastly, a taxpayer projected to be in one of the highest tax brackets may want to delay converting until the following year.

2. **Wait until year-end approaches to do a Roth IRA conversion**
As year-end approaches, investors can get a clearer understanding of their projected income and overall tax situation, including the impact of adding additional income with a Roth IRA conversion. This is especially important since, with the repeal of recharacterization beginning in 2018, a Roth conversion cannot be reversed.

3. **Contribute to a non-deductible IRA and, then subsequently, convert to a Roth**
Certain higher-income taxpayers do not meet the income requirements to contribute to a Roth IRA (income phase-out applies once AGI reaches $129,000 for single filers, $204,000 for married couples filing a joint return). They may consider contributing to a non-deductible IRA and, then subsequently, convert the account to a Roth. Since the IRA was funded with an after-tax contribution, there would be no tax due on that amount when converting. Because of the "pro rata" rule, this strategy may not make sense for those holding other pretax IRA funds. If the investor owns a non-deductible IRA and holds pretax assets in other IRAs, figuring the taxes due upon converting to a Roth IRA becomes more complex. For the purpose of calculating the taxes at conversion, all IRA accounts must be considered in aggregate. Make sure to consult with a tax professional if considering this strategy.

4. **Business owners with net operating losses (NOLs) might consider a Roth conversion**
Business owners with operating losses for a particular tax year may find that converting traditional IRA funds to a Roth may make sense. If the business owner is structured as a flow-through entity for tax purposes, the net operating loss (NOL) from business operations may be allocated to offset some of the resulting taxable income from a Roth IRA conversion. Rules for calculating and utilizing NOLs are complicated and require expertise from a qualified tax professional. For additional information, refer to IRS publication 536, "Net Operating Losses (NOLs) for Individuals, Estates, and Trusts."

Not FDIC insured | May lose value | No bank guarantee

5. **Leverage after-tax retirement plan contributions to create a sizeable Roth position**
Some qualified retirement plans allow voluntary, after-tax contributions into the plan above and beyond normal salary deferrals. For 2022, the limit for overall contributions into a defined contribution plan is $61,000 (not including catch-up contributions). When the plan allows, after-tax assets in a qualified plan can be directly transferred to a Roth IRA under certain conditions. For more information, refer to IRS Notice 2014-54.

6. **Match tax deductions with a Roth IRA conversion**
Consider a Roth conversion during a year when tax deductions may be higher. This may help mitigate the tax cost of the Roth conversion. One way to increase deductions is to lump several years' worth of charitable contributions into a single tax year. Additionally, investors may want to consider a Roth conversion in a tax year when overall income is lower than usual to take advantage of lower tax brackets.

7. **Use life insurance to offset the cost of a Roth conversion for surviving spouse**
The use of permanent life insurance may help offset the cost of a Roth conversion. For example, a married couple purchases a first-to-die life insurance policy. At the death of the first spouse, the surviving spouse uses the life insurance proceeds to help cover tax cost of the Roth IRA conversion. This strategy can provide access to tax-free retirement income for the surviving spouse or be used as a tax-free legacy by leaving the Roth IRA to heirs.

8. **Consider Roth conversions before reaching certain milestones**
Timing a Roth IRA conversion is key when it comes to certain age-based milestones, such as retirement or claiming Social Security. For example, converting to a Roth IRA shortly before age 65 may negatively impact Medicare premiums. This is because Medicare considers income from two years prior to enrollment at age 65 when calculating the amount of the premium. Those at higher income levels may face higher premiums.

9. **Capitalize on market downturns as an opportunity for a conversion**
Sharp market downturns may provide a temporary window to convert to a Roth. The lower the value of the investment, the lower the tax cost of the conversion. To the extent the investment position recovers after converting, that market appreciation will be tax-free when distributed from the Roth IRA, assuming requirements are met.

10. **Convert in retirement if leaving IRA funds to higher-income heirs**
The SECURE Act introduced a 10-year rule that generally sets a shorter time limit on the distribution of inherited IRA assets for most non-spouse beneficiaries. This rule could mean a higher tax bill for heirs since the option to stretch distributions based on remaining life expectancy is no longer available, unless an exception applies. A Roth conversion may make sense if account owner(s) are in a relatively low tax bracket in retirement and heirs will likely be in a higher tax bracket.

Importance of expert advice

It's important for investors to work with a tax professional or financial professional who has knowledge of their personal financial situation. A Roth conversion requires a thoughtful decision, since in most cases, taxable income is being generated on the transaction.

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The Golden Goose of Capitalism

By Leonard A. Weiss

I have been asked many times in recent years: "I've been told that if economic cycles translate into stock/bond market cycles, what causes the economic cycles?"

The deep answer to this question needs to be left to those with graduate degrees. However, I can offer a simple explanation for the causes of expanding or contracting economic cycles. To do this, I need to tell you the mythical story of the Golden Goose of Capitalism.

The Golden Goose actually lays golden eggs. The eggs represent rising income, savings and access to upward economic mobility. The quantity and size of the eggs laid by the Golden Goose are determined by how we are doing at creating and maintaining the conditions she loves. We are either using a shine cloth to buff her beautiful body or are using a tarnish cloth to obscure her beautiful body. She rewards us when we use the shine cloth with more and larger golden eggs. When we use the tarnish cloth she punishes us with fewer and smaller golden eggs.

So, what are the buff and tarnish cloths?

The shine cloth is a wealth creation wave. Such a wave promotes access and encourages upward economic mobility. It incentivizes the individual to take more responsibility over their affairs. Such a wave increases the amount and control over the income earned and saved. When we perceive the path to succeed is opening, we tend to work harder. Such a wave also emphasizes that an individual is better suited and more knowledgeable of how to spend their money than a distant government. These traits promote current and future economic growth that keeps the cycle in place. When we use the shine cloth, we usually see positive market returns over many years.

The tarnish cloth promotes a wealth destruction wave. Such a wave diminishes access to upward economic mobility. It dis-incentivizes individuals to take more control over their life. Fewer people achieve the future they worked for. Such a wave decreases the amount and control over income earned and saved. Such a wave insists that a distant government is better suited and more knowledgeable of how to spend money that the individual. These traits hamper current and future economic growth. When we use the tarnish cloth, we usually see a sideways or down market for many years.

Capitalism is more of a natural force than one may think.

Here's an example of the natural forces driving Capitalism. Imagine its 1922. It's a warm Sunday with a deep blue sky and we are assembled at our house of worship. After the sermon, we are all asked to assemble at the town gazebo at for a community picnic. He asks each family to bring a lunch to share and to bring a symbol of their work. Being a carpenter, one person wears their tool belt. Another, a pig farmer, strolls in with a fat pig.

The carpenter wants the pig to feed to his family. He approaches the farmer and inquires about the state of his barn roof. The pig farmer replies that the barn's roof is in need of repair and offers the pig to the carpenter for nine hours of work. The carpenter thinks he should only work seven hours on the barn. They agree on eight hours of work in exchange for the pig. And voila, capitalism just happened.

Both set their own price, and both parties had a win-win transaction. At its core, capitalism empowers the individual to take control over most aspects of one's life. The fruits of that labor are the rungs on the upward economic mobility ladder.

Capitalism seeded the Industrial Revolution 100 years ago. Its success has seen millions of people rise from poverty worldwide. It is a demonstration that when we take the shine cloth to our goddess, she rewards us with more and larger golden eggs, acknowledging the wealth creation wave. When we take the tarnish cloth to her, she punishes us with fewer and smaller eggs, acknowledging the wealth destruction wave. While our society debates the merits of Capitalism, we shouldn't lose focus on how we get our golden eggs.