Leigh Baldwin & Co.

Investment Brokerage

Should I Roth or should I go now? Wall Street is humming a variation to the iconic Clash hit from 1981. as the potential arises that tax law changes made in 2017 get set to expire at the end of 2025. The basic idea is this, should someone consider paying taxes now by converting qualified retirement assets into a Roth IRA, to save a significant sum of taxes over a long period of time. Advisors are having this conversation in offices across the US. In fact, Barron's recently noted that Fidelity has seen a 44% increase in conversions year over year at just the end of the first quarter. We believe that the pace of conversions will continue to expand, and the following example could help explain why...

For many retirees, the time frame between full retirement age (around 67 years old) until Required Distribution Age of 73, are years with potentially less tax burdens. At 73, the qualified and required distributions can loom large tax wise. That leaves the potential for converting assets before age 73 at least worth considering for many. Combining that with the new rule with respect to non-spouse beneficiary distribution requirements, there is an estate planning angle to this as well. It may not be a "train in vain" to explore the tax implications of converting assets to a Roth.

As for markets during the first third of the year, Wall Street continues to ride the AI wave and generally strong economic data. After a blazing start in the first quarter, stocks have come back to earth recently, in part because of stubborn and sticky inflation. The inflation data is holding the Fed back from lowering rates as Wall Street has reversed course from a predicted seven rate cuts in 2024, to now possibly one or two later in the year. The yield on the two-year just traded above 5% again. We continue to favor companies that are profitable, carry low debt, and that have pricing power. These are the names that could potentially do well during an inflationary period. We are still recognizing good diversification opportunities in international markets. Finally, we have begun to move out the yield curve as rates have inched higher, but the threat of a massive rise in rates may be less probable. As for the upcoming election (and other geo-political events), the markets seem to be unfazed for now, drawing on experience that investing based on headlines can be an expensive political science course. We look forward to connecting with everyone personally throughout the year and we appreciate your confidence in our firm.

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