***December 2017***

***TAX TALK:***

*Have you heard the expression,****"it's not what you earn, but it's what you keep"****? Now is the time of year to embrace this strategy.  One way to do this is through****tax loss harvesting,****by selling stocks that are showing a loss. The loss on these stocks can be used to****offset capital gains on other positions****, and a portion, up to $3,000 a year for a married couple can be written off against regular income. You can re-buy these stocks, but you have to wait 31 days in order to****not trigger a wash sale.****In the case of a wash sale the IRS will disallow the loss on the stock.*

*This strategy reinforces my philosophy to****buy stocks in your taxable accounts****and not in your retirement accounts,****losses can not be written off in tax deferred account****s.  Fixed income investments, such as****bonds or bond funds****should be held in the tax deferred accounts as these****interest bearing investments are taxed as regular income****and are not entitled to the reduced qualified dividend tax rates enjoyed by****stocks or stock funds.***

*While we are talking taxes, I will use the opportunity to once again speak of the virtues of****asset allocation through the use of passive index tracking investing****. Many popular****actively managed****mutual funds, such as the Fidelity Magellan and the Fidelity Contrafund, will be returning to investors between****4% and 6% in capital gains.****Even if you didn't sell any of your investments in these funds****you will be receiving a tax bill****for capital gains distributions that you wouldn't have received if invested in****passively managed****funds!*

*If you think you are "all set," because you have a managed account with a money manager who is buying and selling stocks on your behalf, think again!  This strategy of active management that borders on****churning, an illegal activity to buy and sell stocks to generate commissions,****will increase fees, trading costs, and taxes, while reducing returns!*

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