



# HERITAGE CAPITAL LLC

Invest for Tomorrow. Live for Today.™

## **Tax Day Postponed**

As I wrote about the other day, I want to begin each update with something positive. As most people know the IRS has extended tax filing day to July 15th. My read and that of the many CPAs I speak with is that's across the board. If we are correct, that includes IRA, SEP and HSA contributions as well along with paying tax owed and estimated taxes. When it comes to taxes, I always have mine done as early as possible to I get it off my list and plan for the rest of the year. Do what is best for you, but please don't wait until the last minute. If you work with a CPA or other tax professional, know that they have no intention of being locked in their offices come July!

## **Convert Your IRA to a ROTH**

In every crisis, there comes opportunity, some that are obvious and some that are more subtle. Here is one that should have mass appeal. One the broad topic of taxes, I think now is a great opportunity to do a ROTH IRA conversion for those of you have Traditional IRAs. This strategy would have you convert part or all of your IRA into a ROTH IRA. Doing this would result in a taxable event as that amount of money becomes taxable income for 2020, payable in April 2021. So, you would need to have cash on hand or in the bank to pay that bill.

Why Should I Consider Converting to a ROTH IRA?

ROTH IRAs are funded with after tax dollars, meaning you do not receive the tax deduction. However, in return for that, the money inside your ROTH IRA grows tax deferred, meaning you do not pay any capital gains or other taxes on that. Additionally, when you withdraw money from your ROTH IRA, you do not pay income taxes or other taxes on that. Also, unlike Traditional IRAs, there is no Required Minimum Distribution for ROTH IRAs so that money can potentially keep growing and growing.

Why now?

To finish up this topic and strategy for the current environment, the reason you would convert now is the same reason I first discussed doing this in late 2009, 2009 and 2011. It's because overall asset values are down with the expectation that they will recover and be worth a whole lot more down the road. You would be able to pay the tax when your assets have presumably declined in value than when they could be at a higher valuation down the road.

## Bulls Working on Three Straight

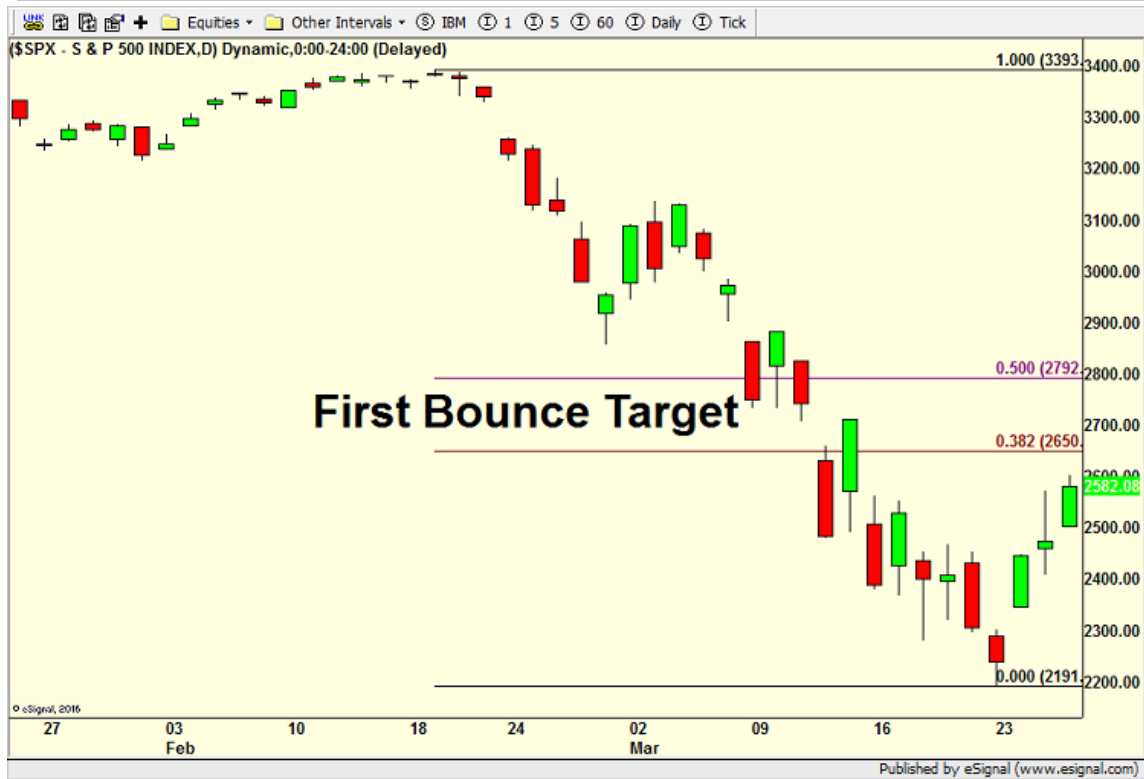
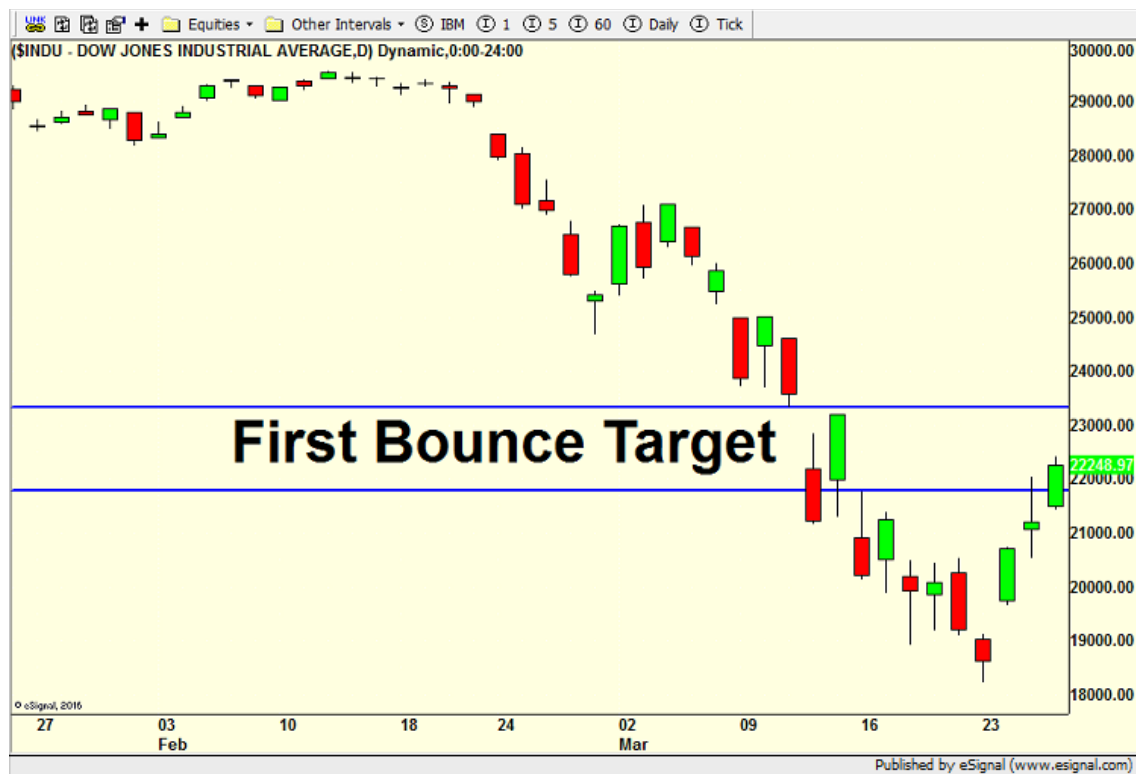
On Sunday, I discussed the [tiniest of green shoots](#) and the scenario for stock market low on Monday followed by a rally. As I said at the time and since, I think it is "A" low, but perhaps not "THE" low. It is certainly a start and I am glad that the market responded to what was diminishing downside acceleration. It looks like those geniuses in Congress will finally pass a massive \$2 trillion stimulus plan by the end of the week. I haven't read the 1400 bill and likely won't, but I do think it's a flawed start at what needs to be done. I wrote about the other day in [TRUE Shock and Awe](#). I have no doubt that once the bill gets around, there will be all kinds of nonsense included, but at least the Senate passed it 96-0. The unintended consequences will be extraordinary later this decade.

Yesterday, I discussed that this [stock market bottom should not resemble 2008](#) where we saw the internal or momentum low in October 2008, followed by a revisit in November 2008 and final generational bottom in March 2009. That was five long months of bottoming which followed four months of topping in 2007. I promised to offer examples of how this impending low could shape up today, but it's already lunchtime and I would rather finish this up and work on that tomorrow.

As I type this, the stock market is shaping up to see its third consecutive day of gains. If you remember, I have been writing that we hadn't seen even two straight up days since early February and that would be confirmation that the tenor of the market was changing. I really hope that if this rally runs 20% off the bottom, we won't see a chorus of "BREAKING NEWS: STOCKS IN NEW BULL MARKET" from the financial media. That would be embarrassing.

After three straight up days, no one should be surprised if Friday is a down day. I think there has only been one up Friday since mid-February, not that it really matters in this environment. Mondays have the same track record. After the four-week crash we have seen, it would be normal to expect a sharp snapback to regain at least a third of what was lost. That's the rally we are seeing now. It's sharp, violent and vicious.

Here are charts of the Dow Industrials and S&P 500 with my zones for the first bounce to hit.



As always, please don't hesitate to call, email or Skype with any questions, comments or concerns.

If you are looking to schedule a call, here is the link to my calendar. <https://schedulewithpaul.as.me/>

Early mornings, evenings and weekends should be scheduled directly with me.

Thanks

## To Your Financial Success,



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