Oppenheimer & Co. Inc. | 205 Town Center Drive, Suite 260 | Virginia Beach, VA 23462 *December Newsletter*

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A December Letter to Clients:

A Handy Checklist for Year-End Planning

The holidays are a busy time of year. Shopping, family events, company holiday parties and more may dot your calendar. But we strongly suggest that you carve out some time for year-end financial planning so that you will be better positioned as the New Year begins.

Nine Smart Planning Moves for Year-End

1. **Review your financial plan**. Long-term data and my own personal experience tell me that the shortest distance between investors and their financial goals is adherence to a well-diversified, holistic financial plan.

   We stress that investors must take a long-term view, but we also recognize that 2022 has been a challenging year. As we build your financial plan, we tailor it to your specific goals.

   How might you set goals?

   They should be:
   Specific,
   Measurable,
   Achievable,
   Relevant (to your situation), and attainable within a specific
   Timeframe.

   These are SMART goals.
   https://www.ucop.edu/local-human-resources/_files/performance-appraisal/How%20to%20write%20SMART%20Goals%20v2.pdf

   An adaptable plan - A financial plan is never set in concrete. It is a work in progress which can and should be adjusted as your life evolves.

Are you reaching a milestone in your life such as retirement? Has there been another upcoming change in your personal circumstances? Whether you have welcomed a new baby or an adopted child into your family, a hearty congratulations is in order— but it's also time to look at the financial side of the equation.

Did you become a grandparent or are there new grandchildren in your family?

A job change, job loss, marriage, or divorce are also events that usually warrant revisiting your financial plan.

When stocks tumble, some investors become very anxious. When stocks post strong returns, others feel invincible and are ready to load up on riskier assets. We caution against making portfolio changes that are simply based on market action.

Remember, the financial plan is the roadmap to your financial goals. In part, it is designed to remove the emotional component that may compel you to buy or sell at inopportune times.

That said, has your tolerance for risk changed in light of this year's volatility? If so, let's talk.

2. **Harvest your losses and reduce your income taxes**. Let's look at strategies for taxable accounts. If you have gains from the sale of stock, you may decide to sell underperforming equities for a loss and offset up to $3,000 in ordinary income.

   For example, if you sold a stock you have held one year or less and realized a profit of $30,000 and you sold a stock held for one year or less and took a loss of $35,000, you would not only pay no taxes on the $30,000 gain, but you could offset ordinary income of up to $3,000 in 2022 (married couples filing separately limited to $1,500).

   You would carry forward $2,000 into 2023.

   Losses on investments are used to offset capital gains of the same type. In other words, short-term losses offset short-term gains and long-term losses offset long-term gains.

   An asset held for one-year or less is a short-term gain or loss. Anything more than a year is long-term.

3. **Tax loss deadline**. You have until December 31 to harvest any tax losses and/or offset any capital gains. Did you know that you pay no federal taxes on a long-term capital gain if your taxable income is less than or equal to $40,400 for single or $80,800 for married filing jointly or qualifying widow(er)?

   Therefore, it may be worth taking a long-term capital gain. Simply put, you sell the stock, take the profit, and pay no federal income tax. And you could re-invest in the stock, upping your cost basis.

   But be careful.

   The sale will raise your adjusted gross income (AGI), which means you'll probably pay state income tax on the long-term gain.

   In addition, by raising what's called your modified adjusted gross income (MAGI), you could also impact various tax deductions, impact taxes on Social Security, or receive a smaller ACA premium tax credit if you obtain your health insurance from the Marketplace.

   Or you might trigger a higher Medicare premium, as premiums are also based on your MAGI.

4. **Mutual funds and taxable distributions**. This is best explained using an example.

   If you buy a mutual fund in a taxable account on December 15 and it pays its annual dividend and capital gain on December 20, you will be responsible for paying taxes on the entire yearly distribution, even though you held the fund for just five days.

   It's a tax sting that's best avoided because the net asset value (NAV) hasn't changed. It's usually a good idea to wait until after the annual distribution to make the purchase.

   Given the volatility in trading this year, some actively managed funds may have large taxable distributions, even though the NAV of the fund may be down since the beginning of the year.

5. **It's time to take your RMD**. If you are 72 years or older, an annual required minimum distribution (RMD) is required from most retirement accounts.

If you turned 72 this year, you have until April 1, 2023, to take your first RMD. That will reduce your taxable income in 2022, but you will be required to take two RMDs in 2023, potentially pushing you into a higher tax bracket next year.

If you miss the deadline, you could be subject to a 50% penalty on the portion of your RMD you failed to withdraw.

For all subsequent years, including the year in which you took your first RMD by April 1, you must take your RMD by December 31.

The RMD rules apply to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs. The RMD rules apply to all employer-sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans and 457(b) plans.

The RMD is also required from a Roth 401(k) account. However, the RMD rules do not apply to Roth IRAs while the owner is alive.

Generally, an RMD is calculated for each account by dividing the prior December 31 balance of that IRA or retirement plan account by a life expectancy factor published by the IRS.

If you continue working past age 72, you are still required to take your RMD from your IRA.

If, however, you continue to work past age 72 and do not own more than 5% of the business you work for, most qualified plans, such as 401(s) plans, allow you to postpone RMDs from your current employer's plan until no later than April 1 of the year after you finally stop working.

6. **Maximize retirement contributions**. By adding to your 401(k) plan, you can reduce income taxes during the current year. In 2022, the maximum contribution for 401(k)s and similar plans is $20,500 ($27,000 if age 50 or older, if permitted by the plan).

   The limit on a Simple 401(k) plan is $14,000 in 2022 ($17,000 if 50 or older).

   For 2022, the maximum you can contribute to an IRA is $6,000 ($7,000 if you are 50 or older). Contributions may be fully or partially deductible.

   A Roth IRA won't allow you to take a tax deduction in the year of the contribution, but it gives you the potential to earn tax-free growth (not just deferred tax-free growth) and allows for federal-tax free withdrawals if certain requirements are met.

   Total contributions for both accounts cannot exceed the prescribed limit.

   You can contribute if you (or your spouse if filing jointly) have taxable compensation.

   You can make 2022 IRA contributions until April 18, 2023 (Note: statewide holidays can impact the final date).

7. **Convert your traditional IRA to a Roth IRA**. The decline in the stock and bond markets has taken a toll on most retirement accounts. However, this may be the time to partially or fully convert the reduced value of the account into a Roth IRA.

   You'll pay ordinary income taxes on the converted portion of the IRA. But going forward, you won't have an RMD requirement (based on current law), growth is tax-deferred, and if you meet certain requirements, you'll avoid federal income taxes when you withdraw the funds.

   A Roth may make sense if you won't need the money for several years, you believe you'll be in the same or higher tax bracket at retirement, and you won't need to use retirement funds to pay the taxes.

   Once converted, you cannot 'recharacterize' (convert back to a traditional IRA). The deadline to convert is December 31.

8. **Charitable giving**. Whether it is cash, stocks or bonds, you can donate to your favorite charity by December 31, potentially offsetting any income.

   Did you know that you may qualify for what's called a "qualified charitable distribution" (QCD) if you are 70½ or older?

   A QCD is an otherwise taxable distribution from an IRA or inherited IRA that is paid directly from the IRA to a qualified charity. It may be especially advantageous if you do not itemize deductions.

It may be counted toward your RMD, up to $100,000. If you file jointly, you and your spouse can make a $100,000 QCD from your IRA accounts.

You might also consider a donor-advised fund. Once the donation is made, you can generally realize immediate tax benefits, but it is up to the donor when the distribution to a qualified charity may be made.

9. **Finally, take stock of changes in your life and review insurance**. Let's be sure you are adequately covered. At the same time, it's a good idea to update beneficiaries if the need has arisen.

   I trust you've found these planning tips to be useful, and if there are any that you would like some help with, we are always here to assist. Please feel free to reach out if you have any questions or you may want to check in with your tax advisor.

Crypto Crash

Stocks have been battered by the Federal Reserve's quest to rein in the highest rate of inflation in 40 years.

So far, however, investors have expressed little concern over the crisis that has rocked cryptocurrencies. It's a far cry from the reaction to Lehman's demise in 2008, which sparked the financial crisis and nearly wrecked the global financial system.

Table 1: Key Index Returns

	MTD %	YTD %
Dow Jones Industrial Average	5.7	-4.8
NASDAQ Composite	4.4	-26.7
S&P 500 Index	5.4	-14.4
Russell 2000 Index	2.2	-16.0
MSCI World ex-USA**	10.5	-16.1
MSCI Emerging Markets**	14.6	-21.1
Bloomberg US Agg Total Return	3.7	-12.6

Source: *Wall Street Journal*, MSCI.com, MarketWatch, Bloomberg
MTD returns: October 31, 2022-November 30, 2022
YTD returns: December 31, 2021- November 30, 2022
*Annualized
**in US dollars

Investing in cryptocurrencies is highly speculative. For instance, legendary investor Warren Buffett has not been shy about expressing his disdain.

A couple of years ago, https://www.youtube.com/watch?v=d6yqrwOZVjY Buffett said, "Cryptocurrencies basically have no value, and they don't produce anything….

"They don't reproduce, they can't mail you a check, and what you hope is that somebody else comes along and pays you more money for them later on, but then that person's got the problem. In terms of value: zero."

[Note: You may want to share your thoughts on crypto here and how you may or may not incorporate such investments in client portfolios.]

Bitcoin, the oldest and best-known cryptocurrency, was trading around $65,000 a year ago. Last month, it dropped below $16,000 (MarketWatch).

Earlier in the year, TerraUSD, which is a 'stablecoin' that used algorithms to peg its value to the dollar, worked well— until it didn't and collapsed.

Crypto trading platforms such as FTX and Celsius Network are languishing in bankruptcy, rocked by the digital version of bank runs and a lack of liquidity. Those who hold funds with the likes of FTX, whose demise is being compared to the collapse of Enron, can no longer withdraw funds, and may never see their investments again.

And it's not simply investors. Celebrities who lent their names to some of these platforms are feeling the fallout through soured investments and lawsuits.

But the storm that descended upon the crypto world has barely made a ripple in traditional financial markets and finance.

"Crypto space…is largely circular," Yale University economist Gary Gorton and University of Michigan law professor Jeffery Zhang write in a forthcoming paper.

"Once crypto banks obtain deposits from investors, these firms borrow, lend, and trade with themselves. They do not interact with firms connected to the real economy."

In other words, the dominoes that fell in crypto only knocked down other crypto dominoes.

A recent article in the Wall Street Journal suggested the crisis may have done the economy and equity investors a favor, notwithstanding losses for those in crypto. Eventually, traditional firms and investors would have embraced an industry that lacks regulatory controls. An implosion several years from now could have had far different consequences.

I hope you've found this review to be educational and helpful. Once again, let me gently remind you that before making decisions that may impact your taxes, it is best to consult with your tax advisor. And if you have any questions or would like to discuss any matters, please feel free to give me or any of my team members a call.

As always, I'm honored and humbled that you have given me the opportunity to serve as your financial advisor.

Dow Jones Industrial Average Index (DJIA): The oldest continuing US market Index, includes 30 "blue-chip" US stocks selected for their history of successful growth and wide interest among investors. It is called an average because it originally was computed by adding up stock prices and dividing by the number of stocks. This methodology remains the same today, but the devisor has been changed to preserve historical continuity.

NASDAQ Composite Index (NASDAQ): A market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries*--excluding the United States. With 887 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 30, 2015 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measuresthe investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includesTreasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABSand CMBS (agency and non-agency)