



## **Good, quality money managers can be investor's biggest asset in current market**

**By JOSH LEHMAN (Daily Reporter Staff Writer)**  
**January 26, 2010**

While the latest recession had an effect on nearly all Americans, those nearing retirement age may be among the most eager for an economic turnaround.

No investment advice is guaranteed, and each investor should consult with his or her own advisors before making any moves or non-moves with their money. That said, the wisdom ebbing from financial circles is that age-old virtue of patience.

"(For) those who are close to retirement age, or for that matter, those who are retired and are trying to live off this money, if history is any guide, it will be back," said Mark LaPlace, CPA and director of tax services at Columbus-based consulting firm GBQ.

He said those who were getting good investment advice would have reallocated funds into less volatile investments as they got older, putting them in a better situation than others who didn't, but it's a scary time regardless of how money was handled in the past.

What's important now is not to panic, LaPlace said. For those hurt most by the recession, calling it quits won't lead to the promised land.

"You don't want to do anything drastic that will cause the hole to get deeper," said LaPlace.

He went on to suggest a few strategies that are being employed now by those looking to turn lemons into lemonade.

The first strategy is known as "harvesting gains." Typically, when the market is going well, savvy investors will employ a tactic called, "harvesting losses." That is, they sell stocks that have had a loss to offset any gains they realized that same year, thus reducing the capital gains tax they would pay at tax time. It enables the investor to get out of an underperforming asset while simultaneously catching a tax break on their good

investments.

In the wake of the recession, the opposite approach is taking hold.

Since so many portfolios have taken losses, it has provided a unique opportunity for long-time stockholders who want to get out of one company or another. If, for example, a person has held a stock for 20 years that has appreciated, but they don't think it is going to do well going forward, they can sell it now and avoid paying on the gains by selling other stocks that have lost value in the recession.

It's a "get out of jail free card" on long-term investments that have maxed out their value and a good way to liquidize some assets without taking a tax hit.

"That's a very unusual strategy," said LaPlace. "Generally when the market is going well, they do the opposite. They have gains in their portfolio that they're looking to harvest losses to offset those gains."

Another potentially smart move for 2010 is the conversion from a traditional IRA to a Roth IRA. Since traditional IRAs are pre-tax dollars, any withdrawals are taxed. With the recently depreciated value of many portfolios, LaPlace said now is the time to convert to a Roth IRA, which is after-tax money that grows tax-free.

It's a tactic with a little more risk involved, since it depends on a full economic recovery, but with a little luck it could pay major dividends - especially for those with a few years to go until retirement as this conversion gives an opportunity to pay all of the taxes on investments while their value is down and take full advantage of any rebound in the coming years.

"Before they do it, they need to understand that there's a tax cost for the conversion," said LaPlace. "It's not necessarily a slam dunk for everybody, but for those who can afford to pay tax on the conversion, it may be a really good strategy."

For those who are already retired, LaPlace said, the key is managing cash flow. The overall feeling amongst investors is to hold the line, not panic, and ride this wave out, but that doesn't do much for people who have to live off of their investments right now. To help, LaPlace said it's time to do what many of the big companies have had to do and cut costs.

Large purchases like appliances, electronics and cars will only depreciate over time. Even if it's tempting with the relatively low costs of these products compared to a few years ago, it's important to gauge whether that new car is really necessary. Any money saved now will pay back dividends later.

"You're better off hoping the market rebounds," said LaPlace. "You don't want to sell investments at a loss just to go buy that car. You've lost money permanently and bought another asset that will depreciate quickly. Defer the purchase, leave your money invested and hope that in the next year, two years the value in the stock market comes back."

Perhaps more important than any one strategy, LaPlace said, is for investors is to make sure they're getting sound advice from a specialist they can trust. Before employing any investment game plan, each individual should discuss it with an expert.

"One of the real important things is for people to have good, quality money managers and people they trust to give them the straight scoop. Those folks can be the biggest asset in a market like this."

<http://www.sourcenews.com/news/today/02/update.lasso?-database=news&-table=stories&-response=details.lasso&-keyField=id&-keyValue=21399&-search>