THE SUMMIT

for friends and clients of the
Crosby Advisory Group, LLC
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AND IN THIS CORNER... ROTH IRA.

Ali vs Frazier, Nicklaus vs Palmer, Roth IRA vs Traditional IRA, these are still some of the hotly debated rivalries of all-time. The most fascinating one to me of course is the battle between the Roth and Traditional IRA. The Traditional IRA allows qualifying investors to take a tax deduction (reduces present taxation) on annual contributions with the understanding that the money will be taxed when it is withdrawn. The Roth IRA does not allow for a tax deduction but permits the investor to withdrawal money tax-free after age 59 ½. Assuming taxes remain level over the years, one would think that they are mathematically equal, however, the Roth does offer a few nice features that the Traditional IRA does not.

In terms of its effect on Social Security, the withdraws from a Traditional IRA and Roth IRA are treated very differently. Withdrawals from a Traditional IRA in retirement years count as income that could cause portions of your Social Security benefit to be taxed. However, distributions from a Roth IRA are not counted as income against Social Security benefits, making it a highly efficient retirement income generator. The Roth also has its advantages as a legacy planner. While the federal government will require you to start taking distributions from a Traditional IRA by age 70 ½ to begin taxation, the Roth IRA does not have a required minimum distribution age, making it a great vehicle for setting aside money to pass onto heirs.

The third advantage the Roth has over the Traditional is its liquidity prior to age 59 ½. Contributions made to a Traditional IRA have penalties and taxes associated with pulling any money out prior to age 59 ½. The Roth IRA on the other hand allows you to pull out your contributions (just not growth) prior to age 59 ½ without penalty, giving it more liquidity than the Traditional IRA during accumulation years.

Learn how to coordinate the two IRAs for efficiency here: https://www.youtube.com/watch?v=9RTBmBmDisc or you can watch the video on crosbyadvisory.com.

Should I pay off debt before I invest?

Invest

Like most things in life the answer depends. The goal is to always emerge debt free. If you don't owe anyone money, it takes less money to support your lifestyle. Being debt free also allows you to turbo charge your accumulation plan since you are not paying others interest. However, I don't think all debt is created equal. While I would recommend paying off high interest credit card debt before investing, I would not advocate paying off mortgage debt before investing as most mortgages today are probably under 5% and the interest is tax deductible for most people. Additionally, delaying investment causes one to lose out on the one component of compound interest that is in short supply: time.

My recommendation is to knock out your high interest debt, then go to work on accumulating wealth as soon as possible.

New Series: SIX POINT PLAN FOR ACCUMULATION SUCCESS.

STEP 1: Let the Joneses be the Joneses
STEP 2: **Your Fee is 10%**

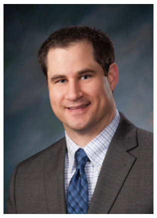
In our last newsletter we identified 7 steps to wealth accumulation. The first step was Let the Joneses be the Joneses. In other words, trying to keep up with the Joneses is a good way to ensure wealth accumulation never takes place. The second step of our wealth accumulation process starts with a fee, except this fee is what you charge yourself for working. 10% of your take home income should go towards saving and investing before it goes to purchases. 10% should be your minimum fee. This may not happen over-night but a proven way to get there is to invest ½ of every raise you get going forward. If you were able to live off your income in the past, you should be able to live off your income plus half of your raise. In time, you will shoot past the 10% market and be a master of accumulation. Both your future and present you will thank you.

CREATE A $1,000,000 LIABILITY UMBRELLA

FOR LITTLE OR NO EXTRA PREMIUM.

A supplemental liability insurance policy, aka umbrella policy, provides an additional amount of liabilty protection (usually $1,000,000 or more) on top of your home, autos and other personal exposures like boats, ATVs or rental properties. Your liability insurance is your front-line defender of your assets. As accumulators of wealth we want high liability protection, but we don't want to pay an arm and leg for it. Here is how you can do that. I call it my "*Look who's in charge, you just gave me an additional $1,000,000 of protection with little or no extra premium technique.*"

If you have utilized Crosby Advisory for wealth building plans, you know that a non-qualified investment account can be a tremendous tool for building accessible wealth throughout your life. This type of account can allow one to stream dividends to take over normal lifestyle expenses, repay unexpected expenses or simply provide a source of accumulation that is accessible without penalty at any age. Having access to liquid assets allows us to structure our insurance protection differently than most people do. Instead of keeping $250 or $500 deductibles, accessible funds allow us to prepare for financially threatening losses, not minor mishaps. The price of a typical umbrella policy ranges from $250 to $350 per year. An individual who raises the deductible on their homeowner's policy from $500 to $1000 and their autos from $500 to $1,000 will likely create savings that make up for the cost of adding an umbrella policy. Additionally, most insurance companies will offer discounts on the auto or home policy for having an umbrella policy. The result is you passing $1,000,000 of liability risk onto an insurance company for little or no premium.



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DO'S and DON'TS to Survive and Thrive from Market Corrections

Over time, that stock market has proven to be a fantastic investment for accumulating wealth. From January 1, 2008 to January 1 2018 the S&P 500 had an annualized return of 9.58% including dividend reinvestment (https://dqydj.com/sp-500-return-calculator/). Why is that time important? It's important because that time frame includes the "Great Recession" when the S&P 500 lost 38% in one year. However, as an investor going through the "Great Recession," if you sat on your hands and did nothing, you were rewarded handsomely for your commitment to your plan. On February 5th 2018, the market once again reminded us that it doesn't go up every day. The DOW dropped 1,175 points that day. Important side note, measuring rises and falls in points is less relative than measuring it in percentages. Additionally, most advisors would agree the DOW Jones Industrial Average Index with its 30 companies is no longer the best barometer of the market. None the less, the market had a significant sell off, but let's keep things in perspective. The stock market declining by 10% or more is termed a "correction" and is normal. History shows they occur every 1 to 2 years. Having a market rise every day without resetting itself is not normal. As long-term investors we look forward to these moments and identify them for what they are: opportunities. They are opportunities for our dividends being reinvested and opportunities for our regular monthly funding. If we are willing to turnoff the news media, we'll see the economy most of the time is the same as it was prior to the correction and the quality investments that we own are the same too, except they just offered themselves to us for repurchase at a discounted price. In my mind, that's something to get excited about.

Here are my **DO'S** and **DON'TS** for thriving long-term from a market correction

DO: Review your account with your advisor annually. Your allocation, which is the percentage of stocks, fixed income, precious metals and cash you own in your investment account can be back tested over the previous bear market or recession. Past performance is not a guarantee of future performance, it will give you an idea of the temporary loss you may experience through market downturns. If you are uneasy with the results, the time to adjust is now.

DON'T: Attempt to time the market peak by selling out stocks in anticipation of a correction. As long-term investors we do not incur capital gains or fees to avoid short term volatility. Pull-backs in the market are normal and allow our dividends and interest to buy more shares at a reduced price. The S&P 500 hit all-time highs every month in 2017. Trust your investment plan to work for you through good times and bad. Remember: stocks tend to fall faster than they go up, historically stocks go up more than they go down. As a long-term investor, the odds are in your favor.

DO: Build an emergency fund that is equal to 3 to 6 months of income. This emergency fund will give you access to cash and help you avoid panicking when normal downturns occur.

DON'T: Avoid making investment decisions after listening to news media. The news media's goal is to grab your attention. That's why most of the evening news is negative. Our brains are hardwired to identify threats. Every DALBAR study ever performed tells us as investors our human emotion is our worst enemy. Don't allow yourself to fall prey to sensationalized news reports.

DO: Become a student of history. Where was the market 10 years ago? Where was it 30 years ago? Are declines in the stock market something to fear or opportunities that prepared long-term investors profit from?

History of the US stock market from 1972 to present
Does not represent a specific investment.
Does not include reinvested dividends or applicable investment fees.