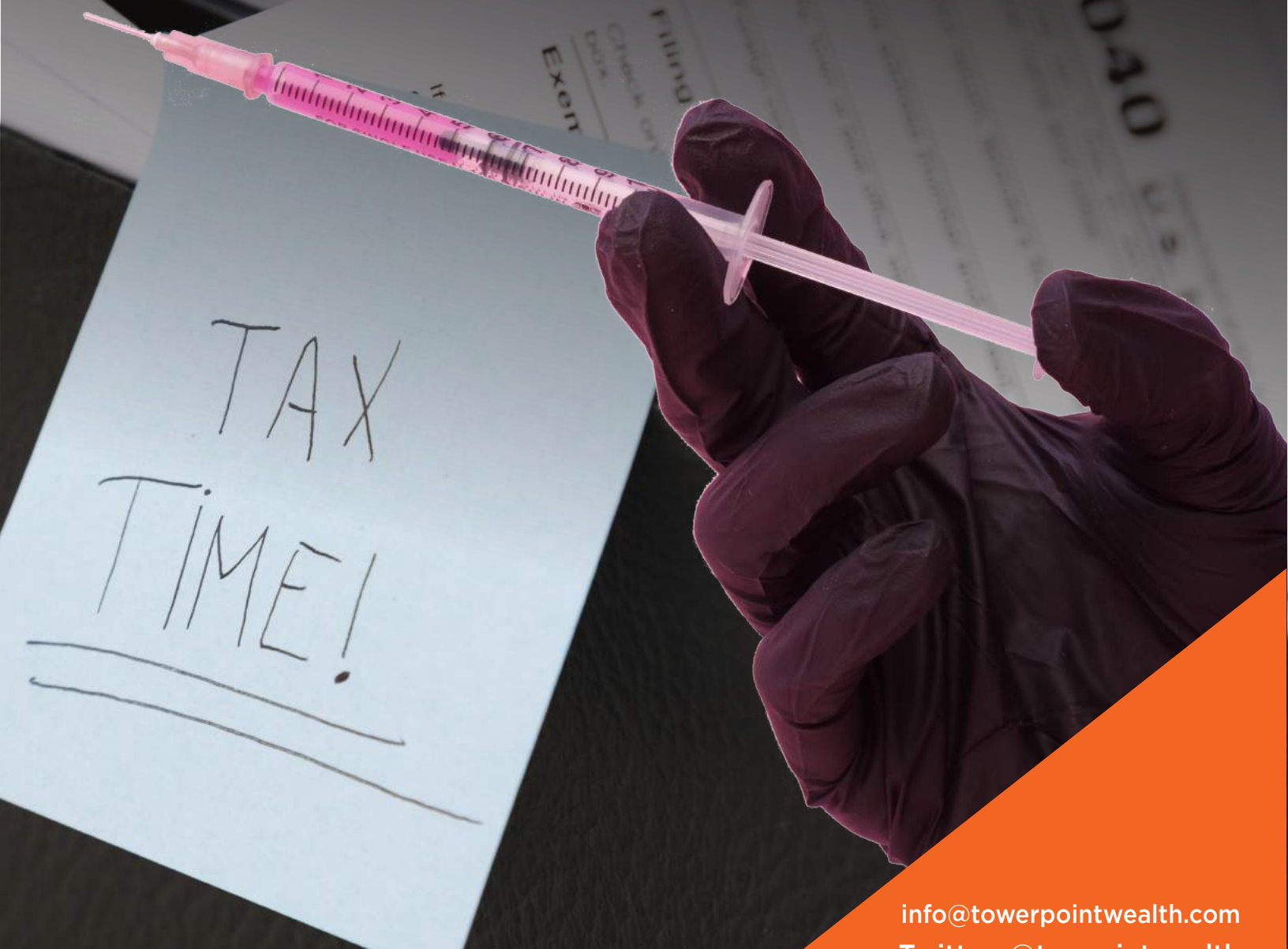


Author: Joseph Eschleman, CIMA® President

IS THERE A VAX TO Protect Your Portfolio From Tax?



info@towerpointwealth.com

Twitter: [@twrpointwealth](https://twitter.com/twrpointwealth)

1.916.405.9140

TOWERPOINT
WEALTH

500 Capitol Mall, Ste.1060 | Sacramento, CA, 95814

Is There a Vax to Protect Your Portfolio From Tax? - 2.12.2021

A [2016 survey](#) of 1,000 taxpayers, conducted by [WalletHub](#), found that, *if told they never had to pay income taxes again*, 27% of respondents would brand themselves with a tattoo that says "IRS" and 11% would gladly drive to Chipotle every single day for three years to clean its toilets. You can't make this stuff up!

And while there is credible evidence and research that suggests people actually like paying taxes (click [HERE](#) to read a *Psychology Today* article about this "phenomenon"), in our 23+ years helping clients properly build and protect their net worth and wealth, we have yet to encounter a single client, prospect, colleague, or friend who fits this category. While we may intellectually understand [why we have to pay them](#), most of us seem to emotionally detest it.

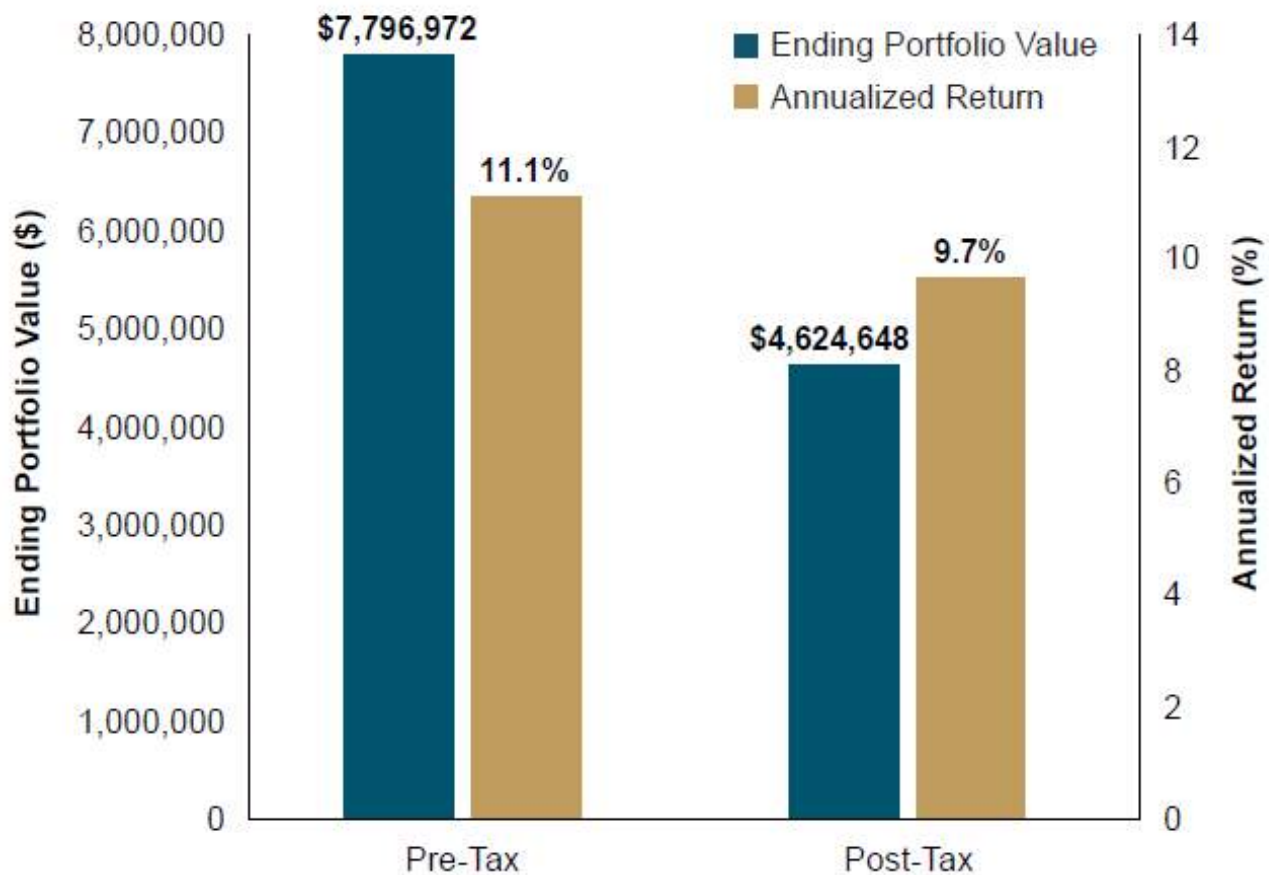


At Towerpoint Wealth, we recognize (and embrace!) our bias in working with and helping our clients towards achieving [the goal of growing and building their assets as intelligently and as efficiently as possible](#). Understanding there are a myriad of road blocks, speed bumps, and hazards to account for while on this journey, we also recognize and coach our clients to understand that there are two major, and unfortunate, "**necessary evils**" that stand in the way of accomplishing this goal:

- Fees, costs, and expenses
- Taxes

And while neither of these is completely avoidable, intelligently reducing the drag of either one directly helps your portfolio get better gas mileage. Below are two simple examples to illustrate that point:

Exhibit 1: The Drag of Taxes on Portfolio Value Aug. 1976–Dec. 2017



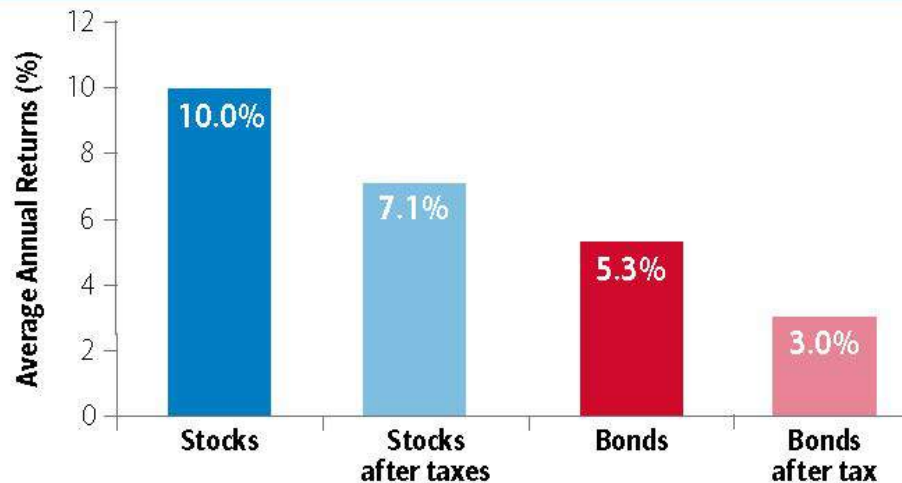
Sources: Thomson Reuters and Gerstein Fisher Research

Don't let taxes be such a drag

We believe investment returns will be lower going forward and that taxes on them will remain high or move higher.

As such, it will be important for investors to focus on constructing tax-efficient portfolios that can reduce the drag from higher taxes. Tax-aware wealth management thus becomes crucial in helping them pursue their goals.

Exhibit 1: Tax drag on investment returns (1926 to 2015)



Note: 75% of the stocks' return is assumed to be taxed at the long-term capital gains rate of 23.8% and 25% at the short-term rate of 43.4%. Bonds are assumed to be taxed at the short term rate. These tax rates include the 3.8% health care surtax. Stocks are represented by the S&P 500, bonds by the 10-year Treasury.

Source: Bloomberg, Robert Shiller and GWIM Chief Investment Office. Annual data as of December 31, 2015. **Past performance is no guarantee of future results.**

To be clear, we have encountered those who let the "tax tail wag the dog" and seemingly focus more on tax avoidance than net-worth building; our preference will always be to help our clients **maximize their after-tax wealth**, which does pair with having a tax bill every year. However, it also pairs with being directly mindful about keeping your obligation to Uncle Sam to an absolute minimum whenever and wherever possible.

The 2020 tax season is right around the corner, and with it will come some inevitable surprises for those who didn't properly plan, or who were ignorant of certain aspects of and/or changes to their global 2020 income tax situation. And understanding the interest, dividends, and capital gains that will soon be showing up on [your 1099 forms](#), (all of which report taxable income to the IRS), we encourage you to use the resources found at the bottom of this newsletter to your advantage, and to contact us (click [HERE](#)) if you encounter any unwanted 2020 "tax surprises," or feel you would benefit from a fresh perspective on how to leverage and maximize ideas and opportunities to make your portfolio, and your life, more tax efficient.

What's Happening at TPW?

Our [Wealth Advisor, Matt Regan](#), working hard as usual from home right now, along with little Mason and Stevie, his loyal friend!



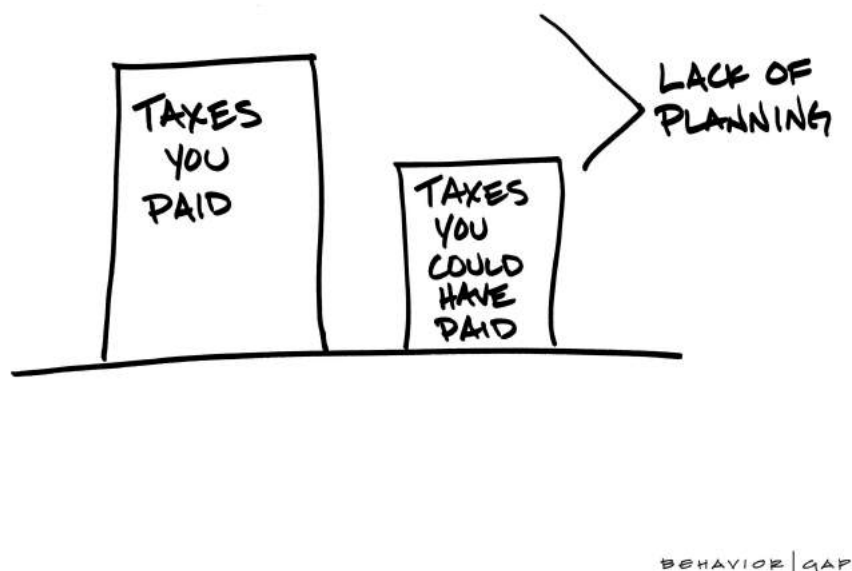


Directly reflecting the firm's culture, Towerpoint Wealth is a family both inside and outside the office, as our [Partner, Wealth Advisor, Jonathan LaTurner](#), our [Client Service Specialist, Michelle Venezia](#), our President, [Joseph Eschleman](#), and our [Director of Tax and Financial Planning, Steve Pitchford](#) all enjoyed a fun day hanging out together and watching [Super Bowl LV](#)!



TPW Service Highlight – Tax-Managed Portfolio Management

In addition to investment expenses, income taxes are the second of the two necessary evils we face when helping you grow, and protect, your net worth and assets in the most effective and efficient way. Taxes can severely impact investment returns if not monitored, scrutinized, and controlled. And while we never let the "tax tail wag the dog," at Towerpoint Wealth we do maintain a **specific** focus on helping our clients absolutely [minimize the tax impact of their investments, portfolio](#), and overall financial decision-making.



Utilizing low-turnover mutual funds, ETFs, and separately-managed accounts, taxable versus tax-free bonds, strategic tax-loss harvesting, [tax diversification](#), and the *asset location* strategies discussed in Steve Pitchford's *MoneySavage* podcast featured below helps us help our clients significantly reduce the income taxes they pay on their investments.

Issuance of 2020 Charles Schwab 1099s

A brief but important reminder for our Towerpoint Wealth family of clients: Initial Form 1099 production is based on two different waves at Schwab, with the *vast majority* (85%+) produced in the **second wave**:

PRELIMINARY MAILING DATE	ELIGIBLE ACCOUNTS
1 st Wave Jan 27, 2021*	Accounts for which Schwab has all necessary tax information. • Has not had any sales in December • Does not hold any of the following positions: - Mutual funds - Exchange-traded funds (ETFs) - Certain foreign and domestic equities - Real estate investment trusts (REITs) - Unit investment trusts (UITs) - Original-issue discount (OID) bonds - Widely held fixed income trusts (WHFITs) - Fixed income
2 nd Wave Feb 17, 2021*	All accounts not included in the first run

Chart of the Week

[The population exodus from high-tax states like California, New York, and New Jersey is very real](#), as a migration to other, oftentimes lower-tax states happens when individuals do not feel they are getting enough value for the taxes they are paying.

Federal and state income taxes are unfortunately a necessary evil when working to grow and protect your net worth, but [working to manage and minimize your "obligation" to the taxing authorities](#) is one of [Towerpoint Wealth's core competencies](#). Click [HERE](#) to message us and learn more about specific strategies to *reduce* your income tax pain.



Source: @financialtimes [Read full article](#)

Trending Today

In addition to tax drag and Super Bowl schwag, a number of trending and notable events have occurred over the past few weeks:

- A polar vortex is bringing freezing temperatures, freezing rain, snow, and ice this week into much of the US. But what IS a polar vortex?
- An awful and deadly 100-car pileup in Ft. Worth, Texas is a result of icy conditions created by the aforementioned polar vortex
- As the Tampa Bay Buccaneers beat the Kansas City Chiefs in Super Bowl LV this past Sunday, Sarah Thomas made history as the first female to referee a Super Bowl
- House impeachment managers wrapped up their case yesterday for the conviction of Donald Trump for inciting the US capitol riot on January 6
- New York governor Andrew Cuomo's top aide admits NY hid COVID-19 nursing home deaths to avoid a federal investigation
- Black Renaissance, a new YouTube original special, will showcase Black creators, artists, writers, storytellers, and history makers who have shaped our nation's history, and the next generation of Black voices who are reimagining our future
- Chinese New Year starts today - 2021 is the Year of the Ox!

As always, we sincerely value our relationships and partnerships with you, as well as your trust and confidence in us here at Towerpoint Wealth. We encourage you to reach out to us at any time (916-405-9140, info@towerpointwealth.com) with any questions, concerns, or needs you may have. The world continues to be an extremely complicated place, and we are here to help you properly plan for and make sense of it.

- Joseph, Jonathan, Steve, Lori, Nathan, Matt, and Michelle

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Towerpoint Wealth Original Content



Tax Efficient Retirement Income Strategies

February 12, 2021

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Towerpoint Wealth Wealth Podcast



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Having a tax-efficient investment strategy is critical to efficiently growing, and protecting, your net worth and assets. Our Director of Tax and Financial Planning, Steve Pitchford, weig...

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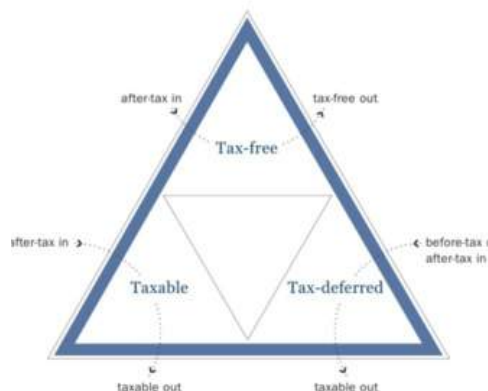
TaxMode - Income Tax Planner and Calculator

TaxMode is a quick and efficient app for income tax planning. It provides an easy way to compute taxes and perform what-if analysis. It contains detailed implementation of USA tax laws fo...

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Leverage These 5 Tax Diversification Strategies

When you're depending on your savings to do the heavy lifting in retirement, you need to wring out as much income as you can from every dollar of savings. However, if most of your saving...

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February 12, 2021

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MAKE TAX TIME LESS TAXING

2021 TAX FACTS AT A GLANCE				
2021 FEDERAL TAX RATE SCHEDULE				
Income	10%	15%	25%	30%
\$0 - \$9,700	10%			
\$9,700 - \$24,000		15%		
\$24,000 - \$38,700			25%	
\$38,700 - \$84,200				30%
\$84,200 - \$160,725				35%
\$160,725 - \$501,300				37%
\$501,300 - \$1,000,000				39.6%
\$1,000,000 - \$5,000,000				40.9%
\$5,000,000 - \$10,000,000				42.0%
\$10,000,000 - \$50,000,000				43.4%
\$50,000,000 - \$100,000,000				45.0%
\$100,000,000 - \$500,000,000				46.3%
\$500,000,000 - \$1,000,000,000				47.0%
\$1,000,000,000 - \$5,000,000,000				48.0%
\$5,000,000,000 - \$10,000,000,000				49.6%
\$10,000,000,000 - \$50,000,000,000				50.0%
\$50,000,000,000 - \$100,000,000,000				51.0%
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Make Tax Time Less Taxing - 2021 Version!

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