

# THE CLEAR PATH

A NEWSLETTER FROM MODERA WEALTH MANAGEMENT, LLC

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## Recent Awards



Our commitment to philanthropy was one of the highlighted characteristics that contributed to our being named one of the Best Places to Work in Money Management

**Best Places to Work**  
2017, 2016, 2012  
*P&I Magazine*

by Pensions and Investments magazine for the third time. We are one of only 61 companies in the nation that received this honor. Only 5 honorees are fee-only fiduciaries providing comprehensive wealth management and integrated portfolio management services like Modera.

*Pensions & Investments partnered with Best Companies Group, an independent research firm specializing in identifying great places to work, to conduct a two-part survey of employers and their employees. The firm evaluated the policies, practices, philosophy, systems and demographics of each nominated company, which accounted for 25% of the total evaluation. The second part of the survey measured the employee experience and was worth 75% of the evaluation. The combined scores determined the companies receiving the award.*

## TAX LOSS CARRY FORWARD WHY AND WHEN DOES IT MATTER?

By: **Michael Gibney, CFP®, AIF®, Wealth Manager**

Over time different investments will increase or decrease in value at different rates or times and cause the portfolio to be out of balance from its target mix of asset class (i.e., 40% stocks, 60% bonds). To bring these investments back to the targeted mix of asset classes, transactions need to be placed. This process is known as rebalancing. These transactions may cause capital gains or losses depending on whether the investment has increased or decreased in value. (Note: this assumes that those investments are held in a non-retirement account.)

Capital gains may result in tax, while capital losses can be used as an outright deduction against income or to offset capital gains. There are no limits to the capital gains that can be taxed in any given year. There is a limit to the amount of capital losses that can be deducted on your annual tax return, \$3,000, in the absence of gains to offset.

There are years (like 2017) when there are few, if any, capital losses. However, there also are years like 2008 that produce losses. If, in any given year, you have losses that exceed \$3,000, the IRS allows you to carry over these losses into subsequent years, deducting \$3,000 each year or offsetting gains until the losses are exhausted. The "tax loss carry forwards" permit an investor to use these realized capital losses to offset the taxation of capital gains in future years. There is also no limit to the amount of gains that can be offset with losses in a given year.

There is opportunity in a year that produces investment losses. Modera can employ a strategy known as tax loss harvesting. By way of example, if ABC mutual fund has an unrealized loss (i.e., paper loss), we can sell the fund, realize the loss, and use this loss to offset realized gains or "bank" the loss to be used to offset gains in future years.

Why is this attractive? When you realize capital gains, you are subject to taxation on the gain. However, if you have losses, you can offset some of the gains to avoid or reduce the amount of taxes you ultimately pay.

It is important to note an IRS ruling preventing someone from intentionally taking a loss to use as a deduction to offset gains while repurchasing the same or a similar security. The "wash sale rule" prohibits someone from selling a security at a loss and, within 30 days before or after that sale, buying the same or a "substantially identical" security in its place. If the same security or something substantially identical is bought within this time period, the loss is disallowed.

continued on page 3...

# PER STIRPES vs PER CAPITA

## WHY DOES IT MATTER?

How is your property to be left to your beneficiaries? Why do the legal terms “per stirpes” and “per capita” matter? If you have any intentions of leaving property to your heirs upon your death, you may want to read on.

figure 1

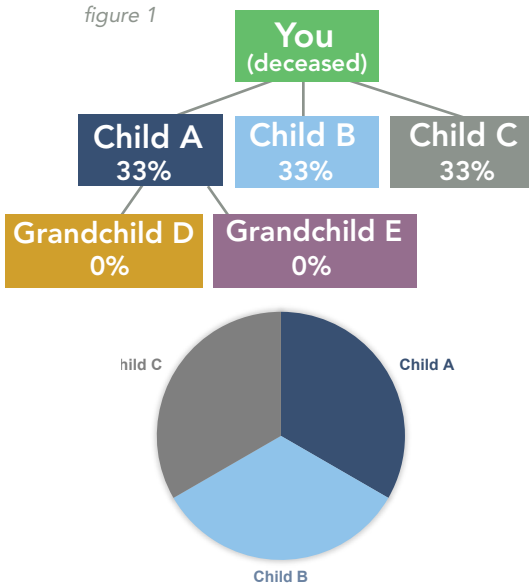
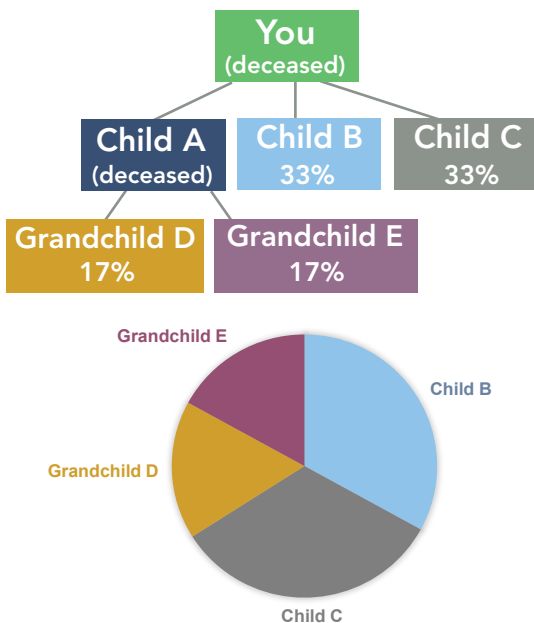


figure 2



Let's look at a hypothetical situation:

- You currently have three children, A, B and C
- A has two children, D and E
- B, C, D, and E do not have any children

### Per Stirpes

In a distribution by **Per Stirpes**, each “branch” is equal. This means that each branch receives an equal amount regardless of how many people are in that branch.

To illustrate this distribution method, let's look at 2 specific scenarios:

#### Scenario 1

You pass away while everyone else is still alive. A, B and C will each receive one third. D and E receive nothing.

(see figure 1)

#### Scenario 2

You and A have passed away. B and C will receive one third and D and E will share one third (A's share if she had lived), so that they each get one sixth.

(see figure 2)

### Per Capita

In contrast, let's look at a distribution **Per Capita**. In this case, each “head” is equal and therefore receives an equal amount. Those who are living share equally in the amount.

Again, we will illustrate this distribution method by looking at 2 scenarios:

#### Scenario 1

You pass away and everyone else is still alive. A, B and C will each receive one third. D and E receive nothing. This is the **SAME** as “per stirpes”

(see figure 1)

#### Scenario 2

You and A have passed away. B, C, D and E will each receive one fourth (“per head” = 4 heads so they each get a quarter)

(see figure 3 on next page)

Interested in staying up to date on our events and happenings?

You can now find us on Facebook and LinkedIn.



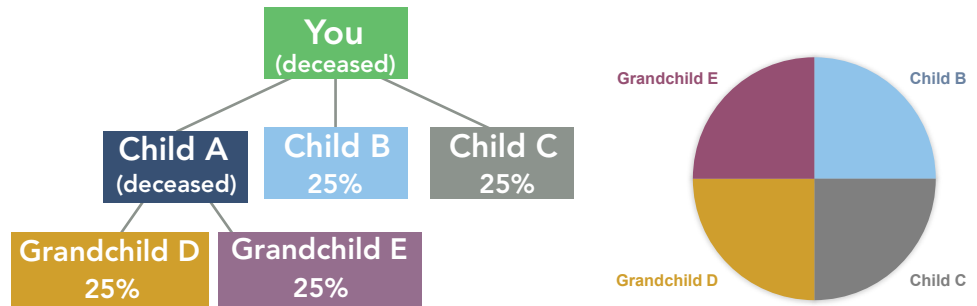
As you can see, the distribution method is an important consideration when determining the transfer of your assets upon death.

Below are some points of action we recommend taking to ensure your assets are transferred according to your intentions.

- Check with your custodian on your distribution preferences. Note that beneficiary designations and distribution methods supersede a will. You should be certain that the institutions holding your assets will be distributing the assets according to your stated wishes upon death. Many custodians have “per capita” as a default.
- Check with your estate planning attorney to confirm the asset distribution methods outlined in your legal documents and beneficiary forms and how these terms operate under state laws.

Please contact your wealth manager if you have any questions.

figure 3



## TAX LOSS CARRY FORWARD CONTINUED FROM COVER...

A tax loss carry forward is permitted on the federal level, but some states do not allow it on the state level.

New Jersey, for instance, doesn't allow for a carry forward of capital losses which affects year-end tax loss harvesting strategies. Unlike at the federal level, NJ does not allow investment losses in excess of investment gains to offset other income items, nor does it allow the loss to be carried forward to future years to offset gains in those years.

As a result, an effective year-end tax planning strategy for NJ taxpayers can be to intentionally sell investments that have appreciated in value and realize

gains that can be sheltered by the losses that they will otherwise forfeit at year end. For example, where one has capital losses to use, selling an investment at a gain today and buying that same investment back the next day, essentially increases the cost basis of the investment and reduces the taxable gain if it is sold at a profit in the future.

Part of our investment planning strategy is to help reduce capital gains taxes when possible. We recommend that you work with your wealth manager and tax advisor when considering selling investment assets to help ensure that you are factoring in all tax considerations.

# MODERA IN THE COMMUNITY



**"ONE MODERA"** was the theme for the full staff off site held in Newport, RI (pictured above). Over the course of 3 days in early October the group participated in team building activities and dynamic strategic planning discussions. Modera continues to grow with the intention of creating an impactful positive experience for our clients. We grow to provide an expanded knowledge base of expertise with the goal of providing sound advice for our clients' unique needs. We left the retreat with a feeling of unity in providing an exceptional experience to our clients. Our streamlined mission statement is to *"Make a Difference in Our Clients' Lives."*

## PHILANTHROPY

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### 2017 Day of Community Service

Modera's Philanthropy Committee selected "Financial Literacy" as its theme for the firm's 2017 annual day of service endeavor. On Monday, October 16, Florida colleagues volunteered at the Citrus High School in Inverness to present to two Financial Algebra classes. The presentations focused on budgeting, savings, debt, retirement, investments and career development.

The 2018 unified theme for the annual day of service will be "Alzheimer's and Dementia."

### Holiday Giving Back

Florida sponsored 34 children through the Boys and Girls Club of Citrus County, which promotes the social, educational, health, leadership, and character development of boys and girls during critical periods of their growth.



## OFFICE NEWS

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### Commitment to Education

Congratulations to Sandy Patrick, a Planning Associate at the Modera Inverness office, for earning her AAMS® designation. Professionals who hold the Accredited Asset Management Specialist designation have completed a course of study including investments, insurance, taxation of investments, retirement and estate planning issues.

### Awards

The Florida office received the "Inverness Beautification Award" for its commitment to maintaining an attractive building and office space.

*This newsletter contains information that is not suitable for everyone and is limited to the dissemination of general information pertaining to Modera Wealth Management, LLC's ("Modera") wealth management services. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Nothing contained herein should be interpreted as legal, tax or accounting advice, nor should it be construed as personalized investment or other financial advice. For legal, tax and accounting-related matters, we recommend that you seek the advice of a qualified attorney or accountant. Investors should consult with a financial advisor before investing. Modera is an SEC-registered investment advisor. SEC registration does not imply any level of skill or training. For information pertaining to our registration status, fees and services, please contact us or refer to the Investment Adviser Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) to obtain a copy of our disclosure statement set forth in Form ADV. Please read the disclosure statement carefully before you invest or send money.*