

**Sun City Summerlin
Computer Club**

Internet Investing \$IG

October 20, 2016

Tom Burt

SIG Meeting Schedule

- **The Internet Investing SIG meets every other “even” month on the third Thursday morning at 9 AM. The next six meeting dates will be:**
 - *December 15, 2016*
 - *February 16, 2017*
 - *April 20, 2017*
 - *June 15, 2017*
 - *August 17, 2017*
 - *October 19, 2017*

Market Fundamentals Review

- **Dollar remains very strong against foreign currencies.**
 - *Oil and many commodities priced in dollars.*
 - *Saudis and Iran continue to pump and flood the markets.*
 - *Crude oil now about \$50 and many energy stocks have risen.*
 - *Other commodity prices and stocks of producers still down.*
- **ISIS and Russians in the middle east causing great concern.**
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has pushed bond yields down. The 10 year Treasury note now yields about 1.7% !
The 30 year Treasury note yield is 2.46% !!*
- **New IMF Currency Basket**
 - <http://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/35/Review-of-the-Special-Drawing-Right-SDR-Currency-Basket>
- **Eurozone – in *BIG* trouble due to hoards of refugees.**
- **Official Inflation rate (Core CPI) is 2.2% / year**
 - <http://www.usinflationcalculator.com/inflation/current-inflation-rates/>
 - *Some food prices have come down (beef, pork, shrimp) on specials*
 - *LV gasoline (\$2.25 at Costco) <http://www.vegasgasprices.com/gaspricesearch.aspx>*
 - *Medical care & insurance is NOT cheap*

Required Minimum Distributions (1)

- Congress created various “tax deferred” requirement plans such as IRA, 401K, 403b. These are called “Qualified” plans.
 - http://money.cnn.com/retirement/guide/IRA_Basics.moneymag/
 - *You could make deposits from earnings to these accounts and not pay tax at the time.*
 - *Idea was that you would defer taxes on your retirement savings from a time when you had a high tax rate to later in retirement when you would draw the funds out and pay tax at a lower tax rate.*
 - *Funds in these accounts can be invested in a variety of equities and income earned by these investments is also tax deferred.*
- Funds withdrawn from a qualified plan are taxed at **ordinary income** rates – no special rate for dividends or capital gains.
 - *Funds taken out before age 59 ½ incur a 10% penalty on top of the tax.*
- By law, qualified account holders *must* begin taking withdrawals in the year they turn 70½.
 - *The required amount is based on your projected life expectancy.*
 - *IRS has tables that specify these.*
 - <http://www.bankrate.com/finance/money-guides/ira-minimum-distributions-table.aspx>

Required Minimum Distributions (2)

- **Required Minimum Distribution calculation is:**
 - *Account Balance (as of 12-31 of previous year) / Distribution Period*
 - *Example: John Smith was 73 (on 12-31), his IRA balance was \$253,100, his Distribution Period is 24.7 (from the table). His RMD is $\$253,100 / 24.7 = \$10,246.97$. Based on a 25% tax rate, his additional tax from the RMD would be: \$2561.74!*
- **If you have multiple qualified accounts, you must compute the RMD for each one separately. However, you can allocate the actual total RMD withdrawal between those accounts any way you see fit.**
- **RMDs may not be “converted” from a regular IRA to a Roth.**
- **You may DONATE your RMD directly to a charity and avoid tax.**
 - <http://www.kiplinger.com/article/taxes/T032-C001-S003-donate-your-rmd-tax-free-to-charity-in-2016.html>
- **Exotic way to avoid tax on your RMD:**
 - *Take out a mortgage on house. Invest that money in something safe (e.g. AA muni ETF)*
 - *Use the annual RMD to pay down the mortgage (principal and interest)*
 - *Deduct the interest paid on Schedule A.*

Open Discussion