Amanda E. Lisachenko, CFP
Chief Operating Officer

Technology. It's supposed to make our lives easier. Sometimes though, especially when it's new, it certainly doesn't feel that way. We are all creatures of habit, so change is not always welcome. Given this, we are always striving to find ways to improve our firm to make life easier for our clients and technology in the long run is part of that solution. As new technology becomes available, we perform our due diligence which among many things includes understanding its capabilities, user-friendliness, security, and privacy, etc. We strive to adopt newer technologies that bring a balance of ease of use and benefit. Over the past several years we have brought on some newer client-facing technology that we have highlighted below:

- **Docusign®** – DocuSign allows clients to sign Pershing paperwork electronically through an e-signature. It is more secure and convenient than sending paperwork through email or the postal service.

- **Right Capital®** – This is our new cloud-based financial planning software. It provides access to a client's financial plan and interactive tools (compare multiple scenarios, illustrate stress tests, budgeting, account aggregation, student loan planning, cashflow planning and more).

- **RFS Client Portal and Mobile App** – The RFS Client Portal and Mobile App (offered through our vendor, Envestnet Tamarac) provides our clients with a secure method of communicating with us, viewing account summary and detail information (performance, holdings, transactions, etc.), and a secure document vault.

The RFS Client Portal has added some new features recently:

⇒ **Account Aggregation** – With this integration, clients can link and see outside accounts like credit cards, investments, loans, mortgages, and other financial account data on the Net Worth report and on their client portal. Over 15,000 connections to financial institutions, billers, reward networks, and other end points—including a connection to automatically determine the value of a home are available. These accounts are added by a simple process of adding your login information into the system *(please note this information may need to occasionally be updated if your credentials change or expire)*.

⇒ **Pershing Document Integration** - The Pershing Document Integration allows clients to see Pershing client statements, tax documents, and trade confirmations in the Tamarac document vault. The Tamarac portal never stores the files displayed with this integration. Instead, Pershing continues to store the files on their servers, and the Tamarac document vault provides a secure link to those files directly on the Pershing servers.

-continued-

Technology (continued)

Some other options that our clients can take advantage of to simplify life are:

⇒ Reed Financial Quarterly paper statements can be sent electronically to your RFS Portal.

⇒ Instead of receiving one piece of physical mail for each account at Pershing, clients can consolidate all of them into one envelope (via SelectLink®).

⇒ Pershing paper documents can be sent via email *(we suggest setting up a specific email account to do this).*

⇒ Rather than sending sensitive documents to us in a non-secure e-mail or through the U.S.P.S. physical mail, clients can instead upload documents electronically through the RFS Client Portal.

If you would like to know more about or start using any of these newer features, please contact us. ■

Movie Night!

Buckle up for a night at the movies with RFS because there is a new toy in town!

Featuring …Toy Story 4

Tuesday, June 25, 2019
Showtime - 6:30 pm

Silverspot Cinema
27349 Harvard Road, Beachwood

(Located at Pinecrest in Orange Village, across from Pinstripes)

Please RSVP by June 14th to Michelle@Reed-Financial.com or (216) 464-2090

The Road to IPO

Evan Watson, Investment Analyst

This year has high expectations for the amount of companies that are going from being private, to publicly listed. There are large companies coming onto the public stage that are helping to drive this excitement. Some of those do very well, like the Beyond Meat IPO, and others don't do as well, like Lyft. With IPOs ramping up this year, it is good to look at the road to IPO as well as some of the pros and cons of buying on day one.

From Paper to Public

When a company decides to go public, there are many hoops they must go through. The process starts by filing a form with the SEC called the S-1. This form outlines the planned use of proceeds, how the business operates, and discusses the pricing of the stock.

Once approved by the SEC, the company will go on its road show. This is the time period in which the company has meetings with institutional investors, fund managers, and banks that will underwrite the public offering.

How and why do these people get access to the company? These are the investors that will help the stock list when it comes to the big day. There are requirements to be an institutional investor that includes having the ability to trade in blocks of 10,000 shares.

The intent of the road show is to help present the companies' financials and goals as well as drive excitement for the IPO. They have multiple presentations, trying to get as many investors to commit to underwriting. This process can take a couple months or longer depending on the success of the road show.

The Big Day

After the road show is completed, the company settles in to prepare for the big day. On the day of the IPO, the company sits back and lets the market do the work. This takes time and effort by traders and banks on the floors of the exchanges. Once the market opens, a lead trader starts what is called "building the book". This is the process of reaching out to buyers and sellers and getting a price that the market deems appropriate. This process can take a couple of hours but is designed to make sure that the company optimizes the value it receives prior to opening it up to the secondary market.

Buyer Beware

As companies go public, it can be an exciting time for the average investor to buy a piece of a company. Often, investors think that getting in early can offer you the best opportunity for results. However, there are some precautions that should be taken. Prior to buying, do some research on the company and really understand the business.

Additionally, IPOs can be a tricky time to purchase because of the excitement factor. This can drive the price well above a fair value. One of the ways to help prevent overpaying is to use a limit order. This lets you set the price you are willing to pay. Additionally, it might be worthwhile to wait through a couple of days of trading to see if the price sticks. You might not get the best price, but it is also prudent to make sure the price is not a flash in the pan. ■

"Don't put off until tomorrow, what you can do today"

Janet Edwards, Director of Client Services

It's funny the things you remember growing up. I remember wanting a Care Bear. My creative, thrifty mom took one of my random green teddy bears and went to work sewing a clover on his chest from green material she had laying around and even added the little Care Bear heart on his back side. No sense wasting money on one from the store when she could make one of her own!

Also engrained in my mind, were the many proverbs repeated constantly from my grandpa and dad which often dealt with money such as-

- *A penny saved, is a penny earned.*
- *Money doesn't grow on trees.*
- *A fool and his money soon part.*
- *The best things in life are free.*

Perhaps these early memories helped shape the way I think today as I often spend a lot of time trying to not waste money and trying to save more.

Debt got you down?

The first step to getting out of debt is to stop getting further into it. Commit to not charge more on credit cards until you've paid off what you owe.

To make sure you are not forced to use credit, make a detailed budget of your spending that doesn't exceed your income. Consider setting aside funds for an emergency fund before making extra credit card payments.

Take steps to reduce your credit card interest rate. Oftentimes you can do a balance transfer to a credit card with a special promotional 0% APR or you could take a personal loan to pay off debt at a lower rate.

Next make a debt payoff plan. Some people pay off the highest interest debt first since it is the costliest whereas other people start with the lowest balance so you can cross that one off their list and feel good. Take an approach that you can stick with.

Cut your spending

No matter where you are financially, it is never a bad idea to cut spending and save money. Small savings can really add up. If you can cut just $5 a day from your spending, it will add up to over $1800 / year.

When looking for ways to make your pay stretch a little further or maybe build your savings, the first place you probably think to cut back is on all the little things you really don't need like the lunches out, coffee shop runs and things of that nature.

Other simple things to save money include:

- Shop with a list and stick to it to avoid impulse buys.
- Save money by meal planning and keep a stash of snacks to avoid trips to the convenience store or fast food joint.
- Pack your lunch and bring your coffee from home.
- Review your monthly bills on periodic basis. New technology and competition also can lead to pricing pressures for monthly services like internet, phone and cable (or many people have now cut the cable and satellite services completely and have moved over to just the streaming services).
- Call up your service providers to see if they have any promotions or special pricing that you can take advantage of. If you mention that you're looking around or potentially cancelling your service, they'll be more than happy to give you their best offer so that they can keep you as a customer.

Develop a Regular Savings Plan

Automatic savings and investments help you save today while your balance grows over time with compound interest and investment returns. Additionally, if you automate your savings, it's easier to resist spending the money on everyday purchases.

Prioritizing where to save can be a struggle for many people. There are Roth IRAs, regular IRAs, 401(k)s, health savings accounts, 529 college savings accounts, and regular taxable mutual funds, and more! Clearly it is not possible to put money everywhere, so when it comes to long-term savings, how can we prioritize our investments to get the most value in terms of tax advantages and growth?

In Summary

At one time or another, we're all told to save money, but we're not always taught how to save money — or better yet, how much to save to accomplish our personal goals. In trying to determine how much to save and where; this will depend on your goals, what they cost, how much it takes to fund your ideal lifestyle and the timeline between now and when you need the money. The element of time comes into play big-time with investing because the longer your time horizon, the less you have to save on a monthly basis, so as I would have been told growing up, "*Don't put off until tomorrow, what you can do today*."

If you would like to set up an automatic contribution to any of your accounts or need help determining where you should be saving, let us know! ■

"It's not your salary that makes you rich, it's your spending habits." — Charles A. Jaffe

Roth and Roth Conversion Crash Course

Liam Studt, Financial Analyst

Intro to Roth IRAs

Saving on taxes is always a hot topic when it comes to your financial well-being. Most are familiar about how to save for retirement with 401k's, IRA's and Roth IRA's as some of the vehicles to get tax-deferred savings and growth. However, many people are not as well-versed when it comes to dealing with the tax implications with regard to withdrawals from these accounts.

Distributions on 401k's and IRA's are taxed as ordinary income when funds are withdrawn since the contributions initially went in before taxes were paid. Roth IRA's are different because the funds in these accounts have already been taxed at ordinary income at the time of the contribution. A qualified distribution from a Roth IRA is tax-free... no taxes (federal or state) due on the principal... no taxes due on the earnings... no taxes due, period.

This difference could therefore impact the taxability of other income sources such as social security or capital gains. The amount of social security benefits that are taxable is determined by the taxpayer's taxable income, while the tax rate applied to capital gains is also determined by taxable income.

The other benefit of using the Roth account is that there is no Required Minimum Distribution (RMD) at age 70 ½. This has spurred many people nearing that RMD to start converting their IRA and other defined contribution accounts to a Roth, known as a Roth conversion.

The benefits and uses of a Roth conversion

A Roth conversion is essentially changing the account classification from a Traditional Individual Retirement Account (IRA) to a Roth IRA and you pay taxes on that conversion amount as income at your current marginal tax rate (which you assume is a lower **tax bracket now** than it will be in the future).

When clients have a lower income in some years, a conversion can pose as a nice benefit. Utilizing the conversion in your lower income years allows you to take ordinary distributions out of your tax-deferred accounts at a lower marginal rate in many situations. This allows the funds to be put into a Roth in which the gains will grow tax-free. Converting these funds to a Roth then ripples to the RMD issue because you do not have to take an RMD off a Roth IRA. Therefore, your overall RMD will decrease come distribution time off the qualified assets. Another great feature of the Roth conversion is that there are **no income limits for contributions** as there had been in the past.

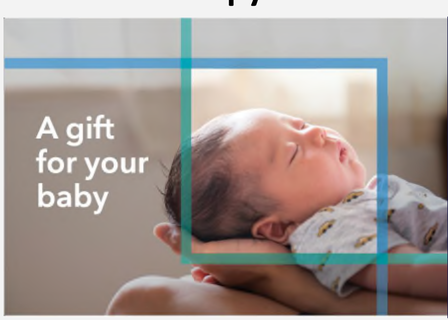
A common way to manage taxes on a Roth IRA conversion is to **spread the conversion over a few years**. This spreads the taxes too, and it may also prevent the income from the conversion causing a bump into a higher tax bracket.

Who does it usually fit?

A Roth conversion may not be for everyone. If you foresee your marginal tax bracket to remain the same, even with your expected RMD, there may not be much benefit. Also, if the RMD is coming within a short amount of time and there has not been any sort of conversion yet, there may not be a whole lot of added tax benefit with reducing your RMD and your effective tax rate. As said above, the clients that would benefit most from a conversion are ones that have lower income years coming up between now and starting their RMD. ■

Now available -- CollegeAmerica gift cards!

When you make a contribution to a CollegeAmerica account, now you can send a card to the beneficiary to notify them that a contribution has been made on their behalf which can be sent via hard copy or electronically. If you are interested, let us know!



A gift of $____ has been made to a CollegeAmerica® 529 savings account.

On behalf of _______________________________.
beneficiary

From______________________________________

Message___________________________________

CollegeAmerica is a nationwide plan sponsored by Virginia529