



Client Bulletin

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Playing Defense as Stock Prices Soar

As of this writing, major U.S. stock market indexes are at or near record highs. This bullish run might continue...or it might end with a severe slide. Here are some strategies to consider.



Stay the course

Many investors will prefer to keep their current stock market positions. For nearly a century, every stock market reversal has been followed by a recovery. Even the severe shock of late 2008 through early 2009 has led to new peaks less than a decade later.

What's more, holding onto stocks and stock funds won't trigger any tax on capital gains.

Move into cash

Investors who are truly nervous about pricey stocks can sell some or all of those holdings, then put the sales proceeds into vehicles that historically have been safe havens, such as bank accounts and money market funds. This would reduce or eliminate the risk of steep losses from a market crash. In both the 2000–2002 and the 2007–2009 bear markets, the S&P 500 Index of large-company stocks fell about 50%. After a loss of that magnitude, investors need a 100% rebound, just to regain their portfolio value.

However, cash equivalents have negligible yields right now, so investors would essentially be trading water in bank accounts and money funds. Timing the market has proven to be extremely difficult, so investors who go to cash risk missing out on future gains as well as

What's Inside March, 2017

Playing Defense as Stock Prices Soar

Holding Down Premiums for Medicare Part B

Safe Harbor 401(k) Plans for Small Companies

Tax Calendar

States for Seniors

Of more than 55 million total Medicare beneficiaries, about 10 million live in just two states: California and Florida.