



# IT'S ASCENTIAL TO KNOW

## VOLUME 13 • 2022 IN THIS ISSUE

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## Actions to Consider When Markets are Down:

Economies and markets are cyclical with good and bad periods, and it is natural to feel nervous when the economy slows and markets decline even though it is common and normal. Many people feel compelled to do something in these situations and there are some actions that may be beneficial and help ease the stress associated with bad markets. If you are feeling the need to act, here are a few ideas to consider:

### ▶ REVIEW YOUR ASSET ALLOCATION, RISK TOLERANCE, AND FINANCIAL PLAN.

Re-visiting these topics in times of uncertainty can offer perspective and help to ease anxiety. Remember also that we have constructed your portfolio and financial plan with a long-term view which inevitably includes market corrections.

### ▶ REBALANCE PERIODICALLY.

Emotions often betray investors. When things feel good we want to buy, and when they feel bad we want to sell, which can lead to a buy high, sell low experience. This is the opposite of good investing! Sticking to a periodic rebalancing strategy removes emotion from the equation.

### ▶ DISCUSS YOUR DISTRIBUTION STRATEGY.

For those taking regular portfolio distributions, diversification and risk management are critical.

When markets are volatile, we can rely on more stable investments to fund distributions. This also offers the other assets an opportunity to recover.

### ▶ RE-VISIT SOCIAL SECURITY CLAIMING DECISIONS.

For retirees who are eligible for Social Security that have decided to wait to start their benefit, it may be worth looking at whether it makes sense to start collecting sooner to help reduce portfolio draws. This should be evaluated in the context of a financial plan, and may or may not make sense depending on individual circumstances. Keep in mind that Social Security benefits increase each year they are delayed up until age 70, and that increase is locked in for life.

### ▶ CONSIDER POSTPONING LARGE PURCHASES.

Many clients will simply wait to purchase a new car, trip, etc. until the storm has passed just because they are less comfortable spending. Delaying a large draw may be better for your portfolio's recovery as well.

Sometimes it can also make sense to explore financing options for major purchases, such as no interest financing on auto purchases, rather than drawing on portfolios that are down. We can help you to weigh your options in such situations.

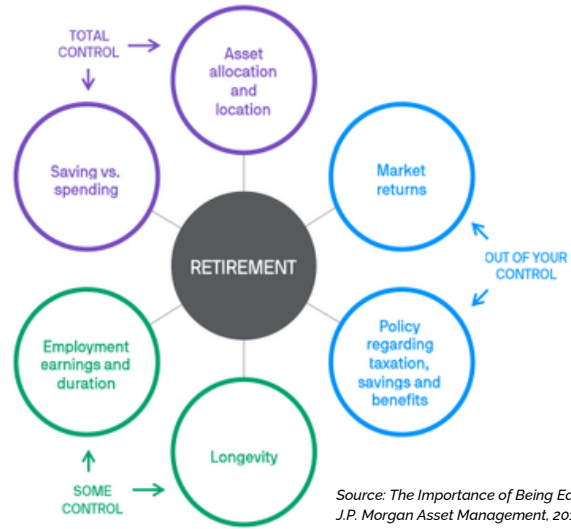
► **REDUCE YOUR PORTFOLIO DRAW IF POSSIBLE.**

Some people naturally spend less if they are anxious, so if you find your bank account is growing it may be better to lower your draw and leave it invested. As we mentioned before, small changes can mean big results when compounded, so reducing the draw on your portfolio in bad times can be beneficial to both the portfolio's recovery and your long-term plan success.

► **CONSIDER A ROTH CONTRIBUTION OR CONVERSION.**

For those who are feeling less nervous and want to take advantage of a market drawdown, it can be an opportunity to invest in a Roth IRA where the eventual gains in a recovery would be tax free. This could be done either by making a contribution if you are eligible, or executing a Roth conversion from a traditional IRA.

**The retirement equation**



Source: *The Importance of Being Earnest*, J.P. Morgan Asset Management, 2013.

► **TAX LOSS HARVESTING.**

When markets are down, sometimes we can turn a lemon into lemonade, and sell the things that have losses to have them to use against future gains. If you have a taxable investment account, we are looking for ways to harvest losses where we can take advantage of the loss and be reinvested in a comparable or better mix of investments.

These are all actions we can explore to address the urge to do something in reaction to bad markets. They are aimed at maintaining a long-term view and generally adhering to the plan and strategies we have implemented, and should be considered within the context of your unique situation. We welcome conversations about which options may be right for you, and are always here for a discussion.

**HOW TO HELP A CHILD BUILD CREDIT**



The Credit Card Act of 2009 made it more difficult for anyone under the age of 21 to qualify for a credit card. Without proof of continuous, steady income, most banks will not give out a line of credit to a young person. Finding ways to help your children or grandchildren build credit now will financially benefit them in the future. [Here are four ways to get started:](#)

► **STUDENT CREDIT CARD:**

College students can access a student credit card, if enrolled full or part-time in a college level institution. This type of credit card is specifically for students, and usually requires either a low or no credit score. Income requirements are also reduced, and many times other options to list as income such as scholarships or financial aid are acceptable. Student cards often have no annual fee, and may have rewards for paying on time, or holding a high GPA each semester. This is a popular option for college students.

► **SECURED CREDIT CARD:**

A secured credit card requires an up-front cash deposit that is equal to the card limit. The purpose of the initial deposit is to act as a safeguard in case the bill is not paid. It also limits the amount of spending to ensure it can be paid off, which aids in a higher credit score. This is a simple and secure option, as it sets a spending limit up front and does not affect the credit score for anyone except the child.

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▶ **AUTHORIZED USER:**

Adding a child as an authorized user to your credit card allows them to have a card in their own name under your account. The child will be able to use the credit card as normal, but the responsibility of paying the bill remains on you as the main cardholder. Making on-time payments and paying off the bill in full improves the credit score for all authorized users on the account, including the child. The risk with this option is that the main cardholder is responsible for all purchases made on the account.

▶ **CO-SIGNING:**

Co-signing on a credit card in the child's name is another option to help them qualify for a card and build credit. The main difference from being an authorized user is the child is the main cardholder, meaning it is their responsibility to pay on time in order to improve their credit score. The risk with this option is the co-signer's credit score could be negatively impacted if payments are not made or if they are not made on time.

As you explore options for helping a child build credit, keep in mind that not all types of credit report to a person's credit history. It is important to clarify that credit history is being reported to the credit bureaus in order to improve the child's credit score, as each issuer can report differently.

Building a credit history is an important step toward becoming financially independent. Credit is needed for buying a car or a home, securing a lease or starting a business. Helping your child start the credit building process and educating them on how it works will benefit them for years to come.

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## ADDITION TO THE ASCENTIAL WEALTH TEAM



**Barb Nelson**  
Operations Manager

We are pleased to announce the addition of Barb Nelson to the Ascential Wealth team. Barb joined us in December 2021 as our new Operations Manager, a new role to our office. She will be responsible for management and support of the practice, and while she will mostly be working behind the scenes, we would love for you to meet her. We are thrilled to have Barb onboard and excited about the skills and knowledge she brings to our team. Here is a little more about Barb in her own words.

**WHAT DID YOU DO PRIOR TO AWA?**

Prior to joining Ascential Wealth, I graduated from Concordia College with a degree in Organizational Leadership & Management. I've worked in a variety of industries, both in the non-profit and for-profit sectors, but my focus has always been in operations and finance. I am passionate about helping organizations maximize their potential to achieve success while maintaining stability, a positive team environment, and an exceptional client experience.

**WHY AWA?**

I felt a sense of shared values, work ethic, and culture that resonated strongly with me from my very first meeting with the team, and I continue to be impressed with the entire team's dedication to our clients and the integrity with which they do their work. The high level of skill and experience at AWA, combined with a collaborative approach to service, is a recipe for success that I am excited to be a part of. In filling this newly added position at AWA, I look forward to offering support and guidance in the operational aspects of the company so that our talented financial advisors and service managers can focus their efforts on what they do best – providing the best possible experience for our clients!

**WHAT DO YOU LIKE TO DO OUTSIDE OF AWA?**

As a Minnesota native and long-time Duluthian, I enjoy the wide variety of outdoor activities that our wonderful city has to offer. I enjoy hiking, camping, and spending time on the water as much as possible. I also participate in area volleyball leagues and like to enjoy the local music scene whenever I can.

# GET THERE FROM HERE

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*Registered Client Services Mgr.*

**Lori Spilde,**  
*Client Services Mgr.*

**Brad Christiansen,**  
*Financial Advisor*

**Daniel Maki,**  
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**Kristin Rognerud,**  
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