



**WASATCH**  
CAPITAL MANAGEMENT OF  
**RAYMOND JAMES®**



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**INSIDE THIS NEWSLETTER**

- ❖ **KEEP CALM AND CARRY ON**
- ❖ **WHAT IS A BACKDOOR ROTH IRA?**
- ❖ **WASATCH TEAM UPDATE**

**Keep Calm and Carry On. - Thoughts on the Market by Mark Lazar**

***Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria.***  
**Sir John Templeton**

What a difference three months makes. After an abysmal December, which witnessed nearly a 20% top to bottom correction, U.S. stocks are currently up nearly 25% from the Christmas Eve low. Contrary to the doomsayers on TV who were foretelling of the next great bear market and instructing investors to run for the hills, our advice was simply, *do nothing*. Or add to your equity positions if you were underweight stocks at that time. It was evident the market was trading on fear and emotion as opposed to fundamentals. In the short run, the market oftentimes gets it wrong. But in the long run, it gets it right. As of today, U.S. stocks are trading at fair value relative to forecasted

earnings. We expect the market to hit record highs this year, however, we believe most of 2019's returns are already in the bag, with further gains to be in the more traditional, non-linear fashion.

Item	Data point
S&P 500 Return YTD	<a href="#">15.48%</a>
Bond Index Return YTD	<a href="#">2.54%</a>
Foreign Index Return YTD	<a href="#">12.06%</a>
Emerging Market Index YTD	<a href="#">11.90%</a>
U.S Forecast GDP 2019 <sup>1</sup>	2.50%
Unemployment Rate	<a href="#">3.80%</a>

\*All hyperlinked data as of 4/6/2019

<sup>1</sup>Kiplinger's, 3/29/2019

The stock market bottomed on March 9, 2009, and since then S&P 500 has risen over 330%. By some measures, this is the longest bull market in history and the question most often asked is, *when does it end?* But bull markets don't die of old age. Rather, they die of policy failure; [monetary](#) and/or [fiscal](#). Currently, we don't see any policy threats – monetary policy isn't too tight, just less loose. Fiscal policy, at least at the federal level, is the most accommodative we've seen in decades. Additionally, we don't see any bubbles in the major asset classes of stocks, real estate, bonds, or commodities. Prices aren't cheap, but they aren't outside the bounds of historical norms either.

During his 1980 presidential campaign speech, Ronald Reagan was quoted as saying, "A recession is when your neighbor loses his job. A depression is when you lose yours." While that's probably as good a definition as any, in technical terms, a recession is characterized by two consecutive quarters of [negative growth](#). However, there is no specific definition for a depression, other than the general descriptive of a long, deep, and pronounced recession. Recessions are a normal and inevitable part of an economic cycle, and this is true for free market as well as [centrally planned economies](#). Nothing in life is linear and economic cycles are no exception. Fortunately, recessions tend to be short-lived, usually lasting only two or three quarters, at which point the economy tends to recover or rebound.

One might ask why recessions are inevitable. As previously mentioned, recessions are almost always the result of policy error. In other words, central banks tend to be too accommodative for too long, which leads to inflation. Inflation is typically "remedied" by tighter, often ill-dispersed monetary policy that results in negative growth rather than the intended slower growth. Similarly, populist anti-growth fiscal policies, such as higher taxes, increased regulation, and trade restrictions, all serve to discourage hiring, spending, and [investing](#), effectively undermining the business cycle and paving the way to the next recession. Lastly, social engineering policies, such as the federal government's 1992 [Affordable Housing Goals](#), forced Freddie Mac Fannie Mae to lower credit standards for home loans to absurd levels and set the housing market on a path of inevitable collapse.

Policymakers would better serve their constituents by learning that they can neither manage nor control the economy any more than they can control the weather. Instead, they should focus on creating an economic environment that unleashes the productive capacity of a free market system then get out of the way. Economic cycles, including recessions, are both natural and healthy. Recessions serve to cleanse economic excesses (i.e. price bubbles, excess inventory, etc.), which sets the stage for the next leg up, and should neither be feared nor managed.

No matter how rosy the economy may appear today, a rainy day will eventually come. However, if we plan ahead, maintain a reasonable cash reserve, and use debt judiciously, when the next recession shows up on your doorstep our Life Path plan can give you the confidence to weather the storm. As the old saying goes, *this too shall pass*, and recessions always do.

# What is a [Back Door Roth IRA](#)?

## A backdoor Roth may let you fund a Roth IRA beyond normal limits

By: Elizabeth Macbride

### Quick Summary

- A backdoor Roth IRA allows you to get around income limits by converting a Traditional IRA into a Roth IRA.
- Contributing directly to a Roth IRA is restricted if your income is beyond certain limits, but there are no income limits for conversions.
- The amount of money you can contribute to a Roth IRA is normally limited, but a backdoor Roth IRA has no limits on the amount of the conversion.

### Introduction

Roth IRAs are a unique and powerful way to save for retirement. You pay taxes up front on a Roth IRA. After that, all growth and withdrawals are tax-free.

The problem: People who earn over a certain amount aren't allowed to open Roth IRAs—under the regular rules, anyway. If you think tax-free income in retirement would be important to you, but you make too much to open a Roth, you might want to consider the back door. In a backdoor Roth, you first make a contribution to a Traditional IRA, then convert it to a Roth IRA.

It's legal, but it's a little bit more complex. Some of the commonly asked questions about backdoor Roth IRAs are:

- [What exactly is a backdoor Roth IRA?](#)
- [Is a backdoor Roth IRA right for me?](#)
- [What are the tax implications of a backdoor Roth IRA?](#)
- [Will backdoor Roth IRAs always be available?](#)

### What exactly is a backdoor Roth IRA?

A backdoor Roth is a conversion of [Traditional IRA](#) assets to a Roth IRA. Currently, anyone can convert money that they have put into a Traditional IRA to a Roth IRA, no matter how much income they earn. What's more, they can also roll as much money as they want from an existing Traditional IRA into a Roth IRA. In other words, if the Traditional IRA has more than the yearly contribution limits on IRAs, you can roll over that larger sum into a Roth at one time.

Keep in mind: This isn't a tax dodge. You will need to pay taxes on any money in your Traditional IRA that hasn't already been taxed. The funds that you convert to a Roth IRA will most likely count as income, which could kick you into a higher tax bracket in the year you do the conversion. On the other hand, if your income happens to be unusually low in a particular year—perhaps you had a gap in employment—you could take advantage of that situation by making the Roth conversion then. Timing is important. Carefully calculate the tax implications of a Roth IRA conversion before you decide.

You can do a backdoor Roth IRA in one of two ways. The first method is to contribute money to an existing Traditional IRA, sell shares, and then roll over the money to a Roth IRA account. Or, you can convert an entire Traditional IRA account to a Roth IRA account. Your bank or brokerage should be able to help you with the mechanics. Your Traditional IRA doesn't have to be new. You can roll over existing Traditional IRA money—or an old Traditional IRA account—into a Roth.

## Wasatch Team Updates



### Mark

Mark with a monkey on his head, while Savina looks on in delight. Just one of the great memories from their trip to Saint Martin in the Caribbean last month.



### Morgan

Ski season in Park City is officially over. While waiting for the snow on the hiking trails to melt, Morgan and her husband Whitaker took off to Capitol Reef to hike. Pictured here on Navajo Knobs.



### John

Ready to get back on the bike, John and some friends took to the White Rim Trail in Canyonlands National Park. Not for the faint of heart, this 98.8 mile loop takes in some pretty sweet scenery along the ride.



### Melissa

Melissa soaking up her first winter in Utah on the snowboard at Snowbird Mountain. Even though spring has arrived, the mountains still have a TON of snow!!



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