

## **IRA Owners – Stick with the Stock Market or Add More Hard Assets?**

The Stock Market has been moving up; however, we all know that at some point in time the current Bull Market trend will come to an end and may even reverse itself. The question for many of us is: Should our IRAs hold on to stocks till the last minute or lighten up on stocks and place a part of our IRA funds in hard assets?

Holding a large portion of your funds in the stock market sounds appealing as the Stock Market rally is entering its 14<sup>th</sup> month. The question for people who need to decide where to allocate their money is: Will the rally continue? Let's look at why stocks have been going up.

1. **Comps:** Year-to-year business comparisons have set a very low bar for businesses to hurdle. For example, in March of 2009 a Las Vegas hotel's occupancy was down 38% compared to the preceding year. In March 2010, occupancy was up 6%. By reporting a 6% increase the hotel gives the impression that it is strong and its stock moves up.
2. **Staff:** Businesses slashed staff during the down turn. Even though a business cannot operate indefinitely with a skeleton staff, they have for several months. Smaller staff = bigger earnings in the short term.
3. **Old Income Taxes:** Losses in the previous year have translated into lower tax costs this year. For example, General Electric paid zero income tax for year 2009.
4. **New Income Taxes:** Next year, many expect corporate tax rates to increase.

Items 1 through 4 above have all created short term benefits for corporations which have helped their stock prices to increase. Each of these benefits will start to disappear in the coming months.

The market is also affected by the needs of the investing public. What will be driving investors?

1. **Higher Capital Gains Tax Rate:** Investors who have profits in their market positions may be encouraged to sell before the end of 2010 so they can take advantage of the last of the 15% capital gains rates before the rate increases to 20% on January 1, 2011.

Investor selling will cause downward market pressure during the last quarter of 2010.

If you are wondering when to reduce your exposure to the stock market and place a part of the funds into an alternative asset investment, you should consider making that move before the end of the summer. By the end of summer business comps will start to get tougher, staffing cost will start to go up as shortened staffs show signs of strain, businesses must start to prepare for the looming new taxes coming in 2011 and investors will start to sell to take advantage of the 15% capital gains rate.

Conclusion: Identify a solid alternative asset now. Gather your information and prepare to make your move during June, July or August.

What is Best Place(s) For My IRA Dollars? This article submitted by **The IRA Club**; written by Dennis Blitz. To learn more about how to invest hard assets with your IRA just call the IRA Club at 888-795-7950 or visit our web site [IRAclub.org](http://IRAclub.org)

#### IRA QUESTION AND ANSWER:

##### Question:

When I retire if the only income I have is a monthly withdrawal from an IRA, I know that I will pay income tax on the amount withdrawn. If I apply for Social Security benefits in the future will the money withdrawn from my IRA be considered "earnings" that could potentially reduce my monthly Social Security benefits?

##### Answer

No. The IRS only counts wages you earn, or profits if you are self employed. Non working income does not affect Social Security Benefits. (See IRS Publication 05-10035)

IRA QUESTION AND ANSWER was submitted by **The IRA Club**; written by Dennis Blitz. To learn more about how to invest hard assets with your IRA just call the IRA Club at 888-795-7950 or visit our web site [IRAclub.org](http://IRAclub.org)