PARSEC FINANCIAL

Tax Planning Edition

Note from the CEO

Richard Manske, CFP®

As I interact with our clients, I love to ask why they work with Parsec Financial and what they like about the relationship. I hear a lot of nice words about trust, friendliness, professionalism, and service. But, when someone really indulges my curiosity and shares deeper feelings about how they see the relationship, it often comes down to a broader set of needs.

The internet gives us all access to loads of information, but it takes time to sift through to see what is germane to our lives. It takes expertise to know that, and once known, the amount of information is oftentimes large enough to cause paralysis from analysis. Making financial decisions is not easy. We partner with our client to give advice and encouragement towards making necessary decisions. We help the client to reduce complexity, take action, consider trade-offs, and in the end, increase confidence about the chosen path. Tending to financial matters is not everyone's forte. Receiving encouragement and saving time is a nice way to deal with the general unpleasantness many people feel when confronted with financial decisions.

This feedback inpired our decision to begin offering tax preparation services to our clients. Being compliant with taxes is a significant undertaking for most people. Saving and organizing the necessary information is a necessary and ongoing process. This process culminates in the tax preparation "season," that if not extended ends around April 15th of each year. By providing these services we can add a level of simplification to the process, as well as integrated advice.

Our tax preparation fees are competitive, and service is provided locally. You will get the benefit of interacting with your Parsec Financial team to help make the process efficient. We understand that many of our clients have access to a tax preparer and are well served. In no way do we want to interfere with these established relationships. However, when surveyed, 30% of our clients were looking for a trusted tax advisor and indicated that they would consider the service if offered by Parsec Financial.

The decision to move forward with providing Tax Services was informed by our overarching goal of helping to find financial security for each of you. We believe this is best done in a financial planning process that includes careful consideration to tax planning and compliance. We are committed to that, whether we are interacting with your trusted CPA or you are working with us. We hope that you find this service beneficial and find value added to your relationship with us.

Tax Planning Edition

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Jim's Crystal Ball

The Expansion Continues... and Continues....

The recession that began in December 2007 ended in June 2009, which is when the current expansion began according to the National Bureau of Economic Research, the accepted chronicler of business cycles in the U.S. This expansion, which has gone on for 111 months as of September, is the second-longest one in the history of U.S. business cycles that begins in December, 1854.

The longest one is the ten-year (120 months) expansion that ran from March 1991 to March 2001. We will tie that record next June and surpass it in July of 2019. That is the overwhelming consensus among economic forecasters today.

The broadest measure of the economy is Gross Domestic Product (GDP). This represents the value of all the goods and services produced within the borders of the U.S. for final demand. When it is adjusted for price changes, it is called real GDP.

On July 27, the Bureau of Economic Analysis (BEA) gave us new data on real GDP back to 1929 on the base of 2012 dollars. Previously, the measures of real GDP had been calculated on base prices in 2009.

On August 29, BEA gave us revised estimates of real GDP for the second quarter of 2018. As **Chart 1** on the following page shows, the growth of 4.2 percent at a seasonally adjusted annual rate in the second quarter of 2018 was the highest since the 4.9 percent pace reported for the third quarter of 2014.

You will also note something that is unique to this expansion. There have been three quarters in which real GDP has declined. Those were the first and third quarters of 2011 (-1.0 and -0.1 percent respectively, at seasonally adjusted annual rates) and the first quarter of 2014 (-1.0 percent).

While there have been two long expansions with one quarter of decline (the first quarter of 1956 in the May 1954 to August 1959 expansion and the third quarter of 1973 in the November 1970 to November 1973 expansion) and one with two declines (the first two quarters of 1947 in the October 1945 to November 1948 expansion), this is the only expansion that has posted three quarters of declines in real GDP. That was not the case before the recent revisions to the historical record, which added the third drop.

Forecasters are split at the moment on whether we will see annual real GDP growth of 3.0 percent or more in 2018. My forecast is we will hit 3.1 percent on a year-over-year basis. If realized, that would be the highest growth rate since the 3.5 percent we had in 2005.

It is no surprise that the U.S. economy is performing so well. The major tax cuts enacted in December 2017 are the biggest reason for the acceleration in growth. They have led to large increases in business fixed investment in 2018. As **Chart 2** shows, real business fixed investment grew by 6.2 percent in the second quarter of 2018 after an 8.0 percent increase in the first quarter, both at seasonally adjusted annual rates.

With corporate profits at record levels and good employees very hard to find and hire, you should expect to see businesses keep investing in equipment, software, research and development, and even structures to raise productivity and stay competitive. Real GDP growth will remain strong so long as that continues.

With record levels of employment, real disposable personal income and net worth, consumers can be expected to keep contributing their huge share (69.6 percent in 2017) to economic activity. The U.S. economy is doing better than most economies around the world.

The economic outlook is excellent. That should continue for quite some time—at least two more years in fact.

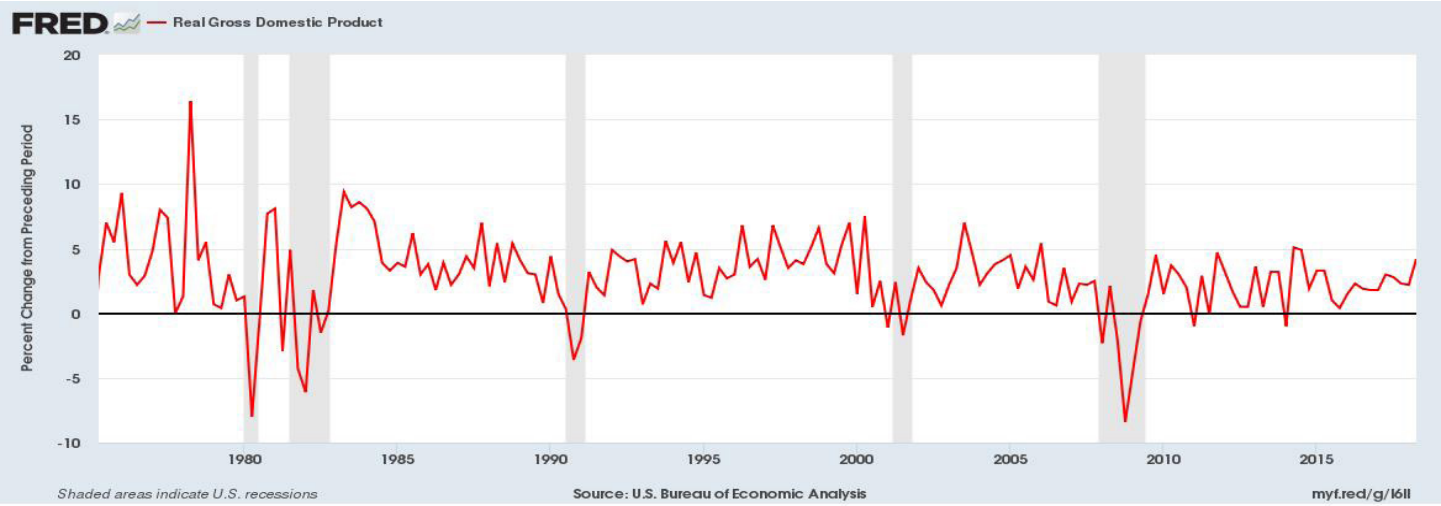


Chart 1

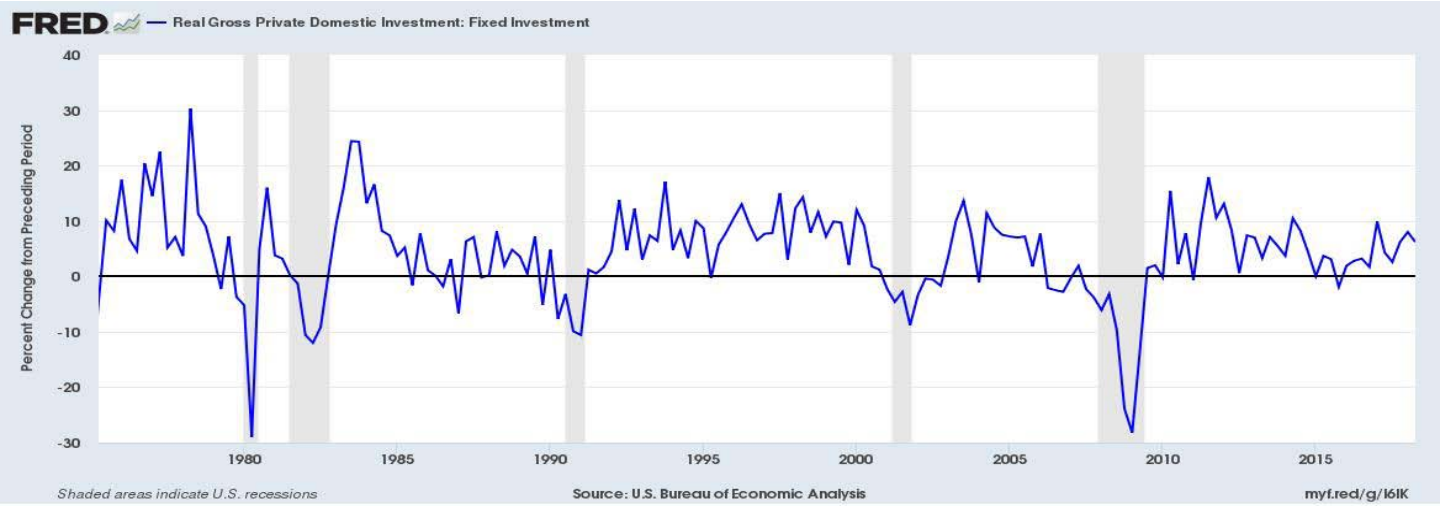


Chart 2

Jim Smith is the Chief Economist. He has been an Adjunct Professor at Kenan-Flagler Business School at UNC Chapel Hill since 1988.

Mental Wealth Corner

Carrie Tallman

It's true that you don't often see the words "taxes" and "happiness" in the same sentence. In fact, they might be considered two of the most unrelated words in the English language. When you think about it, taxes are an obligation or a duty, whereas happiness is something completely different. You could define happiness as what happens (i.e. how we feel) when we're free to do what we enjoy most. No duties, no obligations. So, how on Earth could taxes and happiness go together?

Well, often they don't. Although you (and many others) might think that taxes are inherently negative, they're really a neutral activity. Like most things, it's our thoughts about them that make them good or bad. For example, many of us pay our taxes while resenting the fact that we're paying taxes. We think about how much more money we would have if our tax bill were lower or how inefficient the government is at spending our hard-earned money. Or insert whatever unhappy thoughts you have about taxes.

On the other hand, there are some folks who don't mind paying their taxes (you might be one of them). They view taxes as a form of civic duty – a privilege that comes with living in a prosperous, democratic nation. Or maybe they have a comfortable lifestyle and don't mind "giving back" to the government with the idea that their money will be put to good use. You get the picture.

Regardless of what your thoughts may tell you, taxes are one of those non-negotiables. In other words, we all have to pay our taxes. As Benjamin Franklin once wrote, "… in this world nothing can be said to be certain, except death and taxes." They're an unavoidable consequence of living in a developed, democratic nation. And, you do have alternatives – pay the government even more money in the form of penalties or go to jail. Admittedly, these options are not very pleasant so we're back to paying taxes. Right, unavoidable.

While your options for paying taxes are admittedly limited, you do have a choice when it comes to how feel about the subject. As the example above illustrated, that choice relates to the thoughts you tell yourself (or don't) about paying Uncle Sam. Thoughts lead to feelings, and feelings spur us to action or inaction. This is why two people faced with the same situation often respond very differently – because they have two different sets of beliefs about the circumstances at hand, and thus they act in alignment with their respective storylines.

You can continue to be miserable come April 15th by allowing that old storyline to play – that tells you how terrible the government is or how you would have a whole lot more money if you didn't pay taxes to play – or you can consider other thoughts. Perhaps some that would make you feel a little bit better. I'm not advising one or the other but suggesting some experimentation. Because I've discovered that if there's something I have to do, fighting against it with negative thinking only makes things worse.

In addition to observing your thoughts on the subject and experimenting with more constructive viewpoints (that feel better), there are practical options to bridge the gap between taxes and happiness. One idea is charitable giving. As you know, donating money or goods to a cause that is close to your heart is often a win-win: it lowers your taxable income while increasing the social good. It also feels good. A win-win-win.

Another option is to adjust when you pay your taxes - either by withholding more upfront or withholding less and paying more later. Granted, we all need to pay a minimum amount throughout the year, but going against conventional wisdom and paying more taxes upfront might help you feel better. Experts say you're better off paying the least amount of taxes and investing that money in the markets sooner than later. If paying more now and receiving money back from the government later makes you happier, go for it!

Taxes don't have to be a painful process. You've got to pay them anyway, so you might as well be kind to yourself as you do it. You'll be much happier in the end!

Carrie Tallman is a CFA charterholder and a CERTIFIED FINANCIAL PLANNER™ practitioner.

Gotta Love Seagulls!

Cristy Freeman

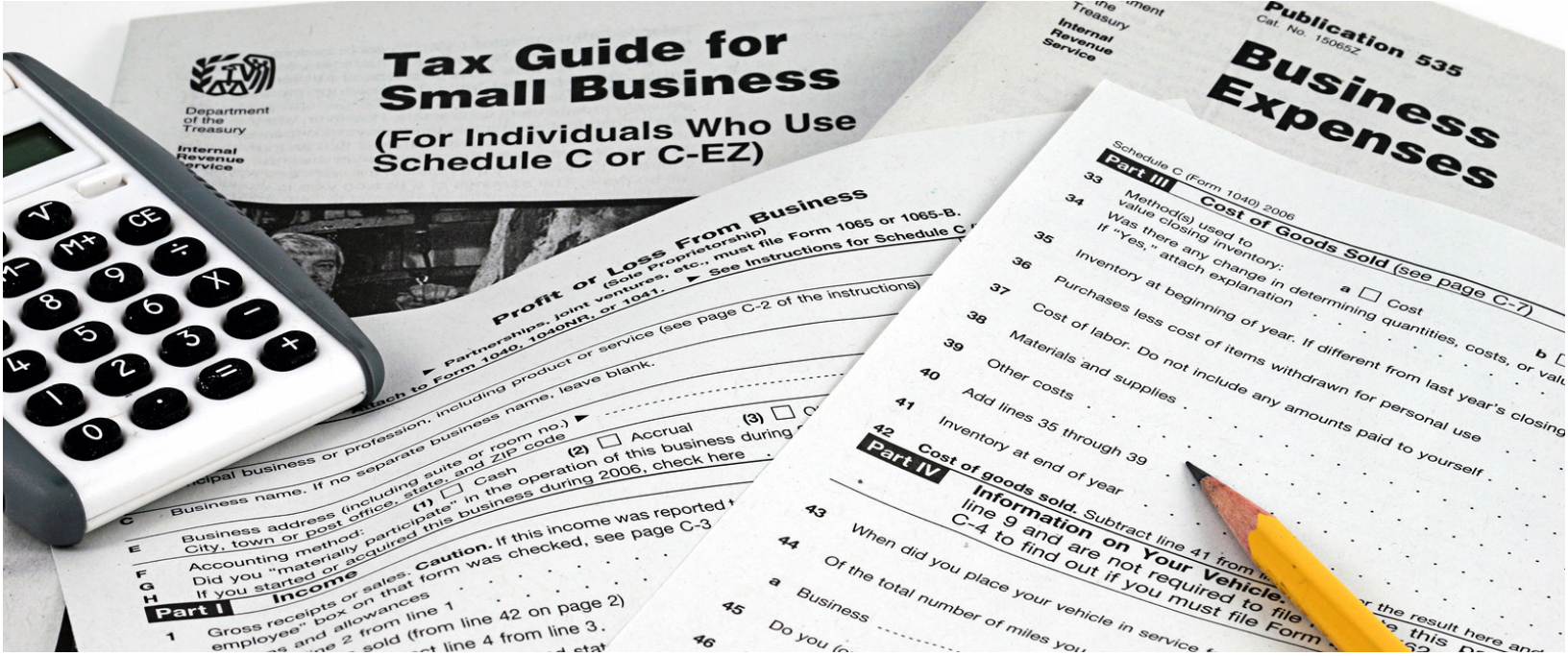
This summer, I travelled on an exciting trip to Scotland. As I took a walking tour through Edinburgh's New Town section, I passed a statue honoring William Pitt the Younger. A seagull posed on the top of the statue's head, so I snapped a picture. The guide remarked that the seagull's "little souvenir" was appropriate because Pitt the Younger was the inventor of income tax.

I investigated further when I returned home. William Pitt the Younger was given the distinction of "Younger" because his father, William Pitt the Elder, shared the name and was a prominent figure in his own right. The man led a remarkable life outside his father's shadow. He was Britain's youngest prime minister. And, yes, there was that pesky thing with taxes.

William Pitt the Younger introduced Britain to the income tax. After wars with America and France, the kingdom's finances were in a terrible state. Pitt used income tax as a way to refill the coffers. I could go on for pages about the rest of his story. His father was equally fascinating. If you are a history buff, take a look.

In a few months, it will be time to gather documents and prepare the tax return. I realize Carrie Tallman recommends a positive attitude toward taxes. I like to think about that seagull, perched on Pitt's statue in Edinburgh. As it leaves a memento on the statue's head, it shares how we really feel about taxes.

Cristy Freeman is a senior operations associate and an Accredited Asset Management Specialist™ designee.



Understanding the Small Business (Pass-Through) Tax Deduction

Michael Ziemer

One of the most widely celebrated aspects of the Tax Cuts and Job Act of 2017/2018 was corporate tax reform (corporate tax rate cut from 35% to 21%). Although a corporate tax cut typically helps large corporations with shareholders (C-Corporations), most business in the US operate as "pass-through" entities. This would include businesses whose ownership structure includes sole proprietors, partnerships, LLCs and S-Corporations (all total almost 30 million US businesses). The term "pass-through" refers to the earnings of the company passing through to the owner of the company and being taxed at the owners' personal tax rates (not corporate tax rates).

While the owners of these small (pass-through) companies saw some benefit in reduction in personal tax rates associated with the Tax Cuts and Job Act, they would, in many cases, still be paying significantly higher taxes rates on the personal tax schedule than the new 21% corporate tax rate. For this reason, the Tax Cuts and Jobs Act created a new 20% tax deduction for small businesses in order to allow small business income to be taxed at similar rates as larger corporations. Makes sense…sounds simple enough…move on, right? Wrong.

Although the Tax Cuts and Job Act legislation created the 20% deduction, it initially was not clear what type of businesses would actually qualify for the deduction. If all businesses qualified for the 20% tax deduction, then any taxpayer with significant income could create a small business and run personal income through a business and qualify for the 20% tax deduction. This would create a huge loophole for high income taxpayers. For this reason, the Treasury put restrictions on the type of businesses and the amount of income businesses could earn in order to qualify for the 20% deduction. These rules are complicated but below we will try to simply explain who qualifies for this 20% deduction.

There are two main qualifiers in determining who qualifies for the 20% deduction. They are: the type of business and the taxpayer's (business owner's) taxable income. The taxpayer must determine whether their small business is classified as a "Service Business," which is defined as the following:

- Healthcare (doctors, dentists, nurses, and other healthcare professionals)
- Law
- Accounting
- Consulting
- Financial, Investment Management, and Brokerage Services
- Athletes

If you are in a service business, then the following taxable income limitations apply:

- If personal taxable income is less than $315,000 Married Filing Jointly ($157,500 single taxpayer), then you can take the full 20% pass-through deduction.

  For example, if you are single and your small business earns $100,000 and your total taxable income is $120,000, then you will qualify for a $20,000 pass-through deduction ($100,000 X 20%).

- If personal taxable income is between $315,000 - $415,000 Married Filing Jointly ($157,500 - $207,500 single taxpayer), then the 20% deduction is phased out. Please consult your tax advisor to calculate the pro-rata phase out.

- If personal taxable income is above $415,000 Married Filing Jointly ($207,500 single taxpayer) and you classified as a Service Business, then you do not qualify for the 20% deduction small business pass-through deduction.

If you are not in a service business, then the calculation to determine the pass-through deduction is significantly more complicated (especially for taxpayers with taxable income above $315,000). Below are the details:

- If personal taxable income is less than $315,000 Married Filing Jointly ($157,500 single taxpayer), then you can take the full 20% pass-through deduction. This is just like the example above.

- If personal taxable income is greater than $415,000 Married Filing Jointly ($207,500 single), then there is a limitation on the deduction based on the amount you pay employees and the amount of property used in the business.

The deduction cannot exceed the greater of:

1. 50% of the W-2 employee wages paid by the business *OR*
2. 25% of the W-2 wages + 2.5% of the purchase price of the long-term property used in the production of the business income.

These rules are designed to incent small business owners to both hire employees and purchase property and equipment. If you earn greater than $415,000 ($207,500 single) and do not own property or have employees, then you do not qualify for the deduction.

Please note that the above rules are phased-in for taxable income between $315,000 - $415,000 ($157,500 - $207,000 single). Please consult your tax advisor for help calculating the phase-in.

Non-owner employees do not automatically qualify for the 20% small business tax deduction. However, an employee could operate as a self-employed independent contractor in order to qualify for the tax deduction. This would not be advisable for most employees because the loss of employee benefits (health insurance, vacation, et cetera) may outweigh the tax deduction.

In August 2018, the NFIB's Small Business Optimism Index rose to an all-time high of 108.8. This new record beat the previous high of 108 from July of 1983. In the recent survey, we saw increases in the following categories: (1) plans to increase employment, (2) make capital outlays, (3) earnings trend, and (4) good time to expand. There is little doubt that the 20% tax deduction to small business owners is influencing the improvements in both the Index and the underlying areas of strength.

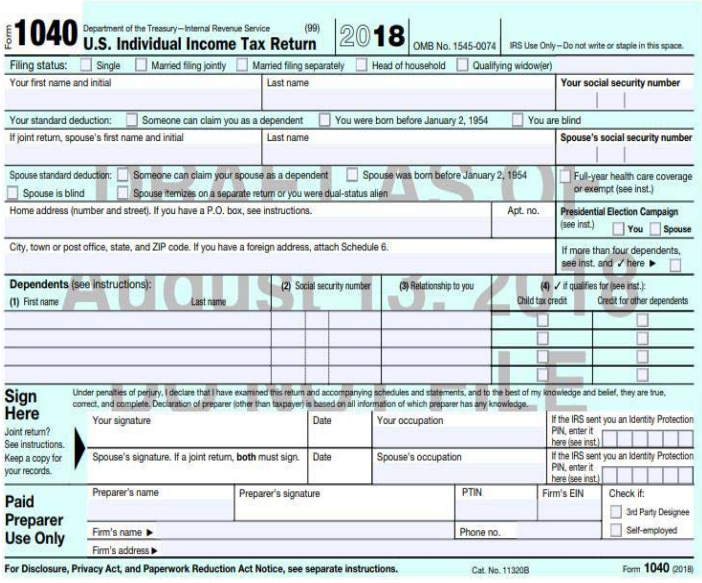
There is a strong possibility that small business owners do not yet fully understand the tax deduction and may not realize that they will not qualify for the deduction. If you are a small business owner, we encourage you to review your situation with your tax advisor.

Michael Ziemer is a partner and Certified Financial Planner™ practitioner in our Charlotte office.

Simplied Tax Form?

Daniel Johnson III

Last year's tax bill was one of the biggest changes to federal tax law since Reagan's 1981 tax legislation. The attempt to have a "postcard" tax return was technically a success. You can see below that the newly proposed 1040 now fits on the front and back of a standard size postcard.



Form **1040** Department of the Treasury—Internal Revenue Service (99) **U.S. Individual Income Tax Return** 2018 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: Single | Married filing jointly | Married filing separately | Head of household | Qualifying widow(er)

Your first name and initial | Last name | Your social security number

Your standard deduction: Someone can claim you as a dependent | You were born before January 2, 1954 | You are blind

If joint return, spouse's first name and initial | Last name | Spouse's social security number

Spouse standard deduction: Someone can claim your spouse as a dependent | Spouse was born before January 2, 1954 | Spouse is blind | Spouse itemizes on a separate return or you were dual-status alien | Full-year health care coverage or exempt (see inst.)

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Presidential Election Campaign (see inst.) You | Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. | If more than four dependents, see inst. and ✓ here ▶

Dependents (see instructions): (1) First name Last name | (2) Social security number | (3) Relationship to you | (4) ✓ if qualifies for (see inst.): Child tax credit | Credit for other dependents

Sign Here Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

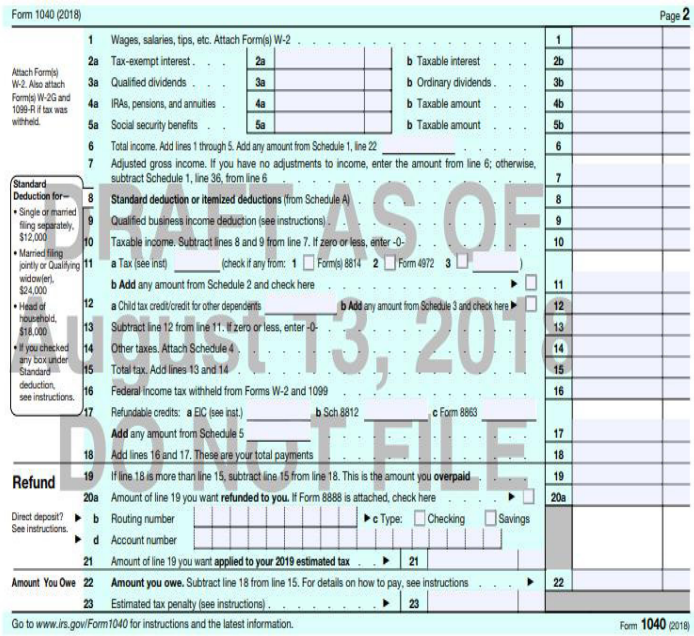
Paid Preparer Use Only Preparer's name | Preparer's signature | PTIN | Firm's EIN | Check if: 3rd Party Designee | Self-employed

Firm's name ▶ | Phone no.

Firm's address ▶

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2018)

Front



Form 1040 (2018) Page **2**

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

1 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . 1

2a Tax-exempt interest . . . 2a | b Taxable interest . . . 2b

3a Qualified dividends . . . 3a | b Ordinary dividends . . . 3b

4a IRAs, pensions, and annuities . 4a | b Taxable amount . . . 4b

5a Social security benefits . . 5a | b Taxable amount . . . 5b

6 Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 . . . 6

7 Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 . . . 7

Standard Deduction for—
- Single or married filing separately, $12,000
- Married filing jointly or Qualifying widow(er), $24,000
- Head of household, $18,000
- If you checked any box under Standard deduction, see instructions.

8 **Standard deduction or itemized deductions** (from Schedule A) . . . 8

9 Qualified business income deduction (see instructions) . . . 9

10 Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0- . . . 10

11 a Tax (see inst) _____ (check if any from: 1 ☐ Form(s) 8814 2 ☐ Form 4972 3 ☐ _____)

b **Add** any amount from Schedule 2 and check here ▶ ☐ . . . 11

12 a Child tax credit/credit for other dependents _____ b **Add** any amount from Schedule 3 and check here ▶ ☐ . . . 12

13 Subtract line 12 from line 11. If zero or less, enter -0- . . . 13

14 Other taxes. Attach Schedule 4 . . . 14

15 Total tax. Add lines 13 and 14 . . . 15

16 Federal income tax withheld from Forms W-2 and 1099 . . . 16

17 Refundable credits: a EIC (see inst.) _____ b Sch 8812 _____ c Form 8863 _____

Add any amount from Schedule 5 . . . 17

18 Add lines 16 and 17. These are your total payments . . . 18

Refund

19 If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you **overpaid** . . . 19

20a Amount of line 19 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐ . . . 20a

Direct deposit? See instructions.

▶ b Routing number ▶ c Type: Checking | Savings

▶ d Account number

21 Amount of line 19 you want **applied to your 2019 estimated tax** . . . ▶ 21

Amount You Owe

22 **Amount you owe.** Subtract line 18 from line 15. For details on how to pay, see instructions . . . ▶ 22

23 Estimated tax penalty (see instructions) . . . ▶ 23

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2018)

Back

While the Form 1040 may now fit on the front and back of a standard size postcard, nearly all Americans would also need to file schedules in addition to the 1040.

Many people are used to filing Schedule A, Schedule B, Schedule C, Schedule D, and Schedule E. Now, there will be the addition of at least 6 new schedules. The tentative name for these schedules: Schedules 1-6 (feel free insert your own joke about CPAs, accountants and their creativity).

Most taxpayers will use at least a few of these new schedules. Schedule 1 will be the most commonly used one, providing the IRS information about sources of income, IRA contributions, and Health Savings Account contributions. The next most popular schedule will likely be Schedule 5. It accounts for tax payments, including estimated taxes paid and amounts paid with an extension. At the end of the day, the 1040 has indeed gotten smaller. Unfortunately, it is largely just shifting the calculations from the main page of the 1040 onto supporting schedules.

The Tax Cut and Jobs Act did provide a few additional points of simplification with the removal of some exemptions or deductions. The standard deduction was increased, but not without consequence to some taxpayers. The combination of few deductions and a higher standard deduction will make it more difficult for many taxpayers to itemize their deductions on a consistent basis. Let's examine the changes.

First, the personal exemption was removed. Second, many itemized tax deductions were also truncated. Another deduction that was removed is the alimony deduction. This change is not applicable to everyone. It is only applicable for divorce or separation agreements executed after December 31, 2018. As a result, the receipt of alimony payments for post-2018 divorce will no longer count as income and will not be deductible to the payer. It will be business as usual for any pre-2019 alimony payments, unless a modification to the agreement is made after December 31, 2018.

The last major deduction that has been eliminated is the deduction for moving expenses. Going forward, this deduction is no longer on the books.

Some may be wondering what has happened to the Qualified Business Income deduction, which was one of the most popular provisions for business owners and real estate professionals. This new deduction is currently located on Line 9 of the new 1040, with a notation to "See Instructions." That likely means there will be a new Schedule for this deduction. The rules for this deduction are complex and depend on a number of different variables. Some of these variables include total taxable income of the taxpayer(s), original basis in fixed assets, and the amount of W-2 wages paid to employees. There will certainly be a complex schedule, which might be similar to the current tax rate calculation worksheet for capital gains.

Also, there are a few law changes that do not affect the tax return. One change that is very exciting for parents that are in the middle of paying for their children's education is the new allowance to use 529 funds to pay for K-12 educational expenses, up to $10,000 per year, per student.

There was also a change made to the income tax exclusion on gains from selling your home. Previously, you could only exclude gains once in a 2-year tax period and have maintained it as your home for two of the last five years. The new rule requires that families use the home as their primary residence for five out of the last eight years and can only claim the deduction once every five years.

Finally, one misunderstood change is to the mortgage and home equity interest deduction rules. Previously, taxpayers were allowed to deduct interest on total home acquisition or improvement indebtedness up to $1,000,000. The new rule now limits this to $750,000. Taxpayers that had a higher amount prior to the new tax law are grandfathered in.

One of the misunderstood provisions involves home equity loan or line of credit financing and the deductibility of that interest now. The old law allowed for loan amounts up to $100,000 to deduct the interest associated, regardless of usage. However, the new law still allows for the deduction of interest from a home equity line of credit and equity loans. The borrowed funds must be used for the acquisition or improvement of the property.

The new tax law has simplified some things but has also made other items much more complex. Talk to your advisor if you have any additional questions regarding changes made in the Tax Cut and Jobs Act, and they will be able to point you in the right direction.

Daniel Johnson III is a senior financial advisor and Certified Financial Planner™ practitioner in our Winston-Salem office.

Parsec Expands Service Offerings

In January 2018, Parsec Financial expanded its service offerings to include tax services by merging with Burlingham & Harris, P.A. Located at 85 Peachtree Road, the office is ideally situated in the ever-growing South Asheville area. We would like to introduce you to **Brad Burlingham** and **Larry Harris**.

Brad holds a Bachelor of Arts degree in economics from Tulane University and a Master of Business Administration degree from Emory University. As former co-owner of Burlingham & Harris, he worked with Larry to assist clients in tax and wealth management. He has been a Certified Public Accountant since 1990 and is a member of the North Carolina Association of Certified Public Accountants as well as the American Institute of Certified Public Accountants.

Brad is involved in the local community. He serves on the board of various local non-profit organizations such as the Western Carolina Medical Society Foundation, Serve-to-LEAD, and Dominican Crossroads USA. He has leadership roles with other church and community groups. In his free time, Brad enjoys hiking, gardening, and travelling.

Larry earned undergraduate and graduate degrees from Appalachian State University. He has been a Certified Public Accountant since 1985 and a Certified Financial Planner™ practitioner since 2001. He co-owned the Burlingham & Harris accounting firm with Brad prior to joining Parsec. During the course of his career, he has primarily worked in the public accounting profession as a tax accountant and financial planner.

Like Brad, Larry is active in the local community. He currently serves on the town council for the Town of Black Mountain. In addition, he is the current chairperson at Land of Sky Regional Council, Care Partners Health Services, and the Buncombe County Audit Committee. He serves on the board at Deerfield Episcopal Retirement Community. He is also a member and past president of the Black Mountain Rotary Club.

Larry lives in his hometown of Black Mountain, North Carolina. He attends Trinity Presbyterian Church.

We are excited about the offering that this acquisition will bring to our clients. Welcome to everyone at the new South Asheville office!

Time for the Harvest

Sarah DerGarabedian

The kids are back in school, the leaves are changing colors, and pumpkin spice lattes – the age-old harbingers of harvest season - are everywhere. At Parsec, we are preparing for the harvest…of tax losses.

Every year, beginning in late October/early November, Parsec's portfolio managers will scour clients' taxable accounts for meaningful losses, which we can use to offset realized gains created from trading throughout the year. These tax-efficient trading strategies provide value to clients by minimizing their tax burden while keeping the portfolio aligned with their financial planning goals.

You might see trades from one security into another one that is similar, but not exactly the same – we do this so that you can recognize a loss while maintaining exposure to the same industry or sector, yet avoid incurring a wash sale. According to IRS publication 550, "a wash sale occurs when you sell or trade stock or securities at a loss and within 30 days before or after the sale, you buy substantially identical stock or securities," either in the same account or in another household account, including IRAs and Roth IRAs. Stocks of different companies in the same industry are not considered "substantially identical," nor are ETFs that track the same sector but are managed by different companies (like a Vanguard Emerging Markets ETF vs. an iShares Emerging Markets ETF).

Sometimes it makes sense to place a loss-harvesting trade and leave the proceeds in cash for 31 days, then repurchase the same security. We may do this for clients who have cash needs during the holiday season, with the intention of placing rebalancing trades in January when there is no more need for liquidity. When liquidity is not an issue, however, we prefer to keep the funds fully invested in another high-quality name. We may later choose to reverse the trade, once the wash sale period has expired, or we may leave the trade in place if we think it is appropriate and suits the clients' needs.

Sarah DerGarabedian is the Director of Portfolio Management and a Certified Financial Analyst (CFA) charterholder.

Parsec Financial Announcements

Important Dates:

As the end of the year approaches, we remind you of important 2018 tax deadlines. The end of the year is a busy time for last minute charitable donations and tax-oriented account transactions. During December, many of these requests are handled on a best-effort basis by the custodians, as they get overwhelmed with last minute requests.

To ensure your needs are met and to help us manage this workflow, we request that you contact to us for the following transactions by the below dates. Thank you!

November 1, 2018:
- Required Minimum Distributions (RMDs)
- Qualified Charitable Distributions from IRA (QCDs)
- Retirement account setup (IRA, Roth IRA, SEP IRA, Etc.)

December 1, 2018:
- Charitable donations of cash or appreciated stock
- Roth conversions

Parsec Prize Deadline:

Applications for our 2019 Parsec Prize grants are due December 31, 2018. If you know about a nonprofit that would be interested in applying for one of our grants, please direct them to our website for more information: https://parsecfinancial.com/parsec-prize/

Kudos:

At Parsec, one of our core values is to maintain our expertise. We encourage our employees to seek credentials to specifically address our clients' needs, which creates a wealth of expertise for the firm as a whole. We want to recognize the following employees for working hard to uphold this value:

Jessie Goodwin and Nancy Blackman are now Certified Financial Planner™ practitioners. These marks are awarded to individuals who successfully complete the CFP Board's rigorous initial and ongoing certification requirements.

Mark Lewis is now a Society of Human Resource Management – Certified Professional or SHRM-CP. The certification is granted to those that satisfy the requirements as prescribed by the Society for Human Resource Management to become a certified human resource professional, and meet the ongoing recertification requirements.

Holiday Schedule:

The holiday season is upon us! All Parsec locations will be closed the following days:

- Thursday, November 22 and Friday, November 23
- Tuesday, December 25
- Tuesday, January 1, 2019

Employment Opportunities:

We currently have a job opening in our Asheville office for a Financial Planner. If you know of any qualified candidates who may be interested, please have them visit our website for additional information: https://parsecfinancial.com/employment-opportunities/

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