



## Is Cost Basis a Good Indicator of Performance?

By: Ryan Collier, CIMA®  
Director of Investment Management

As year-end approaches, many investments make payouts to shareholders through capital gain distributions, dividends, income, or other means. You'll receive them as cash or reinvested shares. But interpreting the reports to determine how your investments actually performed can be confusing. Here's how to decipher them.

### Cost Basis Reporting

Most custodians will show cost basis reporting on their monthly statements and on their websites. This seems like a good place to review the performance of your investment, right? Not necessarily. Cost basis reports are designed to show the tax impact of any investment if you were to sell it. These reports are not designed to show you the total performance of your investment.

Since cost basis reports are created to show the tax impact of selling your investment, they account for any payments made to you such as dividends, interest, or capital gains. You must pay taxes on income payments from an investment in the year

you receive them. To avoid double taxation these payments are offset on the cost basis report. Otherwise, you would pay taxes on the income the year you received it, and then again, as capital gains, when you sell the investment. Here are a few examples

### Example #1: Income Paid to You as Cash

You bought investment ABC for \$10,000. Today it's valued at \$11,000. This year the investment paid you \$1,500 as income. This \$1,500 is taxable income for this year. Since the investment sent you \$1,500, it is only worth \$9,500 (\$11,000 minus the \$1,500 it sent you as income). The cost basis will show a loss of \$500 (\$10,000 minus \$9,500.)

It may appear the investment was a poor choice since the cost basis report shows you lost \$500. What it doesn't show is the \$1,500 of income you received by holding the investment. The investment gave you \$1,500 in income and lost \$500 in principal for a total gain of \$1,000 overall. In addition, if you sold the investment today you could take the \$500 capital loss to help reduce your taxes. The investment performed well, but a quick look at the cost basis report, would only show that ABC investment was down \$500.

### Example #2: Reinvested Income

As in Example #1, you bought ABC investment for \$10,000 and it's now worth \$11,000. This year the investment pays you \$1,500 as income but reinvests it back into ABC. As an investor, you still owe taxes on the \$1,500 of income even though you received no cash. Since you received more shares of ABC, your cost basis report now shows a cost basis of \$11,500 (\$10,000 of the original investment plus \$1,500 of income that was reinvested).

The value of ABC initially drops to \$9,500 (\$11,000 minus \$1,500 in income). However, since you reinvested the \$1,500 of income you



now own \$11,000 worth of ABC. The cost basis report would show that you invested \$11,500 in ABC and it's worth \$11,000 today, for a loss of \$500. But you only invested \$10,000 in ABC. The additional \$1,500 was given to you by the investment. Again, you made \$1,000 but the cost basis report will show a loss of \$500.

### What to Do?

Cost basis reporting can be very helpful to show where you stand regarding any potential future tax impact. However, it's a poor standard for judging performance - especially for investments that have paid you income. To get true performance you need to know three things:

1. What you paid for the investment,
2. Total income paid to you by the investment, and
3. What the investment is worth today.

With those three pieces you can get the overall performance of the investment. Cost basis on a custodial statement omits the total income paid to you by the investment and will not provide an accurate view of performance. If all you have is the cost basis, be sure to look for any income that the investment has paid to evaluate its overall performance.

Contact Ryan if you have questions or want additional information regarding this topic.

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# BLT Corner



It's that time of year when everyone's gearing up for the holiday season; looking forward to the start of a new year and looking back at the year that is concluding.

For our part, we'd like to take this opportunity to bring you up to speed on a few of our employees.

Our founder and executive-on-loan, Elaine Bedel, has served as president of the Indiana Economic Development Corp. for almost three years. Recently, Indiana Governor Eric Holcomb, appointed Elaine as secretary and chief executive officer of the newly-created Indiana Destination Development Corp. With her latest appointment Governor Holcomb commented: "In her new role, Elaine will work collaboratively to develop marketing strategies that will enhance economic development, attract

new talent to our workforce and enhance our state's profile as a great destination for visitors." Congratulations, Elaine!

Brad Stark, who had previously worked for Bedel Financial for six years, recently returned to our firm. Brad will be helping us with compliance and will be an important part of the back office for our investment management team. Welcome back, Brad!

At the same time that we're welcoming a familiar face back, we're also saying congratulations and goodbye to a long-time friend. Patt Norton, who has worked at our front desk for seven years, is retiring. She made a wonderful first impression for our firm as she greeted guests and answered the phone. We're thankful for her service over the years and happy she'll be enjoying a well-deserved retirement that will include spending time with family and friends. Ironically, she revealed her first action after retirement will be to clean out her closets! Best wishes to Patt!

Finally, Kathy Hower will have worked with us for 15 years this coming January. As a senior wealth advisor, director of financial planning and member of the Bedel Leadership Team, Kathy has been an important part of the success of our firm. Congrats on your 15 years of service Kathy, and thank you!

As we approach the end of another year, we are thankful for the trust and confidence that you place in us. If we can help you in any way, please feel free to reach out.

Happy Holidays!

*The Bedel Leadership Team*

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## Industry News

### Eight Tips for a Successful Family Meeting

By: Meredith Carbrey, CFP®  
Senior Wealth Advisor

This October Bedel Financial hosted our "Meet the Expert" event featuring Bob Mauterstock, CFP®, who addressed the importance of a family meeting. What would your family do if something happened to you? Do your heirs know your wishes, where to find your estate planning documents, who's in charge, and where they can go for help? If the answer is no, you're not alone. Only 25 percent of retiring parents have discussed their plan with their children.

**Here are Bob's "Eight Steps to a Family Meeting that Works."**

**#1 Designate the family champion.** If you have an adult child who keeps the family connected, recruit this child to help everyone understand the importance of the family meeting and secure their promises to attend.

**#2 Identify a facilitator.** This should be someone who has no emotional attachment to any decisions that will be made - not a family member. It's the facilitator's job to encourage an environment of

mutual respect and keep the meeting non-confrontational. The facilitator will work with all family members to ensure everyone's questions and concerns are addressed and that a plan is developed to help the parents make decisions in their later years.

**#3 Create an agenda.** Make a list of your insurance policies and assets - you don't have to share asset values - along with the contact information for those accounts. Consider starting the family meeting with a legacy letter detailing your successes, failures, traditions, the things that are important to you and how you would like to be remembered.

**#4 Share the responsibility.** This is an ideal time to discuss who will execute the roles of personal representative, trustee, financial power of attorney, and health care power of attorney as well as what each job entails.

**#5 Have respect and compassion.** Share your thoughts, in a non-confrontational way, regarding a realistic course of action for when your parents need assistance. Real estate - especially what to do with the family vacation home - can be a hot button issue. Be open-minded.

**#6 Assign a scribe.** Get a family member to take notes in order to document topics discussed, decisions made, and outstanding actions.

**#7 Review and assign items.** At the end of the meeting, assign any open action items that need to be researched and completed to appropriate family members.

**#8 Establish a communication plan.** Determine how to communicate follow-up on action items. Schedule a meeting for six months after the initial family meeting so everyone can report on what's been completed and what items are outstanding.

Bedel Financial advisors have facilitated numerous financial meetings and we would be happy to help you prepare for the family meeting, facilitate any discussion topics, and assist in follow-up and implementation. Please contact your financial advisor if you are ready to move forward.

*Contact Meredith if you have questions or want additional information regarding this topic.*

# GenerationNeXt

## Kate's 2019 Holiday Gifting Ideas

By: *Kate Arndt, CFP®*  
*Financial Planner*

The holiday season is upon us, and this year there are six fewer days than last year to shop between Thanksgiving and Christmas! Unsure of what to get your nieces and nephews, brothers and sisters, or the neighbor kid who mows your lawn? If you're like me, you aim to give thoughtful, useful gifts - not objects that will eventually get thrown away. And I prefer to skip the packed parking lots and long lines at the mall and do my gifting without leaving the comfort of my home. No, I'm not talking about Amazon Prime. I'm talking about the gift that keeps on giving - investments!

As a financial planner I've run countless education funding projections and let me tell you, college is expensive. If you have someone on your gift list who intends to go to college, I encourage you to make a contribution to his or her 529 account. A 529 is a tax-advantaged investment account that allows beneficiaries to make tax-free withdrawals for qualified education expenses such as tuition and books.

To top it off, Indiana residents who contribute to Indiana 529s are eligible for a 20 percent state tax credit on annual contributions of up to \$5,000. In plain English, this means that for every \$100 you contribute, you receive a \$20 tax credit on your Indiana return. There's nothing wrong with giving yourself a little gift at the same time!

The logistics are fairly easy. If the recipient already has a 529 account you can easily make a contribution through Ugift on the College Choice site. You'll need to have the account owner provide you with the unique code for the beneficiary's account, though. Gifts can be made electronically or by mail. If the future scholar doesn't have a 529 account, you can open an Indiana 529 account for free. Each account needs an owner and a beneficiary. The owner can change the beneficiary at any time.

Another thoughtful gift idea is to make a Roth IRA contribution on the recipient's behalf. You can make a contribution to his or her Roth IRA, assuming he or she has earned income and

their AGI is below the phase-out. The gift amount cannot exceed the recipient's 2019 earned income or the 2019 IRA contribution limit of \$6,000. If the recipient already has an account, you can simply write a check made out to the custodian fbo the recipient, for example "Charles Schwab fbo Robert Smith IRA". If the recipient is a minor and doesn't have an account, you can open a custodial account in his or her name and make a funding contribution. Minimum funding amounts depend on the custodian, so you may need to check around to find one that works for you.

Investments make wonderful gifts. When given the right amount of time and placement, an investment can grow leaps and bounds above your original contribution. It also opens up the door to teaching your loved one about the power of investing and compounding interest. Start them young!

*Contact Kate if you have questions or want additional information regarding this topic.*

## Q&A

### I have a Schwab or Fidelity Charitable account. What are the year-end contribution deadlines?

By: *Kristina Dougan*  
*Operations Specialist & Investment Assistant*

This depends on how you make your contribution to the charitable account. In general, all contributions must be received by 11:59pm ET on 12/31/19, but you need to get a headstart on some types of contributions.

#### For example:

- Checks & stock certificates must be post-marked by 12/31/19 and mailed overnight.
- Stock transfers take 2-6 weeks to complete.
- Mutual fund transfers must be submitted by 11/19/19 at Schwab and 11/18/19 at Fidelity to ensure they are completed by year-end.

• For Illiquid assets, you must call Schwab Charitable by 12/1/19. Fidelity Charitable indicates that processing time varies.

• For Cryptocurrency, you must call Schwab Charitable by 12/13/19. For Fidelity Charitable you must call and submit paperwork by 12/24/19.

• Wires – submit wire forms or requests at least 2-3 days prior to 12/31/19 to allow for any extra processing time.

If you wait until the last days of the year to open a Schwab or Fidelity Charitable account, it is faster to open it online rather than submit a paper form. You can also

set up transfers from your other Schwab accounts into your charitable account while you are logged in. Paper forms require additional processing time and you may not see the processing completed until 2020. Schwab can backdate it for 2019, but if the waiting makes you uneasy it is best to start long before the last day of the year.

*Questions or need assistance, contact Kristina Dougan at [kdougan@bedelfinancial.com](mailto:kdougan@bedelfinancial.com).*

Welcome to Chris Wakefield, our newest team member! Chris is our Marketing and Public Relations Coordinator so you will be hearing from Chris regarding our future Bedel events. We are excited to have Chris on the team!

## Contact Us!

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## Corporate Calendar

Bedel Financial Consulting will be closed  
for business on the upcoming days:

<b>Dec. 25</b>	<b>Christmas Day</b>
<b>Jan. 1</b>	<b>New Year's Day</b>
<b>May 27</b>	<b>Memorial Day</b>
<b>July 4</b>	<b>Independence Day</b>

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