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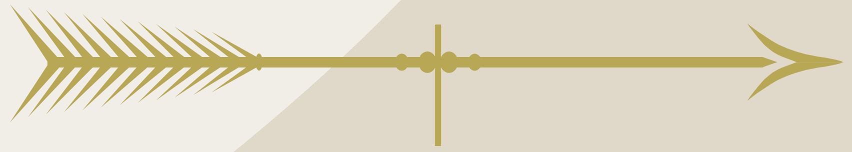


MONTEITH WEALTH, LLC.

HEADS OR TAILS

TWO SIDES OF THE SAME COIN

The topics discussed in this and future letters are for informational purposes only. We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine knowledge of both can you be a successful investor.

Heads: Taxes

How long should you keep your tax return records?

As usual with the I it's complicated and it depends. When in doubt, keep copies of your tax returns indefinitely. ou may need copies of prior years to submit amended tax returns. If prior tax returns apply to properties such as rental property, investment property, or your home, you may need them to calculate depreciation, and or the basis of your home when determining if you have a taxable gain on your home.

If your tax records are related to property, keep the records until the period of limitations expires for the year in which you dispose of the property. eep these records for calculating any amorti ation, depreciation, or depletion deduction and for calculating any gain or loss when selling or disposing of property.

If you received property in a nontaxable exchange, your basis in that property is the same as the basis of the property you gave up, increased by any money you paid. ou must keep the records on the old property, as well as on the new property, until the period of limitations expires for the year in which you dispose of the new property.

Finally, when you do decide to dispose of old tax records, double check that you don't need to keep the records longer than the IRS requirements. Sometimes, other entities require you to keep your tax records longer than the IRS (creditors, insurance companies, etc.)

Cccording to the IRS, you should‹

1. Meep tax records for 3 years if situations (4), (5), and (6) below do not apply to you.
2. Meep tax records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichexer is later, if you file a claim for credit or refund after you file your return.
3. Meep tax records for 7 years if you file a claim for a loss from worthless securities or bad debt deduction.
4. Meep tax records for 6 years if you do not report the income that you should report, and it is more than 25 ' of the gross income shown on your return.
5. Meep tax records indefinitely if you do not file a return.
6. Meep tax records indefinitely if you file a fraudulent return.
7. Meep employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichexer is later.

Tails: Investments

There is no bell.

There are many investors, both institutional and individual, and they're playing a game of chicken - but instead of seeing who can hold on to an investment the longest, they're seeing who can sell an investment right before its value crashes. Most investors do not want to be the first ones to bail; what if they miss out on gains if they bail too early? And it's probably safe to say no investor wants to sell last; they're hit with the full brunt of the losses.

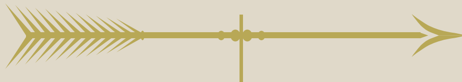
This investor game of chicken helps explain the sporadic nature of the market. Often after several days of prices falling, you'll see a brief recovery. This is due to the nature of the market. Eventually, you run out of sellers, and then very few buyers are all it takes to sharply increase values. After one day in the green, here comes the predictable selloff. This is because of the game of chicken. Some investors have already sold, and others are afraid they've missed their chance. They're holding out hoping to see a recovery so they can bail too. They don't like feeling like they've missed their chance. And finally, now that a day in the green occurs, now is their chance!

For those that missed the day in the green, they'll wait, hoping to see another good day in the market. Most investors will likely never realize they're too late. The time to sell was during the peak in December of 2021. Bailing out of the market since then has simply been a blundered opportunity.

As it turns out, there are two separate games of chicken being played in the market. The first one we mentioned; the second one is the opposite of the first one - investors are trying to be the first ones to buy in right before the market recovers. This way, they can maximize their potential return. Investors can’t buy in too early, but they also can’t buy in too late. When the market values begin to increase, some will buy, which will spur additional growth. Some will wait, hoping for a day in the red, hoping they didn’t miss their chance to buy in, and if it comes, they will buy in too, spurring growth. One difference here is that markets tend to drop more gradually than they grow, so your window to buy into a recovering market fades exceptionally quickly.

Many investors are playing both of these games of chicken. Evidence suggests investors will lose both games – they lose on the sell and miss gains on the buy. Those that win one game of chicken are still likely to lose the second game. Why is it so hard to win these games of chicken? No one rings a bell when the market reaches its highest or lowest peak. There is no bell.

Our clients don’t have to play the game of chicken. While the majority of investors are panicking and selling, we’re gradually rebalancing portfolios and buying stocks cheap. Markets have always gone up and down; embrace it. There are opportunities for those that do.



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