

# BAIRD BUZZ

## UPCOMING WEBINARS

**October 19:**  
Medicare

**November 16:**  
Year-End Tax Planning

## PAST WEBINARS

**September 9:**  
Charitable Giving

**June 15:**  
Market Update: Inflation and Rising Interest Rates

**May 18:**  
Baird's Retirement Guide for Women

## UPCOMING EVENTS

**October 25:**  
Client Appreciation Night

Contact **Debbie Burke** at [dburke@rwbaird.com](mailto:dburke@rwbaird.com) or **Molly Piercefield** at [mpiercefield@rwbaird.com](mailto:mpiercefield@rwbaird.com) for more information.



## HAPPY BAIRD-VERSARY JOANN AND JEFF!



We are fortunate enough to celebrate JoAnn Fischer on her 25th anniversary and Jeff Main on his 30th anniversary at Baird.

A lot has changed over the years, but their dedication to our team and clients has been unwavering.

Their integrity, compassion, and teamwork has made all the difference.

Congratulations JoAnn and Jeff! We are grateful to have your years of experience to add value to our practice.



## NEW INDIANA 529 RULE COMING 2023



Indiana taxpayers may receive a state income tax credit equal to 20% of their contributions to a CollegeChoice 529 account, up to \$1,000 per year (\$500 for married filing separately) through December 31, 2022.

Contributions by Indiana taxpayers made on or after January 1, 2023, will qualify for the 20% tax credit, with a new maximum of up to \$1,500 (\$750 for married filing separately).

## FINANCIAL FOCUS

Behind every individual, family and business is a unique story. A story filled with dreams, ambitions and celebrations of success. At Baird, we take the time to learn about your story and your financial vision. Drawing on a team of financial experts, we create a personalized wealth management strategy that helps you achieve your financial goals and prepares you for the next chapter of your life.



## MARKETS AND YOUR MORTGAGE

One of the questions we get most frequently from clients is, “Should I take a withdrawal from my portfolio to pay off (or pay down) my mortgage?” As with so many other great questions, the answers truly are individual – what is right for someone else may not be right for you.

First, let me say that we are big fans of being debt free when possible. Especially when heading into retirement, being weighed down by a mortgage or other debt really reduces flexibility and peace of mind. Making extra principal payments regularly can help shave years and thousands of dollars of interest off your loan period. However, there’s no reason to look at all debt as a bad thing: how many of us could buy a home in the first place without a bank or lender to give us a mortgage loan? And mortgages tend to carry some of the lowest borrowing costs of any kind of debt because they are secured by the home itself. Last but not least, if you itemize your deductions when filing taxes, the interest you pay on a mortgage can be tax deductible.

The thought process should begin by determining the interest rate you are paying on your mortgage. This interest rate should be compared against the average rate of return you could reasonably expect to achieve on your investment portfolio. For example, many of our clients took out or refinanced a mortgage when interest rates were very low in recent years. Would it make sense to take money out of a portfolio that has produced an average rate of return of 5% or more per year in order to pay down a debt that is costing 3% per year? All other things being equal, we would suggest the answer is no. On the other hand, if your interest rate is very high – or an adjustable-rate loan that is now increasingly costly – the math may suggest a different approach.

Without a doubt the reason this question seems to be coming up more lately is because we are in a bear market. Who hasn’t looked at his or her portfolio statement, cringed, and wondered if just taking it all out and paying off a mortgage would be better? While this emotion is understandable, decisions like these should always be based on reasonable expectations for LONG term rates of return. It’s been very hard for the last twelve plus months but won’t likely be this hard forever. If the volatility you are experiencing as an investor is too much to bear, the better solution is probably to have an honest conversation with your advisor about the mix of stocks and bonds in your accounts (make sure your actual portfolio matches your real risk tolerance).

Lastly, you must think about the type of investment account from which you’d be making the withdrawal. If most of your portfolio is in an IRA or 401k account – where any withdrawals will be taxed as ordinary income – it is going to be much more difficult to justify paying federal and state taxes that total 17-29% or higher on the amount withdrawn just to pay down a mortgage loan costing 3 or 4% per year! This is even more true if you risk putting yourself in a higher marginal tax bracket or are under 59 ½ years old (and thus penalized extra for the withdrawal).

Again, every situation is different, and these questions should be discussed with your financial planner, wealth advisor, and/or tax advisor to know what is right for you and your family. We are always happy to help give you personal advice!

Call us at 765-349-0247 to discuss further.

- The Main, Gowin, Fischer, Rice Group

