PRACTICE POLICIES AND GUIDING PRINCIPLES

GET RICH SLOWLY LLC
16122 SE Newport Way
Bellevue, WA 98006
206-855-5151
inquiries@getrichslowly.llc
www.getrichslowly.llc

The most recent version of our **Practice Policies and Guiding Principles** is located at www.getrichslowly.llc

Our Guiding Principles and Practice Policies

- The path to financial independence begins with budgeting and saving. Live within your means. Pay yourself first.

- Consumer debts and bad debts must be avoided absolutely. Good debts produce a positive return on the debt, increasing your net worth over time. Good debts invest in your future, including purchase of a principal residence, purchase of investment assets, growth of privately held companies, or funding education that produces increased income.

- Costs and taxes matter. Low costs and tax efficiency pave the road to wealth accumulation. Minimize trading, transacting, and turnover.

  > *Properly measured, the average actively managed dollar must underperform the average passively managed dollar, net of costs. Empirical analyses that appear to refute this principle are guilty of improper measurement.*
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  > — William F. Sharpe, *The Arithmetic of Active Management*, 1991

- Plan and invest for the long term. Time is your ally ("time diversification").

- Markets are highly efficient and represent the aggregate knowledge of all investors in the marketplace ("Efficient Market Hypothesis"). Never bet against the markets. This is best accomplished by holding low cost passively managed market capitalization weighted index funds for the long term.

  > *Don't think that you know more than the market; no one does. And don't act on insights that you think are your own but are usually shared by millions of others.*
  >
  > — John C. Bogle

- Broad diversification is key to managing risk. Minimize idiosyncratic (unsystematic) and uncompensated risks through diversification ("Capital Asset Pricing Model" or "CAPM").

- Stay the course and stick to your investment plan for the long term. Ignore the distractions and noise of the news media, financial services industry, and investment services industry. Ignore short term random price movements in the markets. Do not second guess or alter your investment plan in response to market events, reporting, or speculations, thus avoiding negative behavioral and market timing drags on investment returns.

Don't do something—just stand there!

— John C. Bogle

- Never forget regression toward the mean (reversion to the mean, not to be confused with the gambler's fallacy). Don't chase performance. Don't attempt to time the markets. Beware the investor return gap, the difference between the time weighted internal rate of return derived from a buy and hold investment portfolio and the inferior dollar weighted internal rate of return derived from inopportune and costly investor cash flows relative to the investment portfolio.

If the data do not prove that indexing wins, well, the data are wrong.

— John C. Bogle

- Short term market movements are random and unpredictable ("Random Walk Hypothesis"). No one can predict the future. No one can reliably time the markets. Past is not prologue to future.

Past performance does not necessarily predict future results.

— U.S. Securities and Exchange Commission

- Uncertain markets are buying opportunities, not selling opportunities. Buy low and sell high. Don't sell low and buy high. Additionally, seize the many gifts offered by down markets, including performing judicious tax loss harvesting (please reference "Controversial Strategies With Limited Benefit, No Benefit, or Possible Detriment" topic for further refinement), refinancing debts at reduced interest rates, and performing Roth rollover conversions on pre-tax retirement assets at reduced asset prices with reduced tax liabilities.

…[B]ad news is an investor's best friend. It lets you buy a slice of America's future at a marked-down price.

— Warren E. Buffett

- Buy and hold investment assets for the long term. The correct length of time to hold investment assets is forever.

- Never trade, speculate, or attempt to time the markets. Trading and speculating in the markets constitutes a zero-sum game. Net of costs, trading and speculating in the markets constitutes a negative-sum game. Thus, trading, speculating, and market timing are a loser's game.

- True investment assets are productive assets deriving value from an internal rate of return (e.g., dividend income, interest income, rental income). Speculative assets derive value from hope of future price appreciation ("Greater Fool Theory" or "Castle In The Air Theory": *res tantum valet quantum vendi potest*, or a thing is worth only what someone else will pay for it). True investment assets include equity securities (stocks), real estate, ownership interests in privately held companies, and fixed income securities (bonds). Invest, do not speculate.

Get out of the casino and stay out!

— John C. Bogle

- Investment risks and expected returns are positively correlated, walking hand in hand. In order to pursue greater expected returns, greater investment risks must be accepted. The balance between investment risks and expected returns must be commensurate with risk tolerance, risk capacity, financial needs, liquidity needs, investment objectives, and investment time horizons. All investments are inextricably tied with the very real risk of losing your principal or more.

> *Be fearful when others are greedy, and be greedy when others are fearful.*
>
> — Warren E. Buffett

- Investing is essential to your financial wellbeing and risk is unavoidable. Choosing not to invest or choosing to invest solely in assets with low expected volatilities in order to minimize portfolio volatility guarantees the long term inflationary erosion of your purchasing power (purchasing power risk) and exposes you to the risk of outliving your assets (longevity risk).

> *There is no such thing as a safe investment. . . . A capitalist never chooses that investment in which, according to his understanding of the future, the danger of losing his input is smallest. He chooses that investment in which he expects to make the highest possible profit.*
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> — Ludwig von Mises, *Human Action: A Treatise on Economics*, 1949

- Save and invest early and regularly. Plan for a long retirement. The best time to start saving and investing was yesterday. Second best is to start saving and investing today.

- Save and invest with discipline, reason, and courage. Emotion and impulse are your enemies.

> *Discipline equals freedom.*
>
> — Jocko Willink

- Simplicity is necessary for successful investing and financial planning. Beware the siren song of complexity. Complexity begets increased difficulty and time for implementation, direct and indirect costs, increased risks, diminished marketability and liquidity, diminished transparency and comprehension, and increased probability of plan failure. The simplest solutions are most frequently the best solutions (analogous to Occam's razor or the law of parsimony: *pluralitas non est ponenda sine necessitate*, or plurality should not be posited without necessity).

- Avoid engaging investment products and strategies that you do not and cannot understand. *Caveat emptor*, or let the buyer beware.

- The only free lunches in investing are diversification and low cost passively managed market capitalization weighted index funds. Both are essential to your financial wellbeing.

> *Don't look for the needle in the haystack. Just buy the haystack!*
>
> — John C. Bogle

- Beware the innumerable conflicts of interest within the financial services and investment services industries. If it sounds too good to be true, most likely it is too good to be true. Tread with skepticism and caution.

> *There are three kinds of lies: lies, damned lies, and statistics.*
>
> — Mark Twain, attributed to Benjamin Disraeli

- Self-insure (retain) to the maximum that you can comfortably afford. Self-insure for the minor exposures and inconveniences of life. Purchase appropriate, broad, and cost effective insurance contracts for major exposures that have the potential for inducing catastrophic financial losses (personal, property, and liability exposures).

- Laws and rules can and will change. Do not rely on the generosity or consistency of governments. Rely on sound, time tested, and long term financial and investment principles.

- Tax planning considerations must always remain subordinate to financial, investment, and business considerations. Do not allow the tax tail to wag the financial and investment dog.

- Investments in equity securities and / or corporate fixed income securities represent investments in businesses. Long term equities returns are derived almost entirely from dividend yields and earnings growth rates generated by businesses. Buying and holding U.S. broad equities market index mutual funds or exchange traded funds (ETFs) represent investments in publicly traded domestic U.S. businesses in the aggregate. Historically, growth of U.S. gross domestic product (GDP) has exhibited near perfect positive correlation with growth of domestic U.S. corporate profits. Ergo, buying and holding U.S. broad equities market index mutual funds or ETFs simply represents investment in the premise of continued long term U.S. GDP growth.

  Buy American. I Am.

  — Warren E. Buffett

- Plan for and anticipate only those events and scenarios that can be planned for and anticipated reasonably. Do not be concerned with planning for unplannable and unreasonable scenarios (e.g., world wars, demise of Western civilization, economic collapse of the United States of America, mass extinction events). No legal planning, diversification, asset allocations, investment assets, or insurance contracts will adequately protect you in such scenarios. Control only those risks which can be controlled.

  The greatest enemy of a good plan is the dream of a perfect plan.

  — Carl von Clausewitz, *Vom Kriege* ("On War"), 1832

- When funding competing financial and personal goals, recognize priorities:

  - Retirement planning must supersede legacy planning and gifting. Look after your own retirement needs first. Once your retirement needs are secure, only then consider the wants of your estate and beneficiaries. The greatest gifts you can bequeath upon your adult children are your own and their own self sufficiency in your retirement years.

  - Retirement planning must supersede education funding needs planning. Retirement goals cannot be funded from borrowing and must be funded from savings. Whereas, education goals may be funded from borrowing in the event of inadequate savings.

- Discretion is essential to accretion and preservation of wealth. Attracting attention towards wealth inevitably draws the attentions of those who seek appropriation of others' hard earned wealth for themselves (e.g., via litigation, taxation, marketing, or theft). Minimize your exposures. Avoid becoming a target.

The world is not driven by greed. It's driven by envy.

— Charles T. Munger

- Unexpected variables and unanticipated events can and will arise. This is a guaranteed prospect when developing a long term financial plan. Maximum plan efficiency will result in maximum plan fragility, with increased probability of plan failure. A judicious component of redundancy is necessary to maximize probability of plan success and longevity. Redundancies must be weighed against their opportunity costs.

Controversial Strategies With Limited Benefit, No Benefit, or Possible Detriment.
Subject to Client Preferences.

- International securities: Practice policy favors domestic U.S. securities. Domestic U.S. securities account for nearly half the market capitalization of total world securities and demonstrate high sector diversification. International securities frequently demonstrate strong positive correlations to domestic U.S. securities (notably, the strength of positive market correlations between the domestic U.S. equities market and global ex-U.S. equities markets has increased over time) with reduced tax efficiencies, increased expenses, uncompensated currency risks (exchange rate risks), idiosyncratic risks inherent to developing nations (e.g., political instability, fraud, lax regulation of securities markets, lax accounting standards), risks of expropriation of private investment and threats to property rights, limited access to markets, reduced investor knowledge and experience of markets, and potential increased portfolio complexity for U.S. based investors. Additionally, major domestic U.S. corporations, in aggregate representing the majority of domestic U.S. market capitalization, derive a significant proportion of their revenues from international sources; notably, the constituent corporations of the S&P 500 stock index derive nearly half of their aggregate sales revenues from international sales. With regards to fixed income securities, there is little diversification benefit derived from adding global ex-U.S. fixed income securities to a portfolio of high grade domestic U.S. fixed income securities (e.g., U.S. Treasury securities or investment grade U.S. corporate bonds).

- Dollar cost averaging (DCA): Practice policy favors lump sum investing, where funds are invested as soon as they become available to the investor. Time in the markets yields superior results to timing the markets. On average, markets trend upwards, rising more often than falling. Thus, a DCA strategy will generally net a higher average purchase price per share and fewer purchased shares than utilizing a lump sum investing strategy. Furthermore, DCA requires funds to remain uninvested or invested outside of the desired asset allocations until funds are fully invested, which distorts the investment portfolio's risk and return profile from the desired risk and return profile until funds are fully invested. DCA is a form of market timing and remains an inferior investment strategy to lump sum investing.

- Rebalancing: Practice policy disfavors periodic portfolio rebalancing to fixed asset allocations (constant weighting rebalancing). A buy and hold or passive portfolio rebalancing strategy is favored, where new cash inflows are allocated to under-weighted asset classes. Asset allocation weightings will be adjusted over time towards fixed income securities and cash or money market securities based on the investment time horizon of the portfolio in order to manage portfolio volatility and mitigate market risks preceding liquidation of the portfolio. Ergo, judicious portfolio rebalancing is achieved. Periodic portfolio rebalancing to fixed asset allocations increases expenses, diminishes tax efficiency, and may reduce long term returns (higher performing assets are consistently exchanged for lower performing assets).

- Real estate investment trust (REIT) index funds: Practice policy favors selective and limited use of REIT index funds for clients with limited or no private real estate asset ownership (e.g., ownership of a principal residence, secondary or vacation residences, or investment real estate). Deviating from a market portfolio by holding or purchasing individual sector or specialty funds is a detrimental strategy and is strongly discouraged; however, tilting a market portfolio with the addition of a REIT index fund (up to 10% of assets) may offer limited diversification benefits for clients with limited or no private real estate asset ownership. This must be balanced against increased portfolio complexity and reduced tax efficiency (REIT dividends are generally treated as ordinary income distributions, though may be treated as capital gain distributions or return of capital distributions depending on the nature of the distribution; the Section 199A Qualified Business Income deduction may apply to ordinary income distributions derived from REITs).

- Tax loss harvesting: Practice policy favors judicious tax loss harvesting if there is a substantial capital loss to harvest in order to convert other income (including earned income during working years) taxed at ordinary income rates (not to exceed $3000 per year) to long term capital gains taxed at preferential rates, to convert short term capital gains taxed at ordinary income rates to long term capital gains taxed at preferential rates, to achieve the benefits of tax deferred compounding, to defer income to future tax years when income and marginal tax rates may be lower (tax bracket arbitrage), and to potentially eliminate deferred income tax liability upon death consequent to step-to fair market value in basis for assets under Section 1014 (excepting any carryover capital losses which remain unused upon the final federal income tax return for the decedent, as unused capital losses are forfeited and cannot carryover to federal income tax returns for the decedent's estate). Tradeoffs include (but are not limited to) increased transaction costs, short term capital gains treatment (rather than long term capital gains treatment) for sales of securities within the first year of the transaction, increased accounting and portfolio complexity (and associated costs), potential disqualification of qualified dividends, risk of increased tax rates in future tax years, tracking error risk, and wash sales resulting in disqualification of loss write offs in the current tax year (disqualified losses are added to the basis of the newly acquired replacement securities and losses are deferred until the eventual disposition of the newly acquired replacement securities, the holding period of the newly acquired replacement securities includes the holding period of the securities sold in the wash sale).

- Tax gain harvesting: Practice policy favors judicious tax gain harvesting if there is a substantial long term capital gain to harvest that falls into the 0% long term capital gains tax bracket based on projected taxable income. Tradeoffs include (but are not limited to) increased transaction costs, short term capital gains treatment (rather than long term capital gains treatment) for sales of securities within the first year of the transaction, increased accounting and portfolio complexity (and associated costs), increased AGI / MAGI and potential loss of preferential tax treatments, and potential disqualification of qualified dividends. Notably, wash sale treatment does not apply to tax gain harvesting.

- Margin borrowing: Practice policy disfavors margin borrowing. Desired portfolio risk is most effectively achieved via appropriate asset allocations rather than acquisition of margin debt. If leverage is desired, lower risk and lower interest rate forms of non-callable debt can be utilized with defined borrowing periods and fixed interest rates collateralized by stable assets (i.e., by leveraging real estate assets). Acceptable uses of margin leverage may include application of limited margin leverage (initial margin ≥ 90%, where initial debt ≤ 10% of collateral assets) at low interest rates to satisfy short term (≤ 1 year) credit and liquidity needs. Risks include (but are not limited to): rehypothecation risk (the re-pledging of your pledged collateral assets against a margin liability as collateral security against your creditor's own debt obligations, which may then be further re-pledged to other creditors, risking your pledged collateral assets to any potential default within this chain of credit), variable and typically high interest rates, variable margin requirements (house margin requirements may exceed regulatory margin requirements and can be modified by the broker-dealer at any time without prior notice to borrowers), unpredictable margin calls and / or liquidations of account positions (margin debts can be called at any time and for any reason and account positions can be liquidated by the broker-dealer without margin calls or prior notice), possible lending by the broker-dealer of securities purchased using margin debt (see "securities lending"), possible inability to transfer positions from accounts with outstanding margin debt, compounding of margin debt due to negative amortization or capitalization of interest, and risk of realizing losses (which may exceed principal) during margin calls / liquidation events or upon the insolvency of collateral assets.

- Securities lending: Practice policy disfavors securities lending. Risks include (but are not limited to) receiving substitute payments in lieu of dividends (taxed at ordinary income tax rates rather than qualified dividend rates), counterparty risk of default which may exceed collateral, temporary loss of voting rights, variable loan rates, and lack of SIPC insurance on loaned securities.

- Fractional shares: Practice policy favors investing in whole share increments whenever possible (aside from mutual fund fractional shares). Tradeoffs of fractional shares investing include (but are not limited to) inability to transfer fractional share positions, risk of discontinuation of the program for any individual security or as a whole by the broker-dealer, inability to exercise shareholder or voting rights for fractional shares, possible truncation of dividend payouts due to rounding, and possible reduced liquidity of fractional sales.

Clearly Detrimental Strategies and Products That We Do Not Utilize, Recommend, or Offer

- "Smart beta" and factor investing: Practice policy strongly disfavors use of "smart beta" and factor funds and strategies. Factor tilts towards small market capitalization and value index equity funds may be considered according to client preferences, though are not recommended.

> *…[M]ost of the so-called anomalies that have plagued the literature on investments seem likely to be the result of data mining. We have literally thousands of researchers looking for profit opportunities in securities. They are all looking at roughly the same data. Once in a while, just by chance, a strategy will seem to have worked consistently in the past. The researcher who finds it writes it up, and we have a new anomaly. But it generally vanishes as soon as it's discovered.*
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> — Fischer Black, *Beta and Return*, 1993

- ESG (Environmental, Social, and Governance) investing, socially responsible investing (SRI), and stakeholder primacy: Not offered. Practice policy exclusively recognizes and uncompromisingly prioritizes shareholder primacy, profitability, and value, pursuant to our fiduciary duty to our clients.

> *A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end and does not extend to a change in the end itself, to the reduction of profits or to the nondistribution of profits among stockholders in order to devote them to other purposes.*
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> — Justice Russell C. Ostrander, *Dodge v. Ford Motor Co.*, 204 Mich. 459, 170 N.W. 668 (1919)

- "Slice and dice" portfolio strategies: Not offered.

- Leveraged and inverse funds: Not offered.

- Technical and fundamental analysis: Not offered.

- Derivatives (e.g., futures, forwards, options, swaps, etc.): Not offered.

- Commodities (e.g., metals, oils, gasoline, agricultural products, etc.): Not offered.

- Collectibles (e.g., fine art, coins, gems, alcoholic beverages, stamps, watches, automobiles, antiques, etc.): Not offered.

- Hedge funds: Not offered.

- Private equity, private debt, and venture capital: Not offered.

- Cryptocurrencies: Not offered. Cryptocurrencies are currencies. Currencies possess no internal rate of return (e.g., dividend income, interest income, rental income), thus cannot be considered productive investment assets. Cryptocurrencies may be acquired and held by speculators as speculative assets, where asset price appreciation is predicated entirely upon the willingness of other speculators to pay ever greater prices to acquire and hold the same assets ("Greater Fool Theory" or "Castle In The Air Theory"). While a given cryptocurrency may be programmatically and artificially restricted in supply, supply restrictions may be arbitrarily expanded. Furthermore, novel and competing cryptocurrencies may be introduced at any time, effectively offering a limitless supply of cryptocurrency denominations to the marketplace. Cryptocurrency denominations cannot be expected to reliably appreciate in value over the long term as supply of cryptocurrency denominations available to meet or exceed speculator demand is potentially limitless. Please reference "Our Guiding Principles and Practice Policies" topic.

- Forex (currency) trading: Not offered. Note that currency exchange for many common currency pairs is offered.

- Active management strategies, day trading, high frequency trading, and short selling: Not offered.

  > *The question is when is active management good? The answer is never.*
  >
  > — Eugene Fama

- High yield bonds or junk bonds: Not offered. High yield bonds or junk bonds neither offer the safety of investment grade corporate bonds or U.S. Treasury securities nor the greater expected returns of equity securities. If greater expected risks and returns are desired, equity securities represent a superior investment choice.

- Annuity contracts: Practice policy strongly disfavors use of annuity contracts. Qualified annuity contracts held inside of tax advantaged accounts are detrimental and strongly discouraged. Non-qualified single premium immediate annuity (SPIA) contracts or non-qualified deferred annuity contracts purchased as longevity insurance contracts may be considered in specific and limited scenarios in which clients close to or within retirement possessing limited retirement assets desire insurance against the risk of outliving their assets (longevity risk); this insurance must be weighed against the high annual operating expenses and fees associated with annuity contracts, illiquidity and complexity associated with annuity contracts, and unfavorable tax treatment of all annuity earnings distributions as ordinary income (additionally, the 3.8% net investment income tax, or NIIT, may apply to earnings distributions from non-qualified annuities). Unfavorable "last in, first out" (LIFO) tax treatment prior to annuitization, aggregation rules, and 10% early withdrawal penalties applied to earnings distributions prior to age 59.5 (with certain exceptions) also apply to deferred annuity contracts. Many additional limitations and restrictions apply to annuity contracts. Superior self funded strategies exist to mitigate risk of retirement expenses depleting assets (longevity risk and purchasing power risk). Additionally, purchase of Medicaid qualified immediate annuities (also known as Medicaid compliant annuities) might be considered by nursing home resident spouses with limited assets for the benefit of their community spouse as part of an asset preservation Medicaid planning spend down strategy in specific and limited scenarios, only applicable to residents of certain states and subject to certain requirements and restrictions (please reference "Long term care insurance contracts" topic).

- Universal life, whole life, permanent life, and cash value life insurance contracts: Practice policy is to utilize cost effective term life insurance contracts for the vast majority of clients needing life insurance contracts and to separate life insurance needs from investment needs; this strategy nets the greatest face value (death benefit) per dollar of insurance premium and the greatest investment return per dollar of investment contribution, in the most cost efficient manner. Universal life, whole life, permanent life, and cash value life insurance contracts may be considered in specific and limited scenarios where potential benefits clearly outweigh their heavy costs and many limitations; this may include meeting the liquidity needs of a decedent's estate and as a component of estate conservation measures, in order to preserve the value of a decedent's privately held companies or other assets, or may apply to specific and limited scenarios in which a decedent leaves behind one or more permanently disabled dependents. For individuals approaching or within retirement and holding universal life, whole life, permanent life, and cash value life insurance contracts, surrender of these contracts for the contracts' cash surrender value or Section 1035 exchange on a tax free basis into non-qualified annuity contracts (e.g., single premium immediate annuity contracts or deferred annuity contracts purchased as longevity insurance contracts) should be considered. For individuals not yet approaching retirement and holding universal life, whole life, permanent life, and cash value life insurance contracts, surrender of these contracts for the contracts' cash surrender value or exchange of these contracts into extended term life insurance contracts should be considered. Alternative nonforfeiture options may exist. Invest while you are alive and insure for your death; do not insure your life to invest in your death.

- Long term care insurance contracts: Practice policy strongly disfavors purchasing long term care insurance contracts. Their heavy costs and restrictions almost always outweigh any potential and limited benefits. Furthermore, as the need for long term care services is a highly probable outcome to aging, addressing the potential cost of long term care services is best accomplished via planning methods that do not rely on purchasing insurance contracts. As with retirement planning, superior self funded strategies exist to mitigate risk of long term care costs depleting assets. Additionally, Medicaid and Medicaid planning remain available safety nets to cover long term care costs when risking depletion of assets. Consider also that custodial care may be provided in the home in part or in whole by family members.

- Section 529 prepaid college tuition plans and adviser sold college savings plans: Practice policy favors use of direct sold Section 529 college savings plans. Section 529 prepaid college tuition plans and adviser sold college savings plans are strongly discouraged. Section 529 plans are also known as qualified tuition programs or QTPs.

- Borrowing from retirement plan accounts: Practice policy strongly disfavors borrowing from retirement plan accounts, such as pension plans, profit sharing plans, defined benefit retirement plans, and / or defined contribution retirement plans. Loans are typically offered within cash or deferred arrangement (CODA) type retirement plans such as 401(k) or similar plans. Loan funds do not earn investment returns (opportunity cost, loss of tax deferred or tax free growth); produce a net return of 0% (loan interest is paid by the borrower to the borrower); result in double taxation of funds repaid as loan interest unless contributed into Roth plans (after tax funds repaid as loan interest into traditional or pre-tax plans are taxed again as ordinary income upon distribution from traditional or pre-tax plans, no income tax deductions for interest contributions into plans); must be amortized within 5 years with payments made on a quarterly basis at the minimum (an exception to the 5 year repayment period may be allowed if loan funds are used for the purchase of a primary residence); may result in balloon payments of outstanding loan funds (either repaid into originating retirement plan accounts or as a loan offset if rolled over into new retirement plan accounts or IRAs) or income taxes and potentially 10% additional tax penalties for early withdrawal if employment is terminated or employer dissolves within the loan term; constitute borrowing from your own retirement.

- Flexible Spending Arrangements (FSAs): Practice policy disfavors voluntary employee contributions to Health Care Flexible Spending Arrangements (HCFSAs). Practice policy instead strongly favors contributions to Health Savings Accounts (HSAs) in conjunction with eligible high deductible health plans (HDHPs) when available, if HSA custodian fees are reasonable (the combination of HSA and HDHP is also known as a consumer directed health plan, or CDHP). HSAs may be utilized to save and invest for qualified medical expenses (including long term care insurance premiums, COBRA premiums, health insurance premiums while receiving unemployment compensation, and Medicare premiums at age 65 or older) in a tax advantaged manner (pre-tax contributions, tax deferred or tax free compounding of earnings, and tax free distributions for qualified medical expenses) with 100% vesting of contributions at the time of contribution; HSA distributions may be used to pay or reimburse qualified medical expenses incurred in the current year or any preceding years, up to the year of HSA establishment, thus allowing deferral of HSA distributions to maximize tax free compounding of earnings (applicable only if the same medical expenses have not been itemized for deduction from adjusted gross income). In addition, HSAs may be utilized as tax deferred supplemental retirement accounts, similar to Traditional IRAs; upon reaching age 65, distributions may be made for any purpose, only subject to payment of ordinary income tax on distributions that are not used to pay for qualified medical expenses (20% additional tax penalty ceases to apply upon reaching age 65). Notably, elective HSA contributions via employer payroll withholding through cafeteria plans are generally more advantageous than direct contributions to HSAs, as elective contributions via employer payroll withholding through cafeteria plans are not subject to Federal Insurance Contributions Act (FICA) tax liability (federal payroll tax liability). Compared to HSAs, HCFSAs are associated with significant limitations including forfeiture of contributions if not used for qualified medical expenses within the same plan year or within a potential subsequent 2 month and 15 day grace period following the end of the plan year ("use it or lose it", exceptions may apply), inability to withdraw funds for non-medical expenses or non-qualified medical expenses, forfeiture of the account upon termination of employment, inability to invest or earn interest on contributions, inability to amend contribution elections upon close of open enrollment periods, and lower contribution limits. Potential use scenarios for HCFSAs include contributions to cover anticipated or known qualified medical expenses during the plan year (excluding any insurance premiums). Additionally, contributions to Dependent Care FSAs (DCFSAs) may be considered to cover anticipated or known eligible dependent care services during the plan year; notably, contributions made to DCFSAs will reduce any potential Child and Dependent Care Credit (dependent care benefits excluded or deducted from income including pre-tax contributions to DCFSAs must be subtracted from the dollar limit when figuring the Child and Dependent Care Credit), which may result in a net positive or negative impact on overall tax liability depending on taxpayer adjusted gross income (AGI) as compared to receiving the full Child and Dependent Care Credit (contributions to DCFSAs typically provide a net benefit for taxpayers with AGI > $43,000).

- Realty flipping: Practice policy strongly disfavors flipping of realty. Note that realty exchanged in the trade or business of flipping realty for profit is not eligible for Section 1031 like-kind exchange as it does not fit the definition of realty held for productive use in business activity, trade activity, or production of income activity. Nor does it qualify for preferential capital gains treatment as a capital asset since individuals who flip realty for profit on a continuing basis (i.e., individuals engaged in the trade or business of flipping realty) are classified as dealers, not investors. Rather, realty exchanged by dealers is classified as inventory, subject to ordinary income treatment including Self-Employed Contributions Act (SECA) tax liability.