

# PERSPECTIVES



March Madness and the DJIA – Winners & Losers

Tax Corner

Hall & Burns Wealth Management System

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## March Madness and the DJIA – Winners & Losers

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**Can we see patterns from one year to the next or is it a maddening bracket?**

Newspapers, radio, and TV news programs refer to the Dow Jones Industrial Average every day, calling it the Dow, sometimes the Dow Jones, or even the DJIA. And economists and financial advisors pay close attention to its daily changes and the longer trends.

But what exactly is the Dow Jones Industrial Average, does it really matter, and can one see performance patterns from year to year?

## A Brief History of the DJIA

The Dow Jones Industrial Average is a stock market index, used to assess movements in the market and its overall strength or weakness. It was created in 1896 by Wall Street Journal editor and co-founder of Dow Jones & Company, Charles Dow.

The Dow tracks the market performance of 30 large, American companies. Initially, the Dow had only 12 stocks and these included such golden oldies as American Cotton Oil Company, U.S. Leather Company, and Distilling & Cattle Feeding Company. In 1920, the Dow expanded to 20 stocks and then to 30 stocks in 1929.

The Dow is constantly changing, although the additions and deletions don't happen very often. In fact, there have only been 57 changes since its inception, with the last change in August of 2020 when Salesforce.com replaced ExxonMobil and two years before that Walgreens replaced General Electric. Due to its age, the Dow Jones Industrial

Average represents a continuous chart of our nation's economic growth, along with its ups and downs.

## Consider these milestones:

- The Dow first hit 1,000 in late 1972;
- Hit 10,000 in March of 1999;
- Reached 17,000 in July of 2014.
- Closed above 25,000 in January of 2018; and
- Closed a whisper short of 33,000 on March 15, 2021 (closed at 32,953), which is almost exactly where the Dow closed one year later (closed at 32,945 on March 14, 2022) and higher the year after that (closed at 32,155 on March 14, 2023).

Let's Play March Madness with the DJIA Some people think it's a good idea to buy last year's best Dow performers, figuring that they will continue to perform well and reward investors. Others prefer to buy last year's worst Dow performers, thinking that their fortunes will magically reverse.

So, we decided to play our own version of March Madness and rank the top and bottom 3 companies in the Dow based on 2022 performance. So, using performance from 2022, let's list the Top 3 best and worst performers from the Dow.

# March Madness and the DJIA – Winners & Losers

CONTINUED

## 2022's DJIA-Winners/Losers

Let's be honest for a second: in 2022, the DJIA delivered one of the most disappointing years in some time. And while many were happy to see 2022 in the rear-view mirror, we probably all wish for 2021's performance, which was nothing short of impressive, especially given the headwinds of COVID-19.

Who could have predicted that in 2021, the DJIA would rise 18.7% and then in 2022 would lose 8.8%? Maybe 2022's three best- and worst-performing stocks from the DJIA can inform?

Interestingly, two companies removed from the DJIA were amongst the top-performing firms in 2022, with Exxon Mobil Corporation and Raytheon Technologies Corporation providing a total return of 84.60% and 18.08%, respectively. And newly added Salesforce dropped over 48%.

### Top 3 Best Performers from the DJIA

Company	2022 Total Return
Chevron	+58.37
Merck	+49.54
Travelers	+22.04

### Top 3 Worst Performers from the DJIA

Company	2022 Total Return
Salesforce	-48.01%
Intel	-46.78%
Walt Disney	-44.25

## What Financial Advisors Will Predict

Let's be honest, did you think that Chevron could skyrocket more than 50% last year and that Walt Disney would be cut in half?

**But here is what financial advisors do know: every large, powerful company has good and bad years. And trying to determine future performance based solely on past performance is a bad idea.**

So, who will be the best performer for the rest of 2023? It's anyone's guess. Hence, the Madness.

And the reason mutual funds are so popular.



Sincerely,



## Matter of Tax

### Understanding Cap Gains, New IRS Mileage Rates & What the IRS will never do

#### Getting Out of the Market Because of Taxes?

Are you thinking about bailing out of stocks because you are worried that the capital gains tax structure might change? Before you hit the sell button, think it over carefully and make sure you truly understand the tax implications – especially the differences between short and long-term capital gains.

Capital gains taxes are essentially separated into one of two categories: short-term and long-term. And as you might surmise, the category that applies to you depends on how long you've held the assets.

- Short-term capital gains taxes are applied to profits from selling an asset you've held for less than a year. Short-term capital gains taxes are aligned with where your income places you in federal tax brackets – in other words, you pay the same rate as you would on ordinary income taxes.
- Long-term capital gains taxes are applied to assets held for more than a year. The long-term capital gains tax rates are 0%, 15% and 20%, depending on your income. Generally speaking, these rates are lower than the ordinary income tax rates.

### Long-Term Capital Gains Tax Rates

If you are interested in claiming the tax credit available under section 30D (EV credit) for purchasing, The tax rate on most net capital gain is no higher than 15% for most individuals, but if you are a high-earner, you might fall into the 20% long-term cap gain bracket.

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$41,675	\$41,676 – \$459,750	Over \$459,750
Married filing jointly	Up to \$83,350	\$83,351 – \$517,200	Over \$517,200
Married filing separately	Up to \$41,675	\$41,676 – \$459,750	Over \$459,750
Head of household	Up to \$55,800	\$55,801 – \$488,500	Over \$488,500

Source: IRS

There are a few other exceptions where capital gains may be taxed at rates greater than 20%:

1. The taxable part of a gain from selling section 1202 qualified small business stock is taxed at a maximum 28% rate.
2. Net capital gains from selling collectibles (such as coins or art) are taxed at a maximum 28% rate.
3. The portion of any unrecaptured section 1250 gain from selling section 1250 real property is taxed at a maximum 25% rate.

## 2023 MILEAGE RATES ANNOUNCED

The Internal Revenue Service issued the 2023 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes. Beginning on January 1, 2023, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 65.5 cents per mile driven for business use, up 3 cents from the midyear increase setting the rate for the second half of 2022.
- 22 cents per mile driven for medical or moving purposes for qualified active-duty members of the Armed Forces, consistent with the increased midyear rate set for the second half of 2022.
- 14 cents per mile driven in service of charitable organizations; the rate is set by statute and remains unchanged from 2022.

In addition, the IRS announced that:

- These rates apply to electric and hybrid-electric automobiles, as well as gasoline and diesel-powered vehicles.

- The standard mileage rate for business use is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

- It is important to note that under the Tax Cuts and Jobs Act, taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed employee travel expenses. Taxpayers also cannot claim a deduction for moving expenses, unless they are members of the Armed Forces on active duty moving under orders to a permanent change of station.

## REMEMBER, THE IRS WILL NEVER...

Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail you a bill if you owe any taxes.

- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Ask for credit or debit card numbers over the phone.

## It's Time to Review Your Taxes

During the months of April and May, we want to help you identify planning opportunities (and spot potential issues) with your tax returns.

If you have not already done so, please provide us with a complete copy of your most recent Individual (and Business if applicable) State & Federal Tax Return for 2022 by uploading it [here](#).

If we work together now, we can help identify...

- If there has been a change in your finances this year and you may need to adjust or start paying estimated taxes;
- Additional ways to reduce your tax liability for this year; and
- How to best coordinate your financial planning goals with your tax situation for maximum tax efficiency.

It is opportune to review your tax returns now, because there is still time to address issues before next year (and you may have time to amend returns, if needed).

Reviewing tax returns can be daunting and difficult given the many state and federal complexities and often changing rules. Tracking your exposure to various taxes (e.g. ordinary income tax, capital gains tax, the alternative minimum tax, the net investment income tax, etc.), and your rights to various credits and deductions, requires time and effort.

To assist you in reviewing your filings, we have provided a checklist on the following page for retired taxpayers:

### **“As A Retiree, What Issues Should I Consider When Reviewing My Tax Return?”**

And one for taxpayers that are still working:

### **“As Someone Who Is Working, What Issues Should I Consider When Reviewing My Tax Return?”**

Each checklist outlines nearly two dozen considerations to help guide you through your returns and circumstances.

# As A Retiree, What Issues Should I Consider When Reviewing My Tax Return?

[View the interactive checklist here](#)

## 2023 · AS A RETIREE, WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY 2022 TAX RETURN?



FAMILY AND FILING ISSUES	YES	NO
<b>Did you take the standard deduction of \$12,950 (single) or \$25,900 (MFJ) listed on Form 1040, Line 12?</b> If so, consider whether bunching charitable contributions and/or certain expenses (e.g., medical expenses and property taxes) into one tax year may allow better itemization.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you married and do you want to protect yourself against liability issues, have a large disparity between your incomes, or have large itemized deductions?</b> If so, consider preparing your tax return as both MFJ and MFS to compare the net tax liabilities. MFS may generate a smaller tax liability.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you recently divorced or has your spouse passed away recently?</b> If so, review your filing status (located at the top of Form 1040).	<input type="checkbox"/>	<input type="checkbox"/>
<b>Have you been divorced?</b> If you entered into a divorce agreement after 12/31/2018, alimony is not deductible by the payor or taxable to the recipient. If you entered into a divorce agreement before 1/1/2019, alimony is deductible by the payor (Schedule 1, Line 19a) and taxable to the recipient (Schedule 1, Line 2a).	<input type="checkbox"/>	<input type="checkbox"/>
<b>Was there any AMT (Form 6251)?</b> If so, consider the following: Review strategies to reduce AMT, such as minimizing large capital gains or harvesting losses. If you paid a significant amount of AMT in 2021, check Form 8801 to see if you received a credit.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you and/or your spouse age 65 or over (or are you or your spouse blind)?</b> If so, you are eligible for a higher standard deduction of \$1,400 for each married taxpayer and \$1,750 for unmarried taxpayers.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Did you owe more tax (Form 1040, Line 37), or did you receive a higher refund (Form 1040, Line 34) than expected?</b> If so, determine if this is due to a unique circumstance (such as the sale of a highly appreciated investment) by comparing taxable income from the last two years' tax returns.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Did you fail to withhold enough tax or did you underpay estimates?</b> If so, review Form 2210 and Form 1040, Line 38, to see the amount of the penalty.	<input type="checkbox"/>	<input type="checkbox"/>

INVESTMENT INCOME ISSUES	YES	NO
<b>Is any interest being reported (Form 1040, Lines 2a and 2b) or are dividends being reported (Form 1040, Lines 3a and 3b)?</b> If so, reference Schedule B to understand which accounts are generating income, whether the interest is taxable or tax-exempt, and if the dividends are ordinary or qualified.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Is your MAGI above \$200,000 (single) or \$250,000 (MFJ), and do you have significant Net Investment Income (calculated on Form 8960)?</b> If so, you may be subject to the Net Investment Income Tax of 3.8%.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Were there any capital gains (or losses) reported (Form 1040, Line 7)?</b> If so, see Schedule D, Line 13, for capital gain distributions. See Schedule D, Line 6 and Line 14, for short-term and long-term loss carryovers, ensuring that they have been carried over from previous tax returns.	<input type="checkbox"/>	<input type="checkbox"/>

RETIREMENT PLAN ISSUES	YES	NO
<b>Did you reach your Required Beginning Date in 2022 or before, or do you have an inherited IRA?</b> If so, make sure that your RMD has been satisfied and that it has been reported (Form 1040, Lines 4a and 4b or 5a and 5b).	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you at least age 70 ½ and did you complete a Qualified Charitable Distribution?</b> If so, make sure it is properly reflected, with the amount excluded on Form 1040, Line 4b.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Have you ever made a non-deductible IRA contribution (Form 8606)?</b> If so, make sure the cost basis is being tracked properly.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Did you withdraw money from an IRA that holds after-tax contributions?</b> If so, check Form 8606 to ensure the taxable and non-taxable portion of the distribution was calculated correctly.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Did you convert amounts from a traditional IRA to a Roth IRA?</b> If so, check Form 8606 to ensure that the amount converted is reported and any non-deductible IRA contributions that were converted are treated as non-taxable. (continue on next page)	<input type="checkbox"/>	<input type="checkbox"/>

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# As Someone Who Is Working, What Issues Should I Consider When Reviewing My Tax Return?

[View the interactive checklist here](#)

## 2023 · AS SOMEONE WHO IS WORKING, WHAT ISSUES SHOULD I CONSIDER WHEN REVIEWING MY 2022 TAX RETURN?



FAMILY AND FILING ISSUES	YES	NO
<b>Did you take the standard deduction of \$12,950 (single) or \$25,900 (MFJ) listed on Form 1040, Line 12?</b> If so, consider whether bunching charitable contributions and/or certain expenses (e.g., medical expenses and property taxes) into one tax year may allow better itemization.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you married and do you want to protect yourself against liability issues, have a large disparity between your incomes, have large itemized deductions, or have certain income-based student loans?</b> If so, consider preparing your tax return as both MFJ and MFS to compare the net tax liabilities. MFS may generate a smaller tax liability.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Are you recently divorced or has your spouse passed away recently?</b> If so, review your filing status (top of Form 1040).	<input type="checkbox"/>	<input type="checkbox"/>
<b>Do you have dependents (first page of Form 1040)?</b> If so, consider the following:	<input type="checkbox"/>	<input type="checkbox"/>
If you have children under age 17 and your MAGI is below or within the phaseout range (starting at \$200,000 single or \$400,000 MFJ), you may be able to claim the Child Tax Credit.		
If you paid expenses for the care of a qualifying individual (e.g., a dependent child under age 13) to enable you (and your spouse, if MFJ) to work or actively pursue work, you may qualify for the Child and Dependent Care Credit on Schedule 3, Line 2.		
<b>Are you (or your spouse or dependent children) in college?</b> If so, consider the following:	<input type="checkbox"/>	<input type="checkbox"/>
If MAGI is below \$90,000 (single) or \$180,000 (MFJ), check Schedule 3, Line 3 to see if the Lifetime Learning Credit has been claimed. Credit is calculated on Form 8863.		
If MAGI is below \$90,000 (single) or \$180,000 (MFJ), check Form 1040, Line 29 to find if the refundable portion of American Opportunity Tax Credit has been claimed. Credit is calculated on Form 8863.		
<b>Was there any AMT (Form 6251)?</b> If so, consider the following:	<input type="checkbox"/>	<input type="checkbox"/>
Review strategies to reduce AMT, such as minimizing large capital gains or lowering income by maxing out retirement contributions.		
If you paid a significant amount of AMT in 2021, check Form 8801 to see if you received a credit. (continue on next column)		

FAMILY AND FILING ISSUES (CONTINUED)	YES	NO
<b>Did you owe more tax (Form 1040, Line 37) or did you receive a higher refund (Form 1040, Line 34) than expected?</b> If so, determine if this is due to a unique circumstance (such as the sale of a highly appreciated investment) by comparing taxable income from the last two years' tax returns.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Did you fail to withhold enough tax or did you underpay estimates?</b> If so, review Form 2210 and Form 1040, Line 38 to see the amount of the penalty.	<input type="checkbox"/>	<input type="checkbox"/>

INVESTMENT INCOME ISSUES	YES	NO
<b>Is any interest being reported (Form 1040, Lines 2a and 2b) or are dividends being reported (Form 1040, Lines 3a and 3b)?</b> If so, reference Schedule B to understand which accounts are generating income, whether the interest is taxable or tax-exempt, and if the dividends are ordinary or qualified.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Is your earned income subject to Medicare tax (e.g., from wages or self-employment) above \$200,000 (single) or \$250,000 (MFJ)?</b> If so, you may be subject to the Additional Medicare Tax of 0.9% (calculated on Form 8959).	<input type="checkbox"/>	<input type="checkbox"/>
<b>Is your MAGI above \$200,000 (single) or \$250,000 (MFJ), and do you have significant Net Investment Income (calculated on Form 8960)?</b> If so, you may be subject to the Net Investment Income Tax of 3.8%. If your MAGI is close to the thresholds, consider reduction strategies to avoid this surtax.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Were there any capital gains (or losses) reported (Form 1040, Line 7)?</b> If so, see Schedule D, Line 13, for capital gain distributions. See Schedule D, Line 6 and Line 14, for short-term and long-term loss carryovers, ensuring that they have been carried over from previous tax returns.	<input type="checkbox"/>	<input type="checkbox"/>

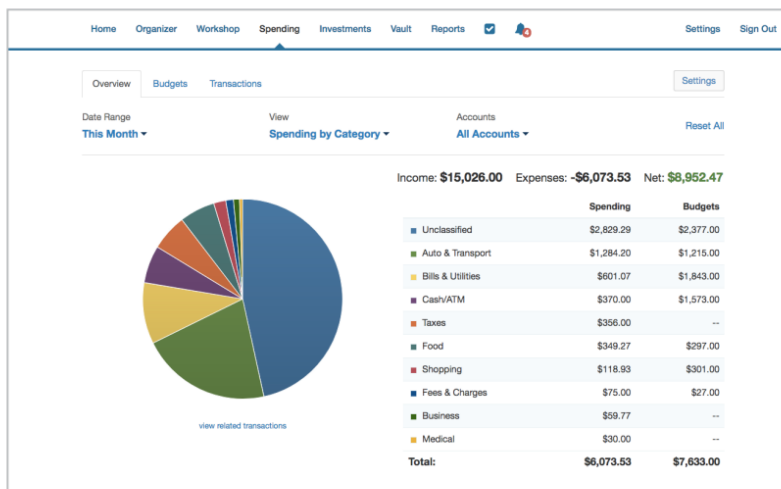
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## YOUR PERSONAL FINANCIAL WEBSITE

# Spending

Are your daily spending habits helping you meet your long-term financial objectives? With the Spending tab in your Personal Financial Website you can easily monitor and manage your daily cash flow – helping you stay on track to meet the financial future that you envision.



### VISIBILITY INTO ALL ACCOUNTS

Connecting all your financial accounts brings your daily transactions from multiple institutions into one place for a complete and consolidated view of your spending.

### REAL-TIME EXPENSE TRACKING

Your daily spending transactions will instantly update in the Spending tab once you've connected your financial accounts. With a real-time view of all your debits and credits, you'll always know how much you've spent and what's left.

### INSIGHT INTO SPENDING HABITS

Financial transactions are automatically classified based on preset and customizable categories. You'll easily identify where you spend the most money and ways to save for future expenses.

### BUDGETING IN ONE-CLICK

Getting started with planning for your future income and expenses is simple. In just one-click, create a budget from your actual spending transaction history. Use this budget as is or as a starting point that you can easily customize.

Do you know  
where your money  
is going every  
month?

## About Us

At Hall & Burns Wealth Management, our mission is to build long-term relationships with a select group of clients by helping them to simplify their financial lives and empowering them to make informed decisions through education, communication and world-class service.

[Learn More](#)



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