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Ancora Holdings Inc. is a client focused firm resulting from the recent merger between The Ancora Group, Inc. and Inverness Holdings, LLC. The combined firm's three business units Family Wealth, Institutional Strategies and Retirement Plan Services, operate with the highest level of integrity and honesty in all aspects of their operations. This is accomplished through a culture of entrepreneurial spirit that encourages teamwork, excellence, accessibility, humility and accountability. We invite you to learn more about Ancora Holdings Inc., our operating units and what our years of market experience can do for you by visiting our website at www.ancora.net.

LATEST ARTICLES

Investing and Skiing, the Parallels Are Greater Than You Think

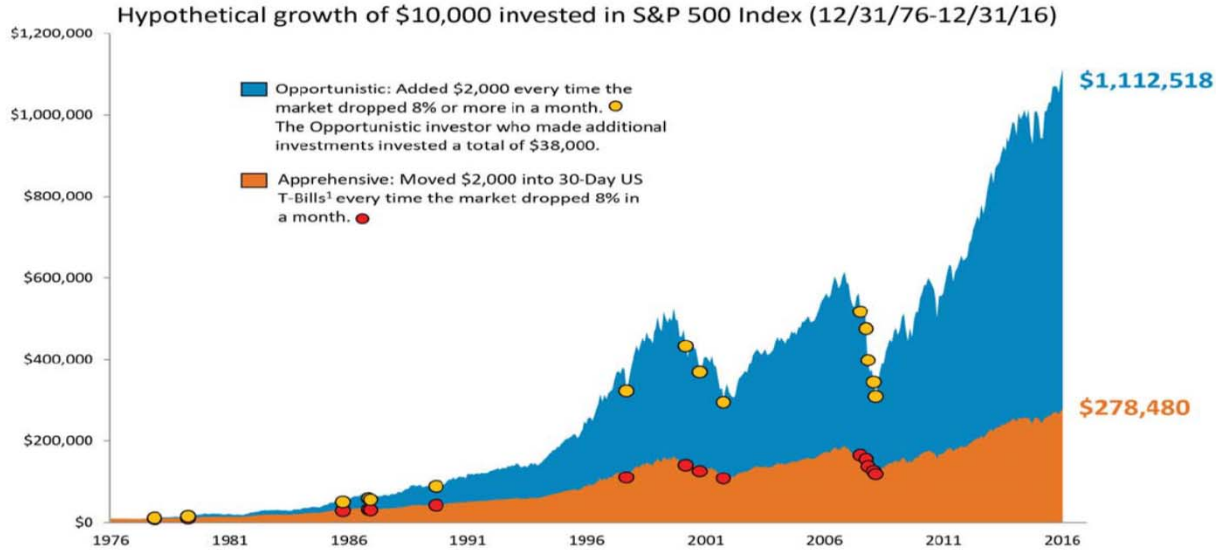
John Micklitsch, CFA, CAIA
Chief Investment Officer

It is some point in the future and the market has just dropped 8% for the month. Geopolitical uncertainty caused by aggressive rhetoric towards the United States from a rogue dictator and the fallout from a bellwether, blue chip stock badly missing its earnings estimates and lowering guidance have caused a sharp drop in equity prices. Sensing a ratings bonanza, the financial media is flooding the airwaves with breaking news alerts and close-up shots of the NYSE big board full of red ink. Does this scenario sound more like a nightmare to you or the makings of a good buying opportunity? If it is more the former, it may be an indication that your asset allocation is not a good match for you or it could be an indication that you are not embracing fear and market volatility in the most potentially advantageous way.

To learn more about managing fear, in January of this year I traveled to Alta, UT to attend a two-day skiing clinic on the mental side of skiing. The camp was run by twelve-time, extreme skier of the year Kristin Ulmer. Over the course of her career she has skied and won extreme skiing contests on some of the steepest and most treacherous ski lines on the planet. Fear was a constant companion. At first glance, there may not seem to be a lot of parallels between investing and skiing, but after attending this camp I can assure you there are. As we learned over the two days, when you ski terrain outside of your comfort zone, fear will definitely be present. Am I going to fall? Will I get hurt? How long will I be out if I get hurt? All of these doubts creep into the equation of the skier untrained to deal with fear, and if not channeled in the right way, the fear can lead to timid turn initiation, weak muscle response, doubt, and the very outcome, falling and potentially getting hurt, you were trying to avoid in the first place. Imagine, however, as we learned, if you developed the mental skills as a skier to embrace your fear as a partner in the equation rather than an adversary. Imagine if the fear gave you unmatched focus on your turn fundamentals to get you through the first key turns as you drop into a 40-degree chute. Imagine if fear could be harnessed to give you a shot of adrenaline in your muscles that gave you the power in your legs and your core to better handle the gravitational pull of the mountain's steep pitch. Imagine if channeling fear for good and harnessing its power gave you the clarity to see and execute your next ten turns in perfect synchrony. By retraining your mindset to view fear as your partner on the hill instead of your adversary, we learned you could ski more of the mountain than you ever imagined possible and do it more safely, successfully and enjoyably in the process.

The benefits of retraining how we embrace fear can be applied to investing as well, and the rewards can be even more impactful. As the below chart from the Hartford Funds Group illustrates, two investors start out in 1976 on the same path of investing $10,000 into the S&P 500, but handle their volatility-related fears very differently very differently along the way. The orange investor has not learned to embrace volatility and takes $2,000 off the table every time the market sells off by more than 8% in a given month. The blue investor embraces volatility and reaches into their pocket and adds $2,000 more to their investment every time the market sells off by more than 8% in a month. Over the forty-year period (1976-2016) this level of monthly sell off occurs sixteen times. The blue investor has therefore contributed $38,000 of additional capital to his original investment. And how much does he have to show for retraining his approach to handling market volatility related fear? By embracing the fear and buying on weakness, the blue investor ends the period with $1,112,518 while the orange investor ends with $278,480. An $834,038 difference. Now that can buy a lot of great ski vacations.

Hypothetical growth of $10,000 invested in S&P 500 Index (12/31/76-12/31/16)



[1]T-Bills are guaranteed as to the timely payment of principal and interest by the U.S. Government and generally have lower risk-and-return than bonds and equity. Equity investments are subject to market volatility and have greater risk than T-Bills and other cash investments.

Past performance is not a guarantee of future results. The performance shown above is index performance and is not representative of any fund's performance. Indices are unmanaged and not available for direct investment. Assumes reinvestment of capital gains and dividends and no taxes.

Data Source: Thomson Reuters, 1/17. Source: Hartford Funds Group

In closing, fear is common in many of the things we do as humans. It is present in many aspects of our daily lives, including how we handle our investments as well as how and what hobbies we pursue. We are in a market environment where execution risk as it relates to the new administration is high, which could lead to market volatility. But to put even that into perspective, we will have at least five different administrations in the United States with different agendas, goals and views over the *next* forty-year period. Nothing that occurs in any of them will likely alter the long-term power of embracing our volatility-related market fears as opportunities. In short, how we handle fear can mean the difference between achieving our lifetime goals or falling short of the mountain top.

John Micklitsch, CFA, CAIA is the Chief Investment Officer at Ancora Advisors LLC a SEC Registered Investment Advisor.

Municipal Bond Markets and the Potential Impact of Tax Reform

Jim Bernard, CFA

Managing Director, Fixed Income

Much has been written about the likelihood of some kind of tax reform coming out of the new congress/administration. Consensus expectations seem to be lower tax rates for both corporations and individuals, possibly as early as later this year. While discussing changes in tax rates, tax reform, tax simplification, etc. seems to be an ever-present conversation in Congress, often little if anything is actually accomplished. However, given the current make up of Congress, the odds currently seem rather high that this time will be different, and that something will actually happen later this year or early next year. Changes in tax rates in the name of fiscal stimulus seems the most likely course of action while true tax simplification seems the most difficult to accomplish. With many lobbyists, special interest groups, tax attorneys and others fighting to keep every line of the tax code that benefits their clients intact, meaningful tax reform has always been and continues to be a difficult task.

Yields in the municipal markets have shown very little to no adjustments suggesting they are factoring in the effects of lower tax rates on after tax municipal yields. Municipal yields as a percentage of U.S. Treasury yields have remained relatively constant since the election, indicating that municipal buyers remain skeptical that meaningful changes in tax rates will occur. To quantify this, a current 10-year AAA municipal bond yields 2.34% or a taxable equivalent yield of 3.77% for an individual in a marginal tax rate of 38%. If that top/marginal tax rate is reduced through tax reform to 28% then the yield on the AAA municipal bond needs to increase from the 2.34% mentioned above to 2.72% in order to maintain the 3.77% taxable equivalent yield. This does not imply that the markets will fully bump yields to reflect the example above, but some adjustment seems likely.

We continue to believe that the adjustment in after tax municipal yields will be very modest given the fact that 10-years AAA municipals already yield almost as much as comparable maturity U.S. Treasury issues. This implies that the tax-free treatment is currently almost "for free" less whatever credit spread premium investors demand to purchase AAA municipal issues instead of Treasuries. We will continue to actively monitor this tax reform debate and factor any events that occur which are significantly different than our expectations expressed above into our investment decisions. If you have any questions, please don't hesitate to reach out to us.

Jim Bernard, CFA, is the Managing Director, Fixed Income at Ancora Advisors LLC a SEC Registered Investment Advisor. He is also a Registered Representative and Registered Principal of Inverness Securities, LLC. (Member, FINRA/SIPC)

Q&A: Should You Consider a Roth IRA Conversion?

Howard Essner, JD

General Counsel, Managing Director, Family Wealth Advisor

Q. What is a Roth IRA conversion?

A. A Roth IRA conversion is simply a tax strategy under which the tax status of an IRA changes from a Traditional IRA to a Roth IRA. Under the right circumstances, a Roth conversion can provide significant income and/or estate tax savings. Prior to 2010, this option existed only for taxpayers with less than $100,000 in adjusted growth income (AGI). This income limitation has been eliminated, and now anyone, regardless of income, is eligible to convert a Traditional IRA to a Roth IRA.

Q. What are the advantages of a Roth IRA conversion?

A. A Roth IRA provides two major advantages over a Traditional IRA. First, all distributions from a Roth IRA (generally after a 5-year holding period and reaching age 59 ½) are tax-free, while distributions from a Traditional IRA are taxed as ordinary income. If you own a Roth IRA and die, the distributions continue to be tax-free for your beneficiaries. Second, as an owner of a Roth IRA, you and your spouse beneficiary are not subject to the Required Minimum Distribution Rules that apply to a Traditional IRA. (Required Minimum Distributions are required if your Roth IRA is inherited by a non-spouse beneficiary, but these distributions can be spread over the life expectancy of the beneficiary). So, by converting a Traditional IRA to a Roth IRA, you exchange tax-deferred growth for tax-free growth, exchange taxable withdrawals to tax-free withdrawals, and eliminate any requirement that assets be removed from the IRA during your or your spouse's lifetime.

Q. What's the catch?

A. Of course, there's always a catch. You must pay taxes (at ordinary income rates) on any amounts converted from a Traditional to a Roth IRA in the year of conversion. Essentially, the owner is treated as if he or she withdrew the assets from the Traditional IRA and re-contributed the assets to the Roth IRA.

Q. Why do I want to pay taxes sooner than I have to?

A. As financial advisors, we normally try to find ways for our clients to defer taxes, not pre-pay them. So why are we now talking to you about a strategy that does exactly the opposite? Because of the special tax and estate planning advantages offered by Roth IRAs, we believe that some clients can reap significant long-term savings and estate planning advantages from converting and paying taxes sooner rather than later. While we think that anyone who owns a Traditional IRA (and even some who do not currently have an IRA, as discussed below) should review their options, the conversion opportunity offers significant potential savings in the following circumstances:

- You do not need to draw on IRA assets for cash flow;
- You have a relatively long period before drawing on IRA assets for cash flow;
- You can afford to pay the taxes on the amount converted out of non-IRA assets;
- You expect your tax rate at the time of expected withdrawal to be higher than your current rate; or
- You want to leave IRA assets to the next generation free of income tax burdens.

If you expect to draw on the IRA for cash flow in the future, the key is tax rates. Conversion probably makes sense if you expect your tax rates to be higher at the time of the withdrawal than at the time of conversion, and probably does not make sense if you expect your tax rates to be lower at the time of the withdrawal than at the time of conversion.

Q. Do I have to convert all of my IRA assets to take advantage of this opportunity?

A. No, you can convert any amount you want. For example, if you are not subject to the highest marginal rates, you can determine how much you can convert without pushing yourself into the next tax bracket.

Q. I'm interested, but what happens if my IRA drops in value after I convert? Haven't I paid too much tax?

A. Let's say you convert $50,000 of Traditional IRA assets on January 2 and find that the account is worth $40,000 on June 1. It looks like you may have paid too much in taxes, since your tax bill would have been lower if you had waited and converted on June 1. The good news is you have a "do-over" called a "recharacterization." If for any reason you do not like the results of your conversion, you can undo the conversion and move the assets back to a Traditional IRA as if you had never converted the assets. While the recharacterization does not recoup your market losses, it does save you the taxes you would have paid. You have until October 15 of the year following the year of the conversion to complete the recharacterization, as long as you obtain an automatic extension of your tax return for that year (even if you still file by April 15).

The rules on recharacterization create some interesting strategies that involve holding different asset classes in separate Roth IRA accounts. Also, there are strategies that allow you to reconvert IRA assets that have been recharacterized, sometimes immediately. These strategies are too complex to cover in this article, but let us know if you would like to learn more.

Q. All of my retirement assets are in 401(k) Plans. Do I have an opportunity to convert these to Roth IRA assets?

A. Even if you do not have an IRA, you may be able to take advantage of this opportunity. First, under recent tax changes, Roth conversions are allowed within a 401(k) Plan. However, many plan sponsors have not yet adopted this as part of their plan. If this is the case, you could take advantage of a Roth conversion strategy if you have assets in a company-sponsored 401(k) Plan (or other qualified retirement plan) and are allowed to take a distribution from the plan. You might be allowed to take a distribution from your 401(k) Plan in one or more of the following circumstances:

- You have a 401(k) Plan from an old employer.
- You have assets in your current 401(k) Plan that were rolled over from a previous employer. Most plans allow rollover assets to be distributed from the 401(k) Plan at any time, even while employed.
- Your current 401(k) Plan allows for in-service distributions. Many plans allow such distributions after the employee has reached age 59-1/2.

If you are eligible to take a distribution from your qualified plan, you can roll over these assets into a Traditional IRA and then convert the Traditional IRA to a Roth IRA under the rules described above.

Q. Can Congress change the rules and make Roth IRA distributions taxable?

A. In this day, anything is possible. But if history is any guide, any change to the tax rules regarding Roth IRA assets would be on a prospective basis, and assets already in the Roth IRA would continue to be exempt. Since Roth IRA principal has already been taxed, we think it is very unlikely that Congress would subject these assets to a second tax. If anything happens, and we think this is very unlikely, the worst result would be that earnings would be subject to tax on distribution, and this is no worse than the result had the assets never been converted.

Q. What's the bottom line?

A. Whether you would benefit from this opportunity involves some complicated analysis using assumptions about current and future tax rates, the time until IRA assets are needed for cash flow, and estate planning needs. Your Ancora Team has access to a number of sophisticated models, and can work with your tax professional to help you determine whether this interesting strategy is right for you.

Sources: Ancora Holdings Inc., Charles Schwab, American Association of Individual Investors, NYU Stern Business School, Mauldin Economics, Factset.

Howard Essner, JD, is the General Counsel at Ancora Holdings Inc.

Fun Market Facts:

On March 1, 2017, the Dow Jones Industrial Average ("Dow") closed above 21,000 for the first time in its history. It took only 23 days to gain 1,000 points off the previous milestone close of Dow 20,000 achieved on February 3, 2017. By contrast, it took the Dow approximately 86 years from its inception in 1896 to notch its first 1,000-point move.

About Ancora Holdings Inc.: Ancora Holdings, Inc. is a Cleveland, Ohio based holding company which wholly owns three separate and distinct SEC Registered Investment Advisers, Ancora Advisors LLC, Ancora Inverness LLC and Safeguard Securities, Inc., which oversee assets under management in excess of $4 billion in aggregate. Ancora Advisors, LLC is an institutionally focused investment manager with dedicated equity and fixed income strategies as well as acting as the investment manager to both mutual funds and alternative investments. Ancora Inverness LLC is a leading, regional investment and wealth advisor managing assets on behalf families and high net-worth individuals. Safeguard Securities, Inc. is a dual registrant SEC Registered Investment Adviser and FINRA member broker dealer focusing on open architecture Retirement Plan Services. For more information please visit www.ancora.net.