

Tuesday
May 5, 2026

The Reluctant Convert

Markets, Personal Finance, Travel, and Life

Issue
#19

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Top of Mind

Frequent Flyer #s For Kids

George (my six-month-old) is taking his first flight this month, so I dug into how and when to create mileage accounts for kids.

Long story short, it's an easy process yet often forgotten about – resulting in tons of missed point opportunities.

Most airlines allow parents/guardians to create a mileage account for a child of any age, *including infants* – it just requires their name, date of birth, and an email.

However, for the child to earn airline miles in their own account, they must have an assigned seat – meaning they can't be designated as a "lap infant" on the flight.

This usually kicks in around two years old, when they must have their own seat. So, if you're flying with a 2+ year old I think it's a no-brainer for them to have an account.

Even if they don't fly often, some airlines have started allowing families to [pool points](#) for trips – which is a great way to use infrequently earned toddler miles.

What about kids under age two?

The perceived benefit is lower, but many airlines keep track of lifetime miles.

In theory, getting your kid started at a young age can elevate their airline status later in life via cumulative miles flown.

Sometimes there are account anniversary bonuses and gifts too.

So, even if you never plan to buy your infant their own seat, creating an account could still be worthwhile.



The Brick-and-Mortar Roth: Similar Tax Logic, Better View

Roth conversions get talked about like exotic maneuvers, but the core idea is simple: you're choosing when (and how) to pay taxes on a bucket of pre-tax dollars.

Instead of waiting for the IRS to force distributions later in life (often at inconvenient times) you proactively shift dollars into a Roth IRA while you control the timing, the bracket, and the strategy.

This can open the door to lower lifetime taxes, smaller [RMDs](#), fewer [IRMAA](#) surprises, and cleaner inheritance planning.

Compelling stuff. But for many, abstract.

Nobody ever sat on their deathbed wishing they'd done more Roth conversions. But a house on the water? A pool for the grandkids? "Using" their money? Probably...

Strategically using pre-tax retirement dollars on property purchases and/or improvements can be *economically analogous* to a conventional Roth IRA conversion.

Pre-tax balances are reduced, dollars move into an asset with real growth potential, and wealth transferred to heirs could pass with favorable tax treatment (via a step-up).

Layer in diversification, rental income, tax deductions, and the case looks compelling.

And then there's the part no spreadsheet captures: the enjoyment factor.

Last month I was talking with my business partner about a couple weighing Roth conversions. The math showed about \$100k in lifetime tax savings, but most of it didn't arrive until they were past 90. For them, the numbers weren't compelling.

But if we reframed those same dollars as a down payment on a vacation home *now*? Suddenly the conversation gets interesting.

Of course, real property comes with real tradeoffs. It's illiquid, generates carrying costs without a good rental, and adds operational complexity to an estate.

Maintenance, taxes, and insurance also raise the effective growth hurdle compared to assets compounding inside a Roth IRA.

The point isn't that property should replace a conventional Roth conversion - it's that for the right person, in the right season of life, it might deliver comparable financial outcomes while also delivering something a spreadsheet never will.

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Assuming a Mortgage Unconventional Portability

One little-known law can make certain mortgages effectively portable - a huge advantage in today's rate environment.

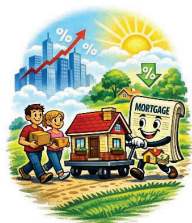
Free Fraud Alerts How to Protect Your Credit

I was recently reminded of free ways to protect your credit, a step everyone should take if possible.

Collective Wisdom Articles, Tweets, & More

Why survival is the ultimate sign of financial success, how people are still spending, the rise of low-status high-income work, and a great flight tool.

Mortgage Assumption



"I wish that I could take my 3% mortgage with me." Heard that before?

You can't, but someone else could (*sort of*)

Typically, when a mortgaged property transfers ownership a due-on-sale clause is activated and the remaining mortgage balance must be paid immediately.

However, thanks to the [Garn-St. Germain Act](#), heirs may inherit the title of a home and become its legal owner *without triggering* the due-on-sale clause.

Example: Your parents took a 3% mortgage in 2021 and passed away 15 years later. You, as the legal beneficiary, may be able to [assume their mortgage](#) and continue making monthly payments, picking up right where they left off.

Someone doesn't always have to die. Assuming an FHA, VA, or USDA loan means taking over the seller's existing mortgage, including their lower interest rate, by qualifying with the lender and covering the difference between the loan balance and purchase price.

This sounds too good to be true. So why isn't it more common?

Assumable mortgages are rare in practice because the equity gap is often too large, lenders are slow and unmotivated to process them, sellers face VA entitlement complications, inventory is limited, and buyers still must fully qualify - making it a powerful but difficult strategy to execute.

Talk to your realtor and see what they can find. Here are some interesting sites: [Assumable](#), [Roam](#), [AssumeList](#).

Free Fraud Alerts

I see a surprising amount of scam attempts in my line of work. A client was recently concerned about ID theft and fraud and asked what steps to take.

She's currently in the process of buying a house, so a credit freeze was not ideal.

Instead, we suggested an [initial fraud alert](#).

A fraud alert is a free notice you place on your credit file that tells lenders to take extra steps to verify your identity before opening new accounts, and when you set it up with any one of the big three credit bureaus - Equifax, Experian, or TransUnion - that bureau is required to notify the other two automatically.

The alert usually lasts a year and does not affect your credit score. There are paid services that offer additional protective services, if interested.

I went through [Experian](#) and it was surprisingly painless. Of course, there are many other steps to prevent identity theft, but I like the simple free option to start.

Article Arcade

Survival is Success

[Of Dollars and Data](#)

Timeless piece on building durable wealth. Many people who have "won the game" in terms of money never seem to have enough, which can eventually lead to reputational and financial ruin. All that matters is what you can keep.

People Are Still Spending

[A Wealth of Common Sense](#)

I'm guilty of saying something like, "How are so many people willing and able to spend so much money?" Ben addressed this question in the blog post above, citing the meteoric rise in household net worth in recent years.

Is Cash Back Taxable?

[Jasmine DiLucci](#)

This tax attorney explains how, in certain instances, cash back credit card rewards become taxable. She also addresses points and miles cards. Very helpful video.

Flight Tracker to Save \$

[Autopilot](#)

Autopilot tracks your flights and automatically rebooks if the fare drops by \$20+, giving you flight credit while keeping your same seat. Tracking is free, and your first \$100 of savings is free with [this link](#).

Friction is a Feature

[Educated Guess](#)

"Friction is neutral. It doesn't default to 'good', because human nature is weird and messy and confusing, and removing friction just means people can be weird and messy and confusing - and do bad things - at faster speeds and with fewer guardrails."

Low Status, High Income

[Nonlinear News](#)

Seeking status as a proxy for wealth is human instinct, but institutions have created high-status low-income work. As a result, there is now a rise in low-status high-income work. For the formerly high status, accepting low status is the underrated path to high income.

Reader Question

Q: *If my income is too high for a Roth IRA this year, is there a workaround to still fund a Roth?*

A: *Yes, there are several options.*

1) If your employer offers a Roth plan option, there's no income limit. For example, a Roth 401(k) is not subject to the same income phaseouts as a Roth IRA.

2) Contribute to a non-deductible traditional IRA, then convert it to a Roth. It works cleanly only if you have no other pre-tax IRA balances. A working spouse can fund a Roth IRA for a non-working spouse, if household earned income covers both contributions. Normal Roth IRA income limits still apply, so this backdoor route may be necessary.

3) Near the income phaseout threshold? Maxing a traditional 401(k) or HSA reduces your MAGI and may restore your eligibility.