



Pandemic, Politics, and Pocketbooks

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LIVE BIGSM

Agenda

- Review of 2020 economy and markets
- Outlook for economy and markets in 2021
- Review of 2020 tax and retirement legislation
- Review of Coronavirus relief legislation
- Outlook for Covid relief legislation
- Outlook for new tax legislation



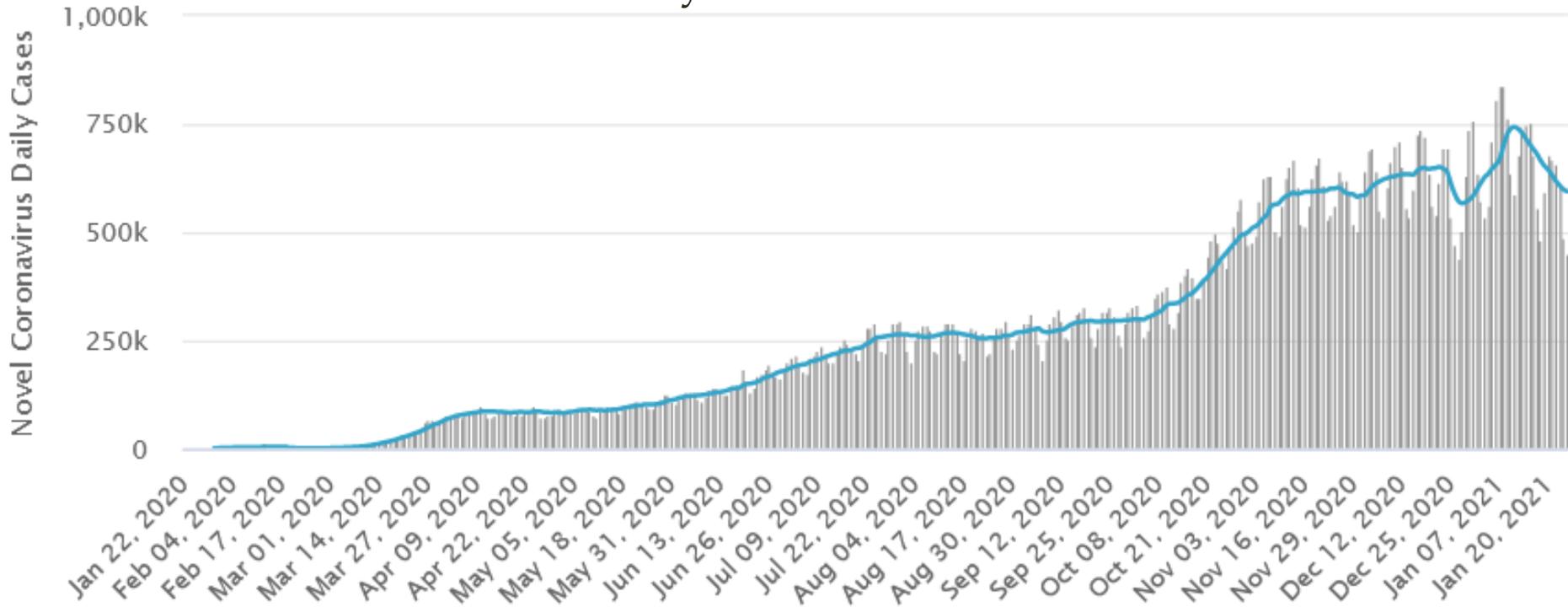
The Covid Economy

- We're coming out of a "medical recession"
- Curbing and curing Covid will drive ongoing recovery
- Covid "rebooted" the business cycle, with implications for the economy and the markets
- More government spending likely, whether bipartisan or through budget reconciliation
- Inflation has ticked up but probably not a major risk
- Market valuations seem reasonable, especially in small, value, and international stocks



The Covid Economy

Daily New Cases

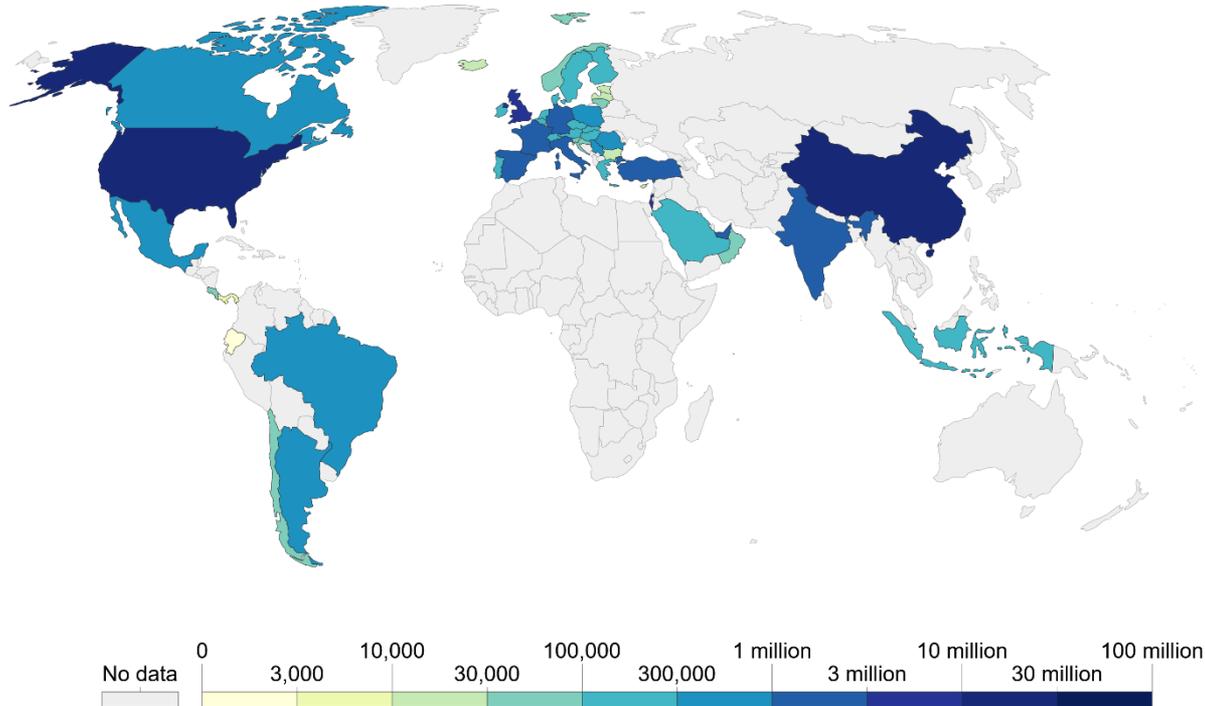


The vaccines are coming!

COVID-19 vaccine doses administered, Jan 26, 2021

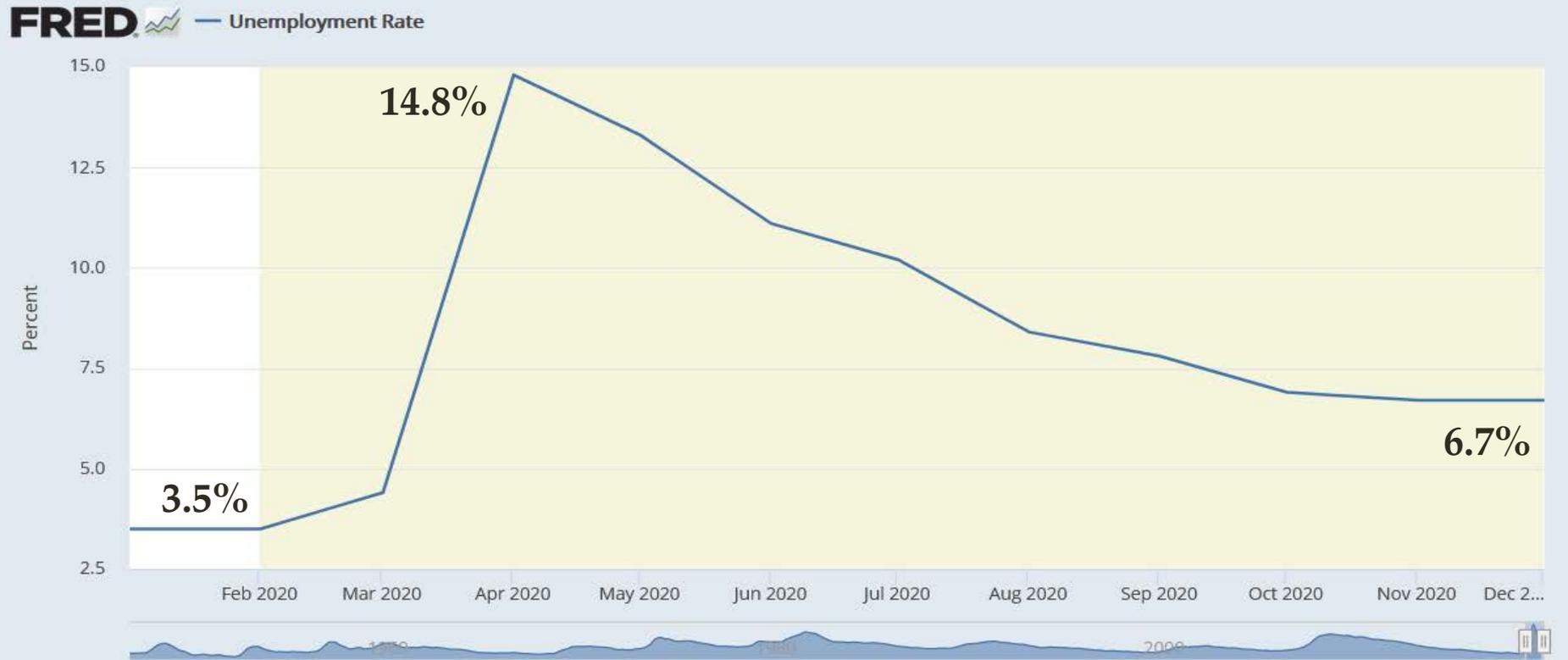
Total number of vaccination doses administered. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

Our World
in Data



96

Unemployment

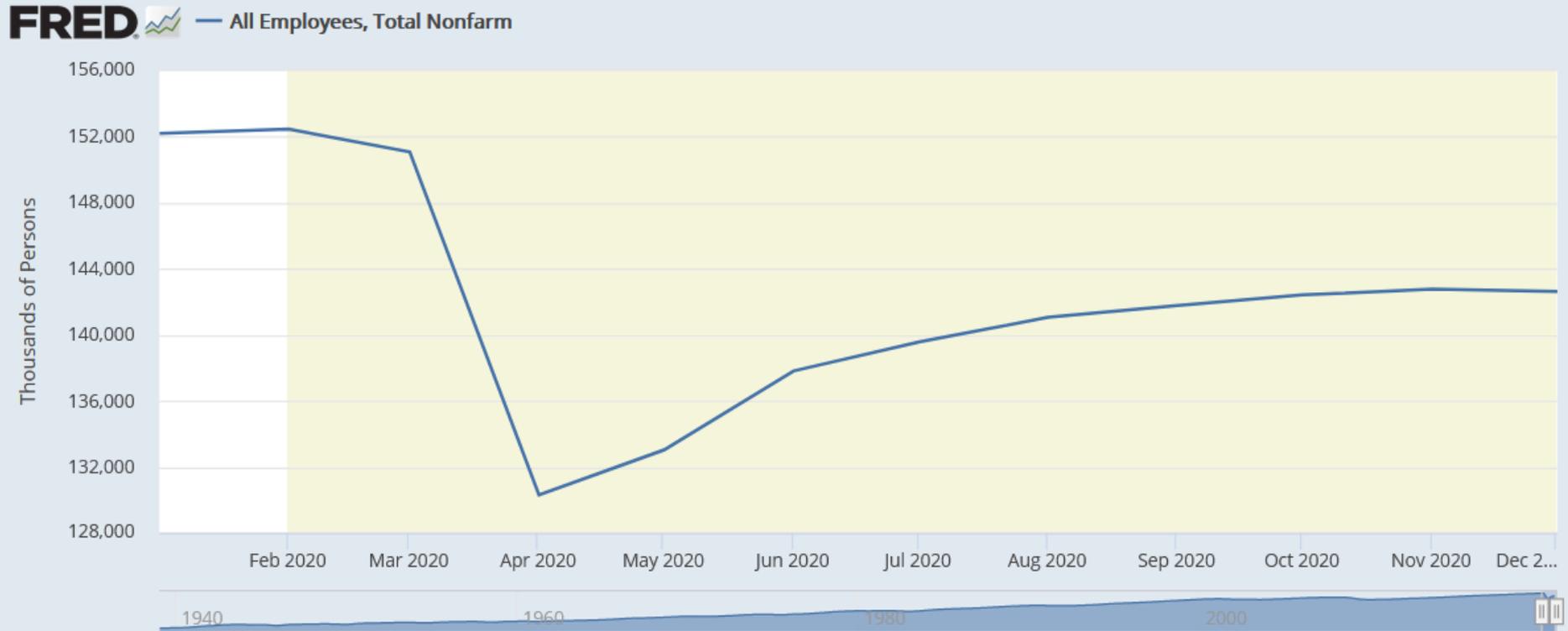


Source: U.S. Bureau of Labor Statistics

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Job Recovery Flattening

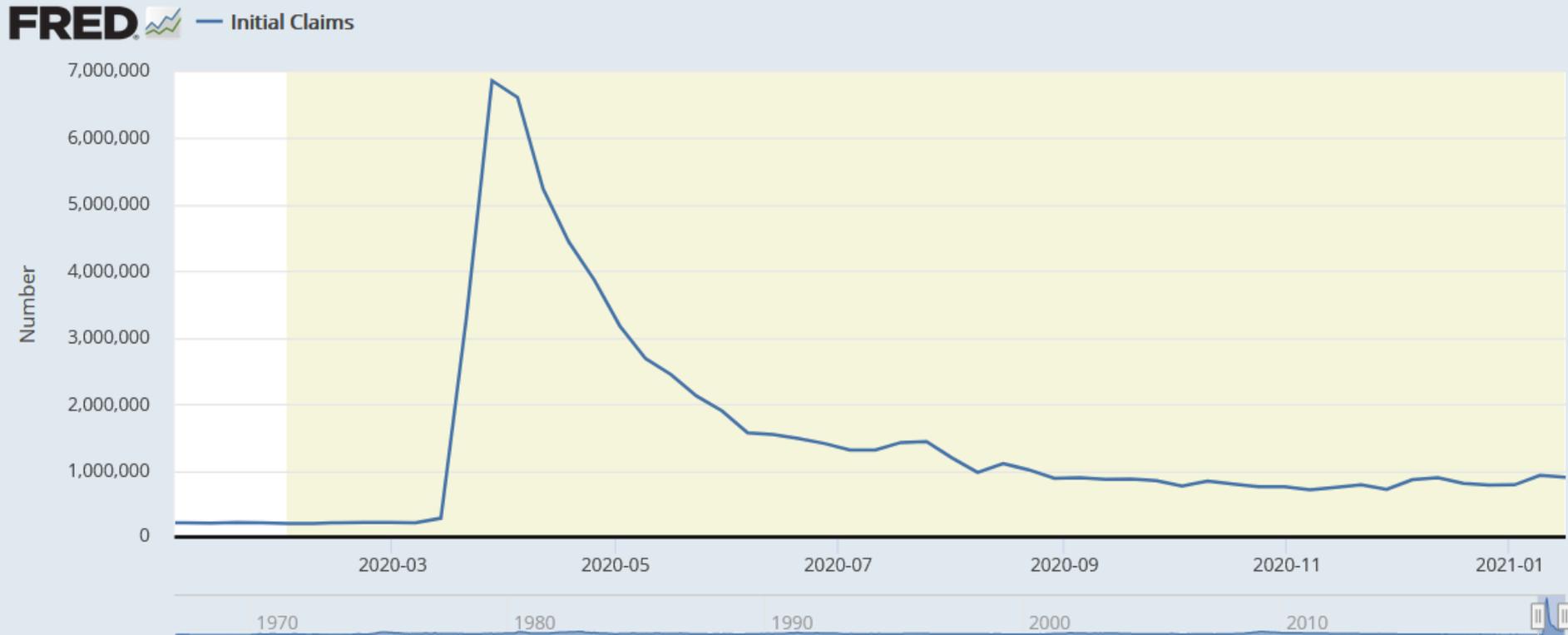


Source: U.S. Bureau of Labor Statistics

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Initial Claims steady at 900,000/week



Source: U.S. Employment and Training Administration

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US Economy Recovering



Source: U.S. Bureau of Economic Analysis

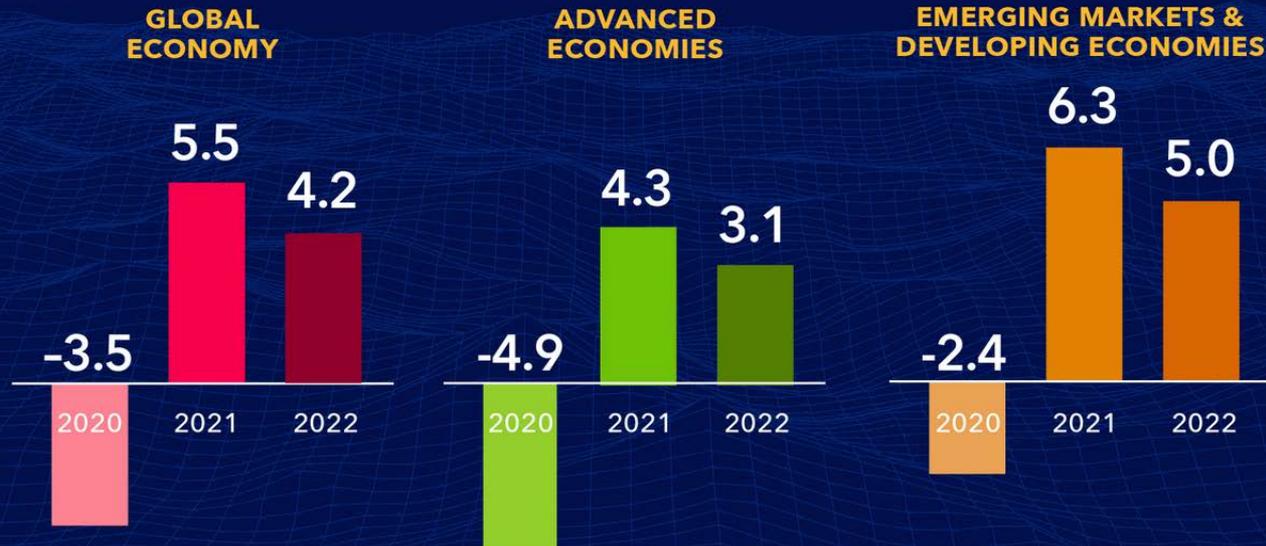
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IMF Growth Projections

WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2021

GROWTH PROJECTIONS



Global Markets in 2020

MSCI All Country World Index



Looking Ahead: 2021 and Beyond

- U.S. consumer buying power:
- Households saved \$1.4 trillion thru Q3, double the amount in 2019 and 10% of household spending
- Stimulus checks largely saved or used to pay down debt, latest round just went out

How households spent their first stimulus check

Saved

36.4%

Pay down debt

34.5

Essentials

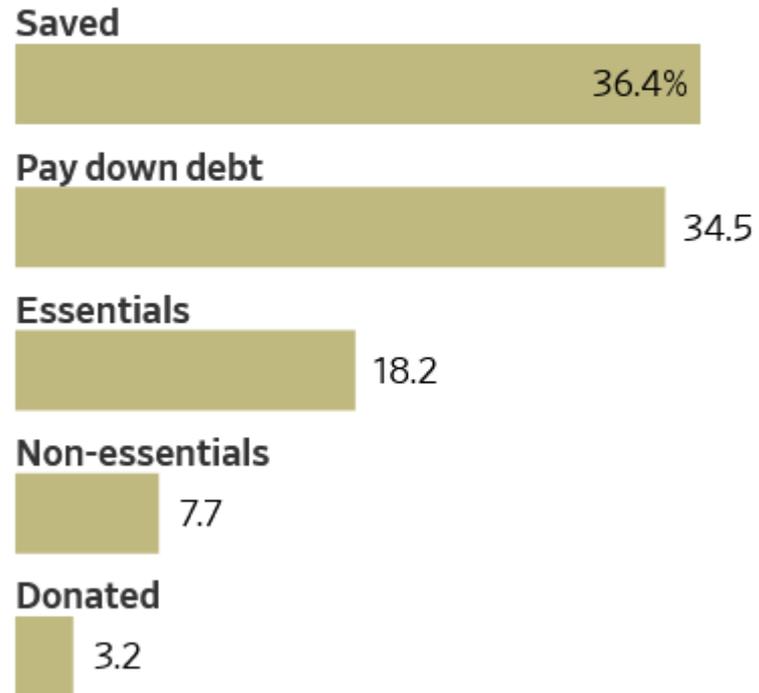
18.2

Non-essentials

7.7

Donated

3.2



Looking Ahead: 2021 and Beyond

- Covid-19 “rebooted” the business cycle worldwide.
- Since mid-2020 and especially since vaccine approvals, markets have focused on cyclical stocks.
- Trends that may portend a shift in leadership:
 - Performance of small company stocks (cyclical).
 - Performance of overseas markets.
 - Valuation still matters.



Looking Ahead: 2021 and Beyond

■ Value over Growth

- Favored by steepening yield curve, falling \$
- Historically cheap vs Growth

■ Small over Large

- More cyclical, economically sensitive
- Historically cheap vs Large

■ International over U.S.

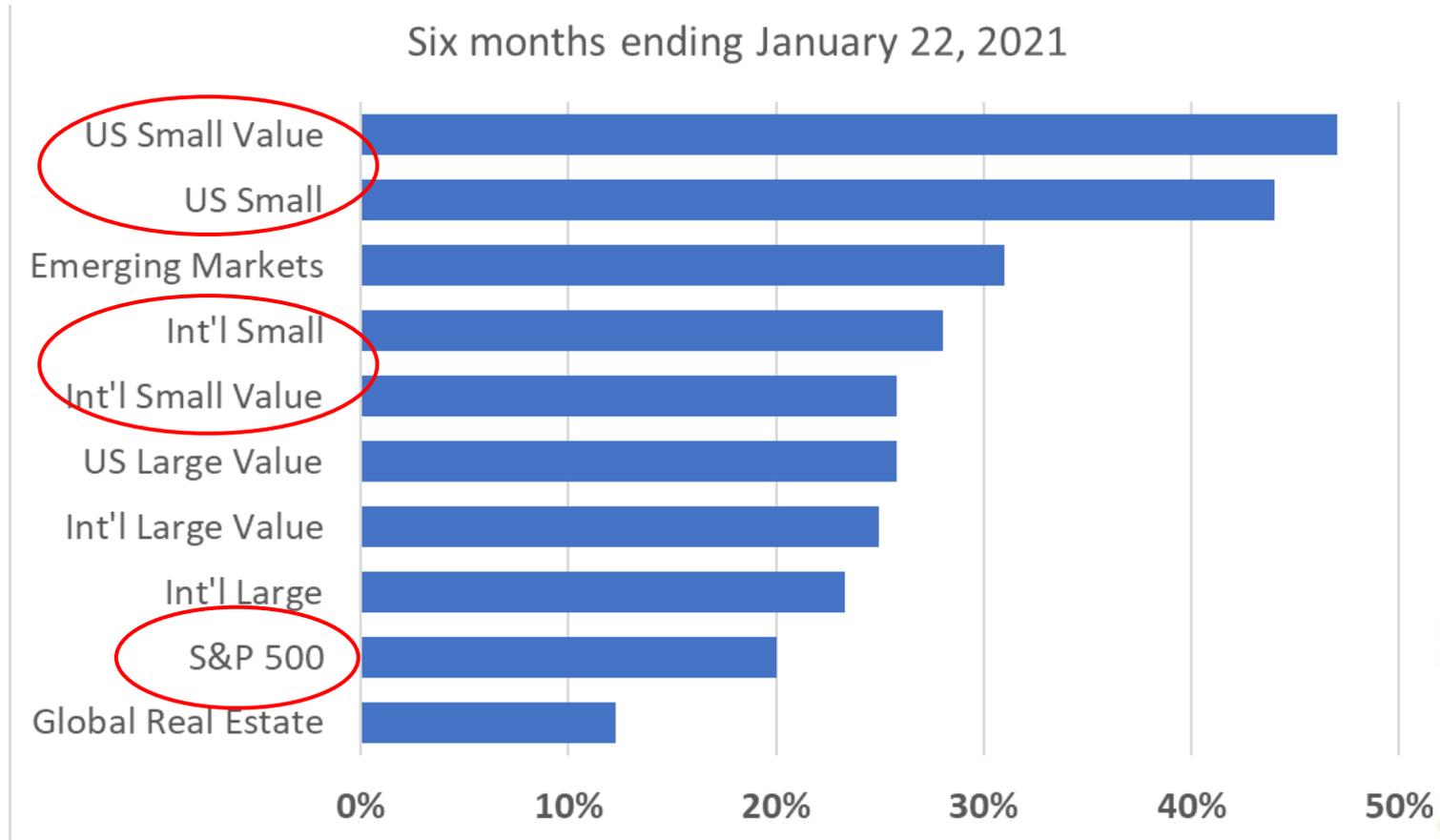
- More cyclical, falling \$, historically cheap



2020 by category



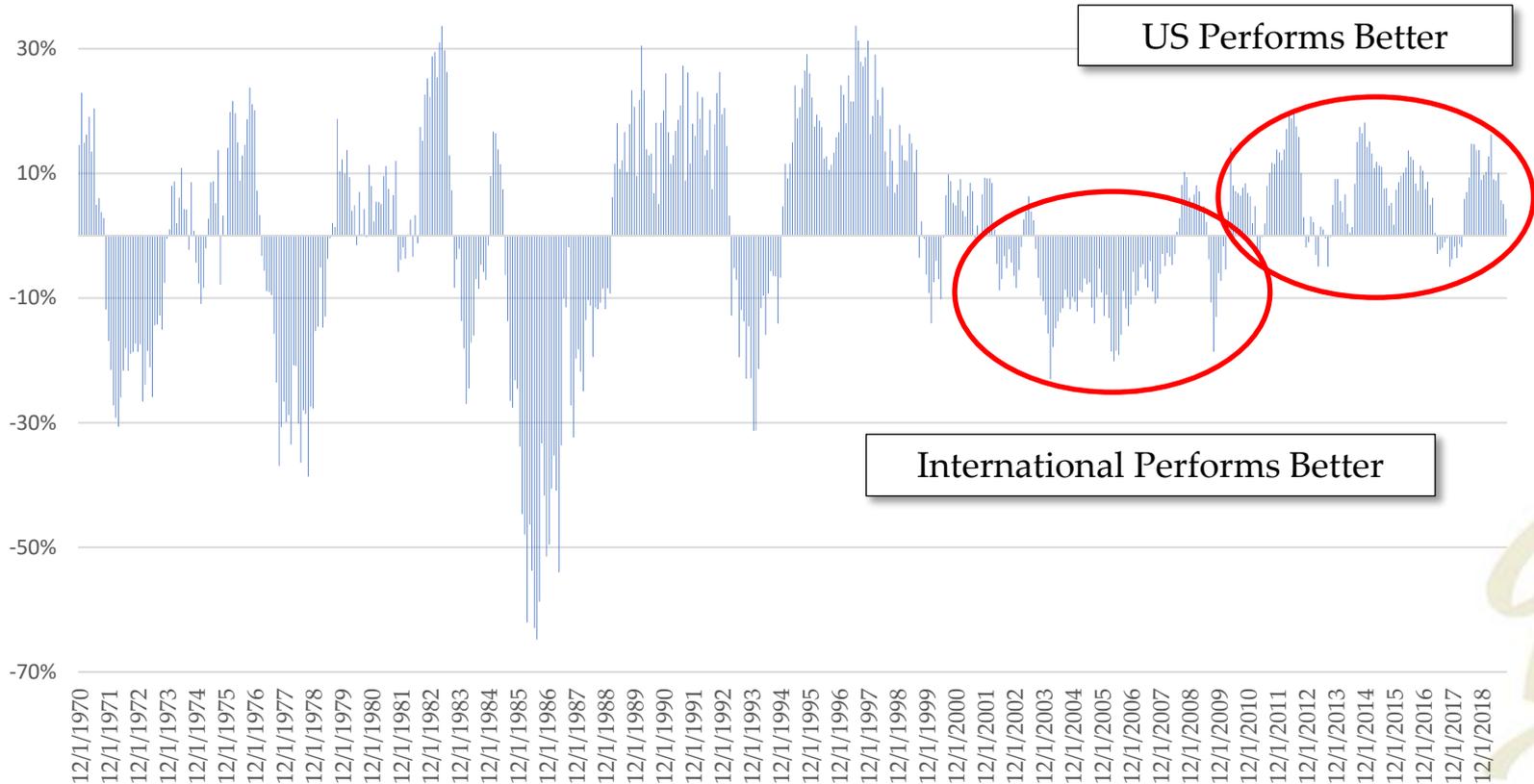
Investors focusing on small stocks



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US and International Leadership

US vs International Performance





Tax and Covid Relief Legislation

Past (2020), Present, and Future

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A Recap of 2020

- **SECURE Act**
 - RMD start age delayed to 72
 - 10-year rule for many Inherited IRAs
 - IRA contributions allowed after 70.5
 - 529s and \$10,000 of student loan debt
 - Kiddie Tax reverts



A Recap of 2020

■ CARES Act

- RMDs eliminated in 2020
- Recovery Rebates (\$1,200 per person)
- Paycheck Protection Program (PPP)
- Economic Injury Disaster Loans (EIDL)
- Expanded Unemployment Assistance
 - Including Pandemic Unemployment Assistance (PUA) for self-employed individuals
- Coronavirus-Related Distributions from IRAs (penalty-free)
- Student loan payments suspended (extended 3x now)
- Charitable deductions (\$300 above-the-line and 100% of AGI)



Late 2020 Legislation

- **Consolidated Appropriations Act**
 - \$600 stimulus checks
 - PPP reopened – 1.0 and 2.0
 - Expanded unemployment benefits
 - 11+ weeks, \$300+ per week, applies to PUA
 - \$300 above-the-line charitable deduction for non-itemizers extended to 2021 (and doubled to \$600 for MFJ)
 - 100% of AGI charitable deduction allowed again in 2021
 - 7.5% AGI floor for deductible medical expenses is permanent



Biden Administration Priorities

- **Priority #1**

- Vaccine rollout
- Fiscal support

- **Priority #2**

- Infrastructure
- Paid for with higher taxes?



Biden's First Proposal

■ American Rescue Plan

- Additional stimulus checks (\$1,400 per person to bring total to \$2,000)
- Additional extended unemployment benefits
 - \$400+ per week through September 2021
 - Applies to PUA
- Increased Tax Credits for 2021
 - Child and Dependent Care Credit
 - Child Tax Credit
 - Earned Income Tax Credit
- Increased COVID testing, free vaccinations



Biden's Executive Orders

- Federal student loan payments deferred again through September 2021



What Else *Might* Change?

- Forgiveness on \$10,000 of Federal student loans
- Tax rate increase (back to 39.6% max) on income above \$400,000
 - Limit deductions (28% maximum)
 - SS tax kicks back in on income > \$400,000
 - State and Local Tax (SALT) \$10,000 deduction limit removed?
 - Capital gains taxed at ordinary rates for income < \$1M
- RMD starting age delay to 75 (and waiver of RMDs for those with total balance < \$100,000)
- Extend penalty-free IRA distributions



What Else *Might* Change?

- Increased access to retirement accounts (auto-enroll) and requirements for business to offer plans
- Traditional vs. Roth decision might change – 26% maximum refundable tax credit for traditional contributions (equal benefit to all)
- Estate tax exemption reversion to pre-TCJA levels at about \$5.8M per person



Questions/Comments

Thank you for joining us!

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