



A Global Pandemic: One Year Later

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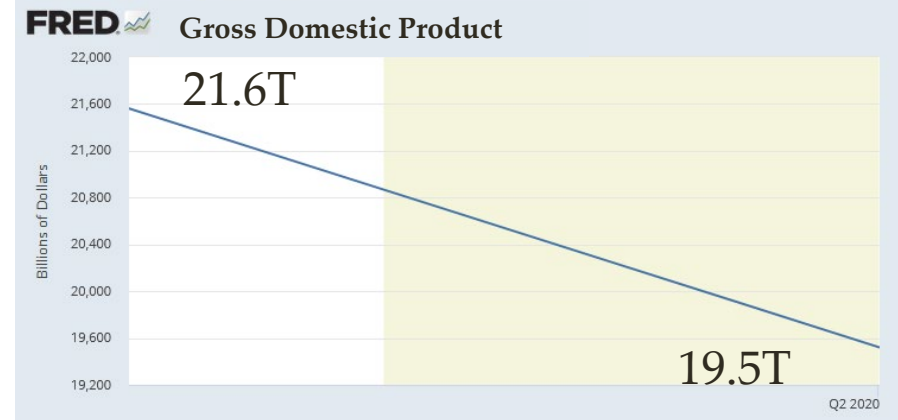
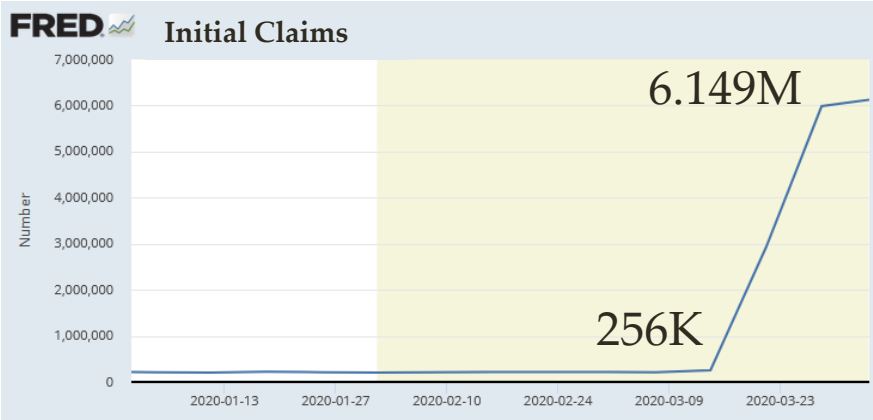
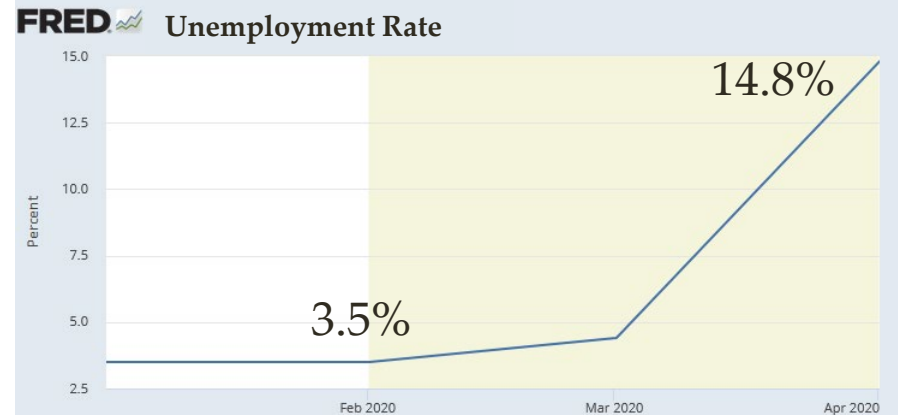
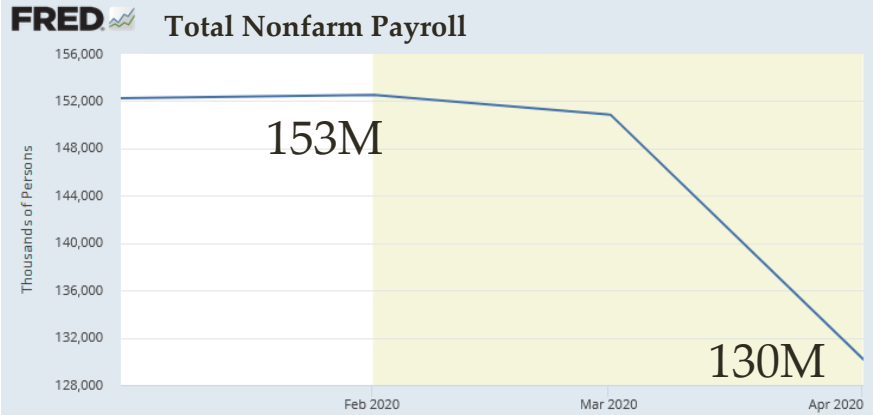
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Agenda

- Where We've Been
 - The COVID Economy – Update
 - Global Market Performance
- Where We Are
 - Rebalancing, Loss Harvesting, and Realized Gains
 - Dividends and Capital Gains Distributions
- Where We Could Be Headed
 - Party Like It's 1999?
 - “History doesn't repeat itself, but it often rhymes...”
 - Inflation



A Shock to the System



Federal Reserve Support

- 0% Fed Funds Rate
- Massive quantitative easing (bond buying)
- New lending programs for small and mid-sized businesses (“Main Street Lending Program”)
- Financing for state and local governments
- Financing of “Fallen Angels” and Collateralized Loan Obligations

Fiscal Support

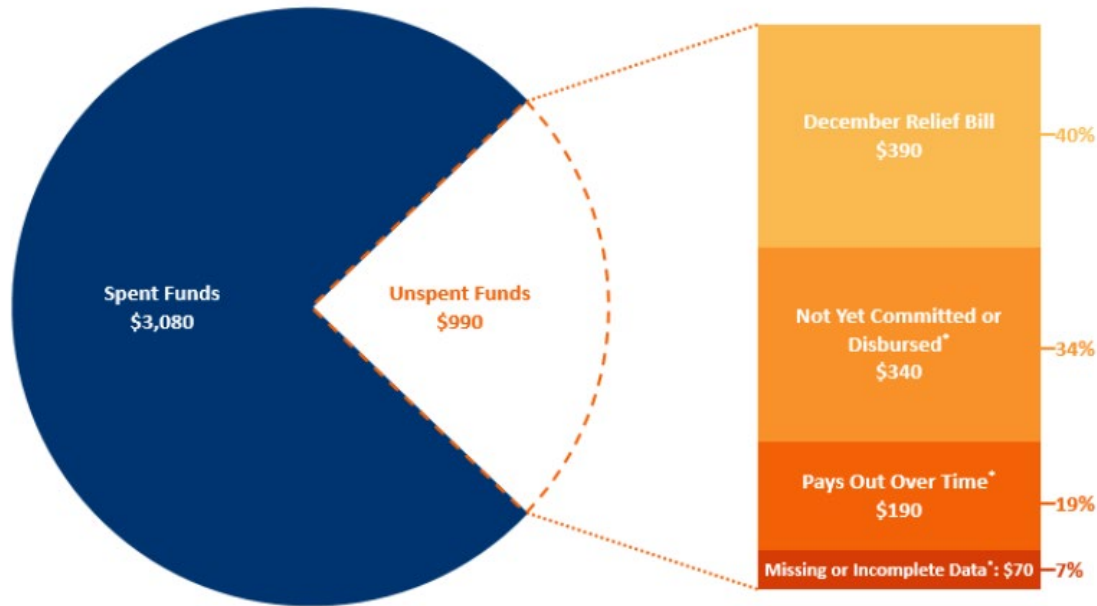
- CARES Act - **\$2.2T**
 - March 2020
 - RMDs eliminated, \$1,200 Recovery Rebates, PPP, EIDL, PUA, expanded charitable deductions
- Consolidated Appropriations Act - **\$2.3T**
 - December 2020
 - \$900 billion to stimulus, \$1.4 trillion to fiscal spending
 - \$600 stimulus checks, PPP reopened, extended unemployment benefits, extend expanded charitable deductions



It Hasn't All Been Spent

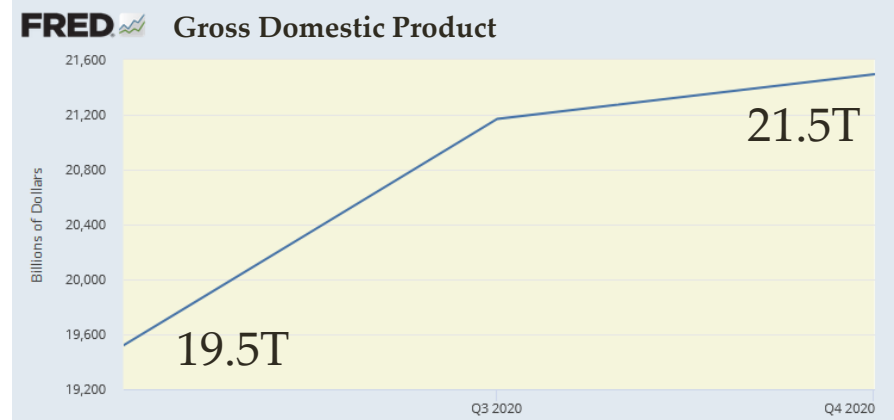
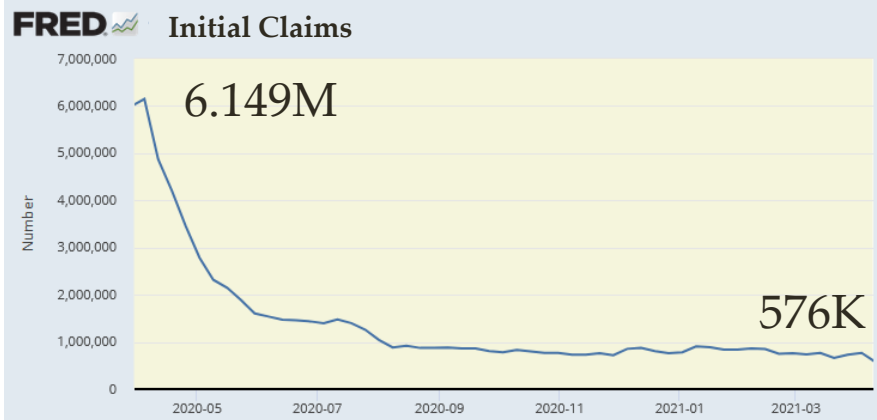
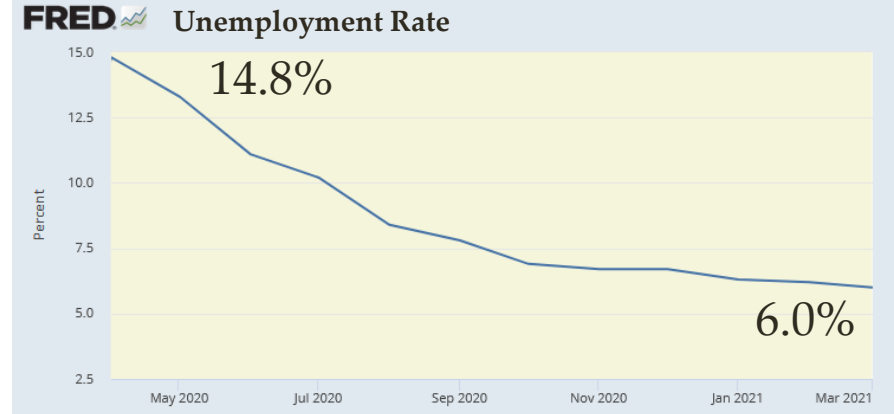
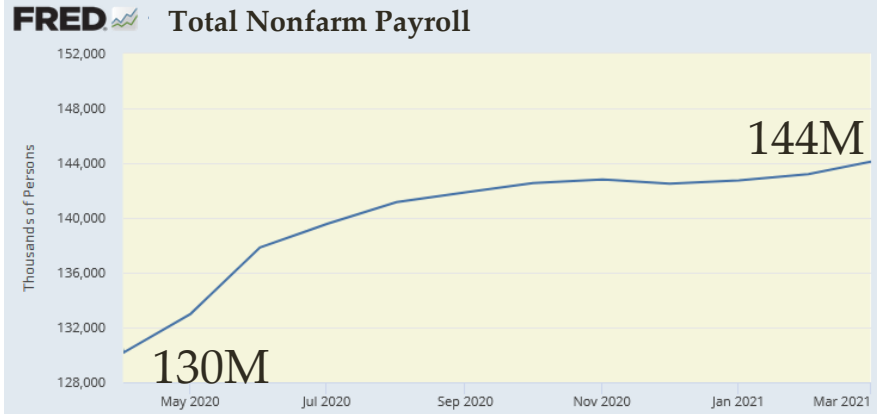
Most of the Unspent COVID Relief is On Its Way

Billions

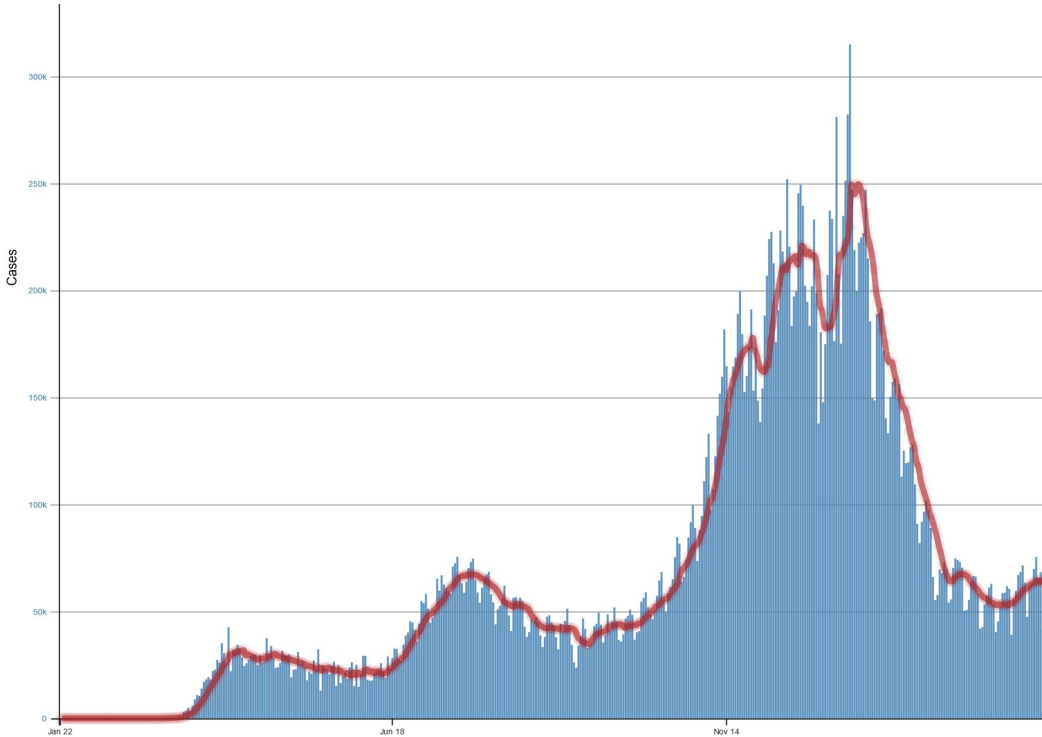


* From COVID relief legislation before December 2020
Source: CRFB calculations (see more at [CovidMoneyTracker.org](https://covidmoneytracker.org))

Economic Recovery (so far...)

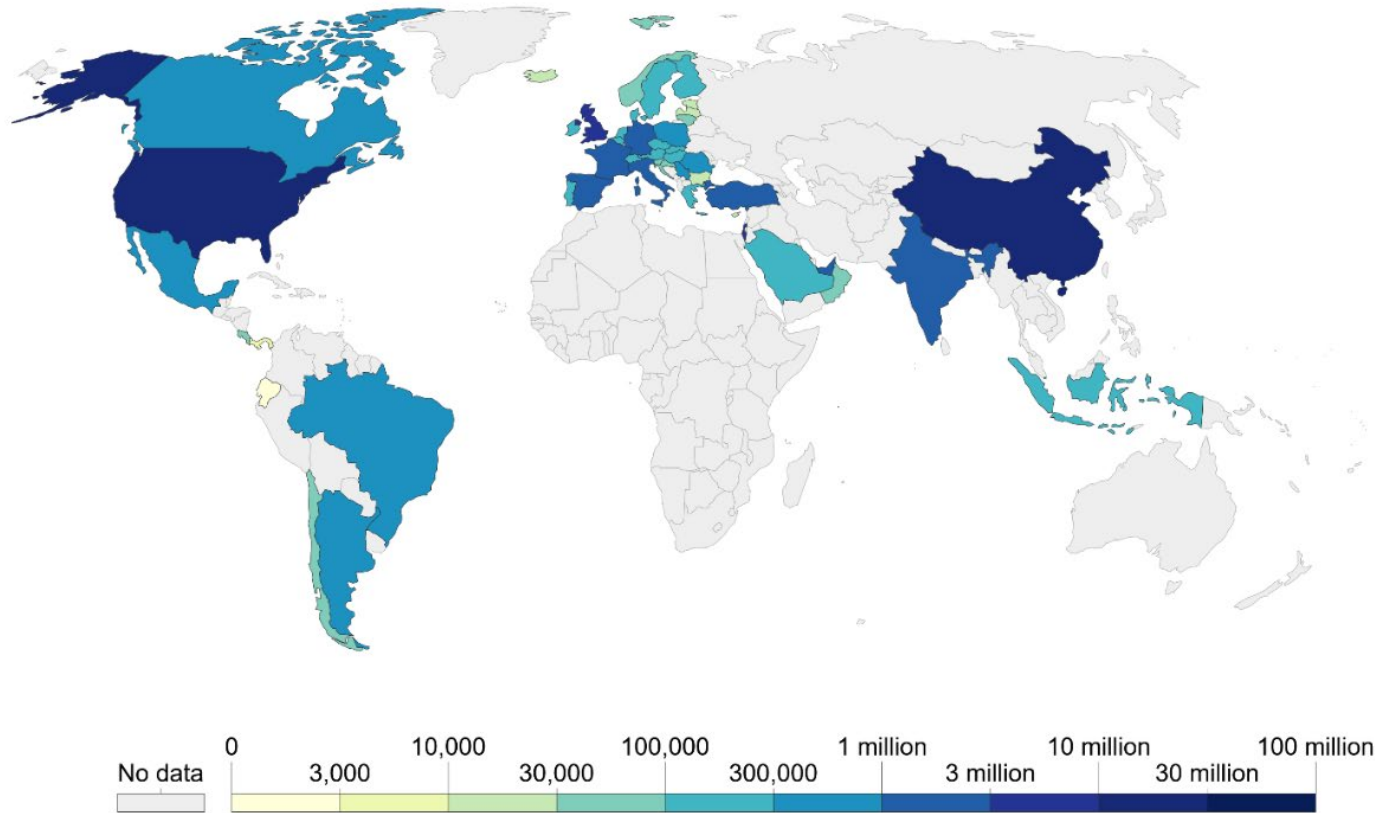


The COVID Economy

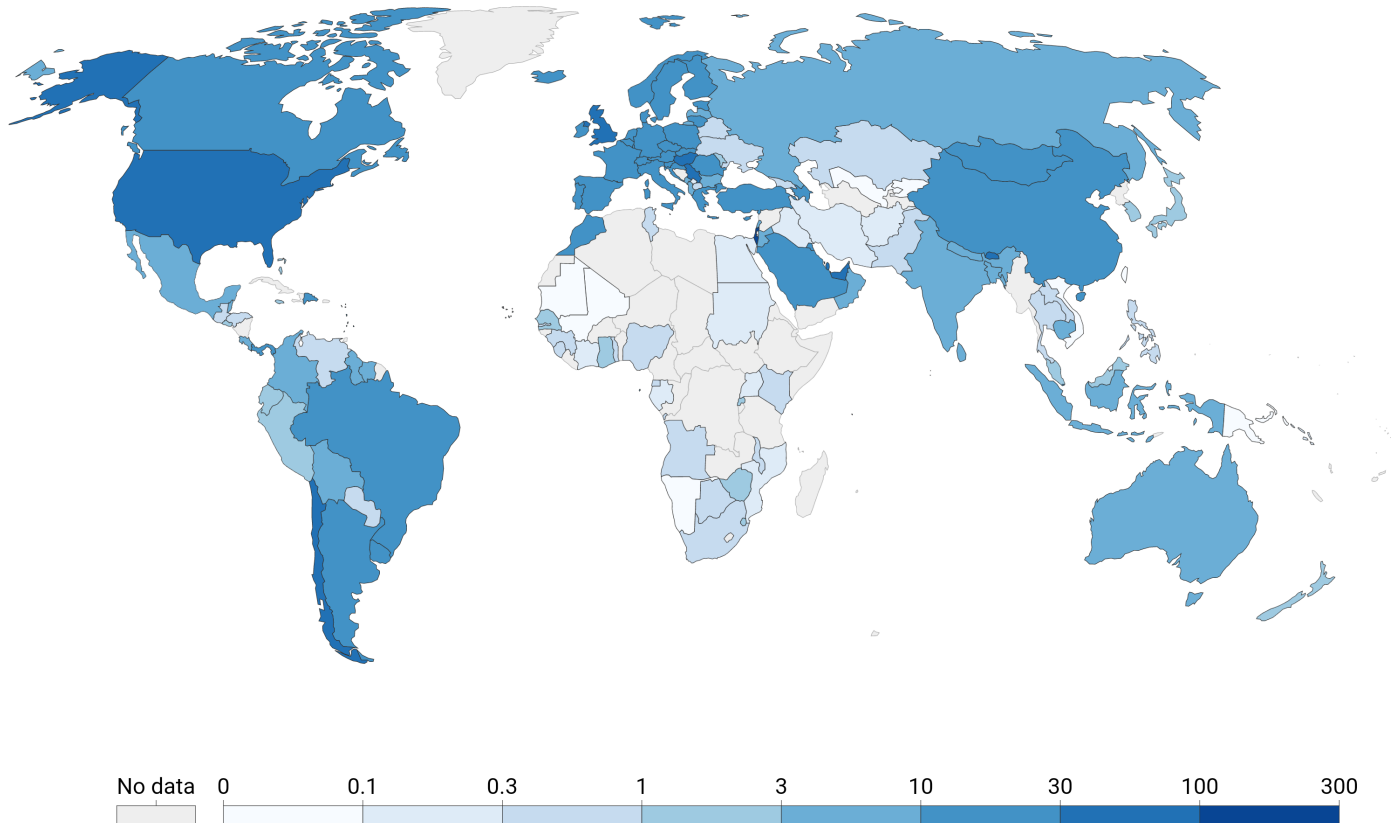


- Since January, daily new cases down from 157,000 to 57,000
- 212M vaccines have been administered

COVID-19 Vaccine Doses Administered (January 2021)

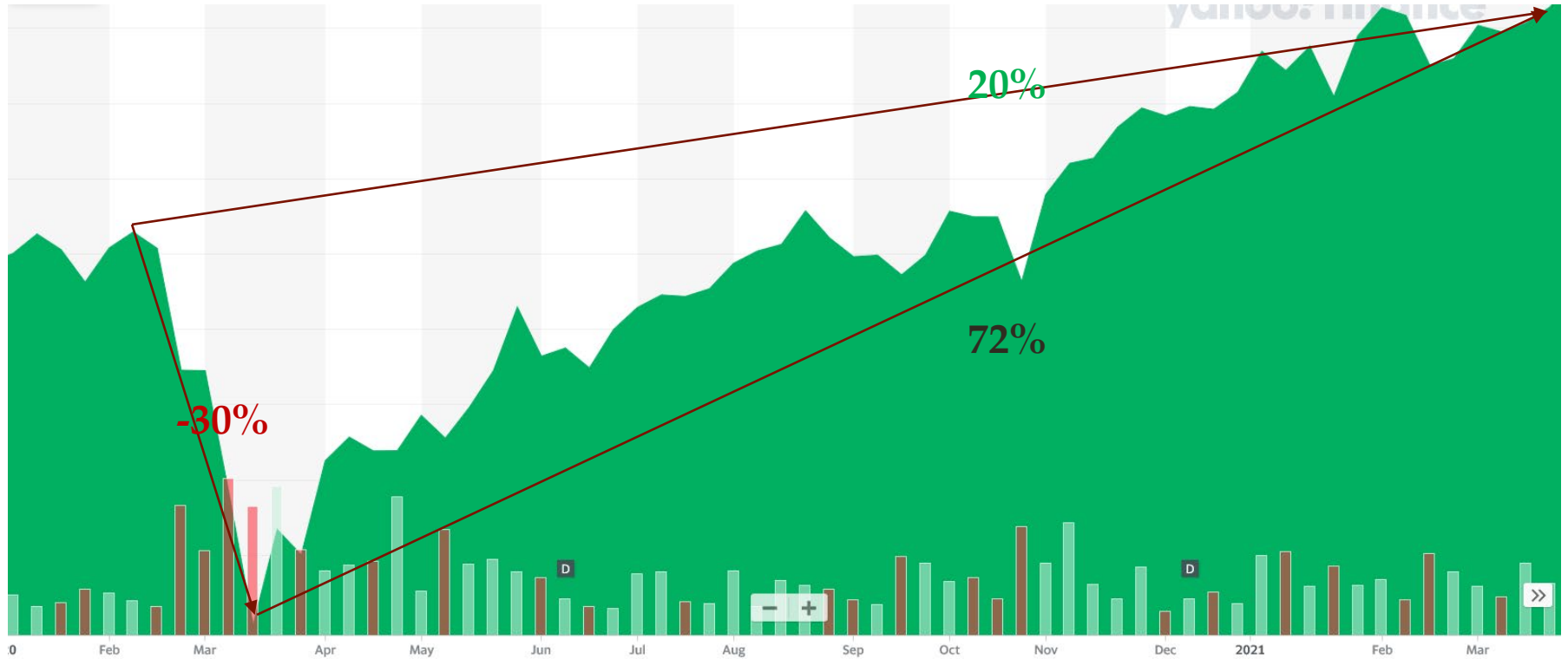


COVID-19 Vaccine Doses Administered (April 2021)



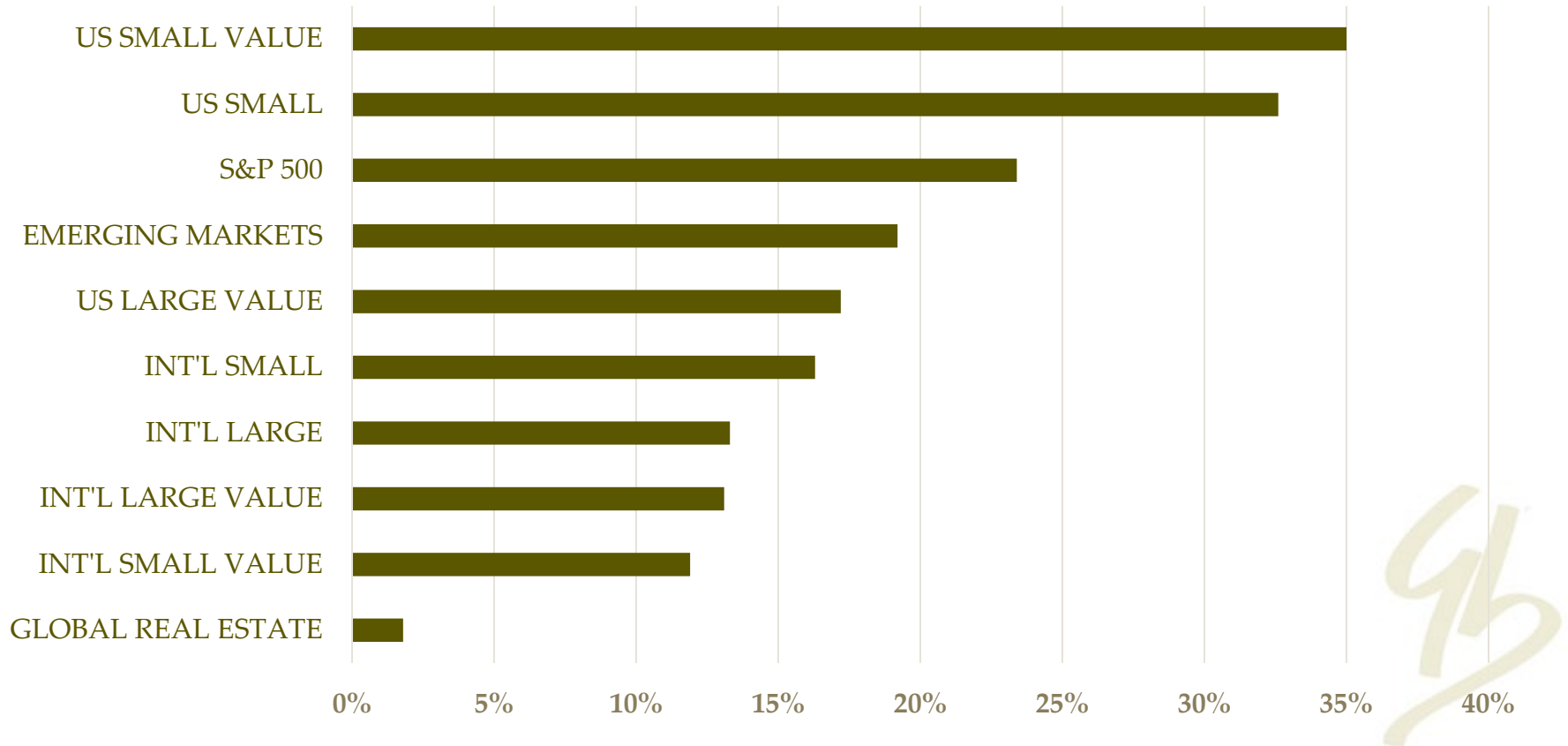
Global Markets

January 2020 through March 2021



Yeske Buie Portfolio Performance:

January 1st, 2020 through March 31st, 2021



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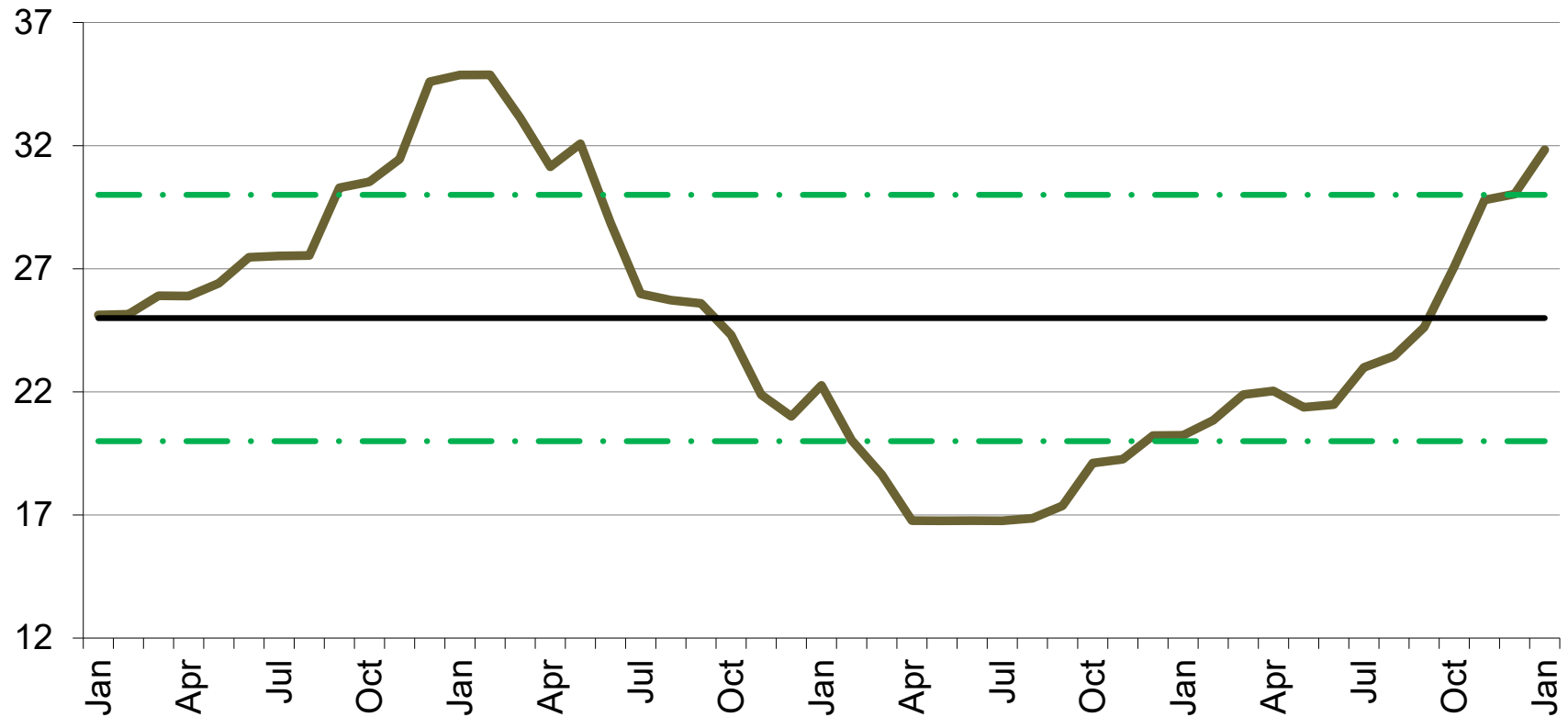
Rebalancing

- What We Did in 2020
 - March/April: sold bonds, bought stocks
 - Spending from bonds (February 2020 through February 2021)
- What We've Been Doing in 2021
 - Since January: selling stocks, buying bonds
- Rebalancing Process and Policies



Two Week Look

(in “normal” times)



Daily Look

(in volatile times)

S&P 500 Top 10 Best and Worst Days: 1970 - 2020

Best 10 Days	
Date	1 Day Return
10/13/2008	11.6%
10/28/2008	10.8%
● 3/24/2020	9.4%
● 3/13/2020	9.3%
10/21/1987	9.1%
3/23/2009	7.1%
● 4/6/2020	7.0%
11/13/2008	6.9%
11/24/2008	6.5%
3/10/2009	6.4%

Worst 10 Days	
Date	1 Day Return
10/19/1987	-20.5%
● 3/16/2020	-12.0%
● 3/12/2020	-9.5%
10/15/2008	-9.0%
12/1/2008	-8.9%
9/29/2008	-8.8%
10/26/1987	-8.3%
10/9/2008	-7.6%
● 3/9/2020	-7.6%
10/27/1997	-6.9%

Source: Ycharts, Darrow Wealth Management

Dividends and Capital Gains Distributions

- What is a dividend?
- What is a capital gains distribution?
- Why were both down in 2020?
 - And why is that not a bad thing?
- What should you expect in 2021?



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 - **Inflation**



Deep Regularities

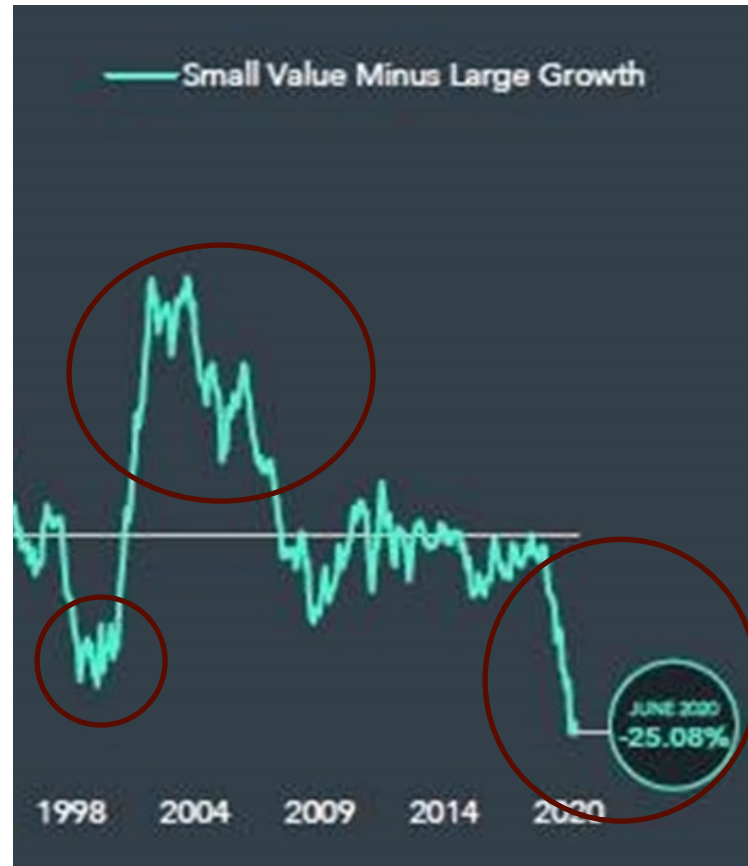
- Value over Growth
 - Historically cheap relative to Growth
 - More cyclical, steepening yield curve, falling dollar
- Small over Large
 - Historically cheap relative to Large
 - More cyclical, economically sensitive
- International over U.S.*
 - Historically cheap relative to U.S.
 - More cyclical, falling dollar



Returns Spread: Size and Value



Returns Spread: Size and Value



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Portfolio Performance: 2000-2006

■ US

■ Large:

- Value > Growth: 9.3%/year

■ Small:

- Value > Growth: 4.2%/year
- Small > Large: 12.8%/year

■ International

■ Large:

- Value > Growth: 7.8%/year

■ Small:

- Value > Growth: 4.1%/year
- Small > Large: 10.4%/year

- *Int'l > US: 10.3%/year ('02-'07)

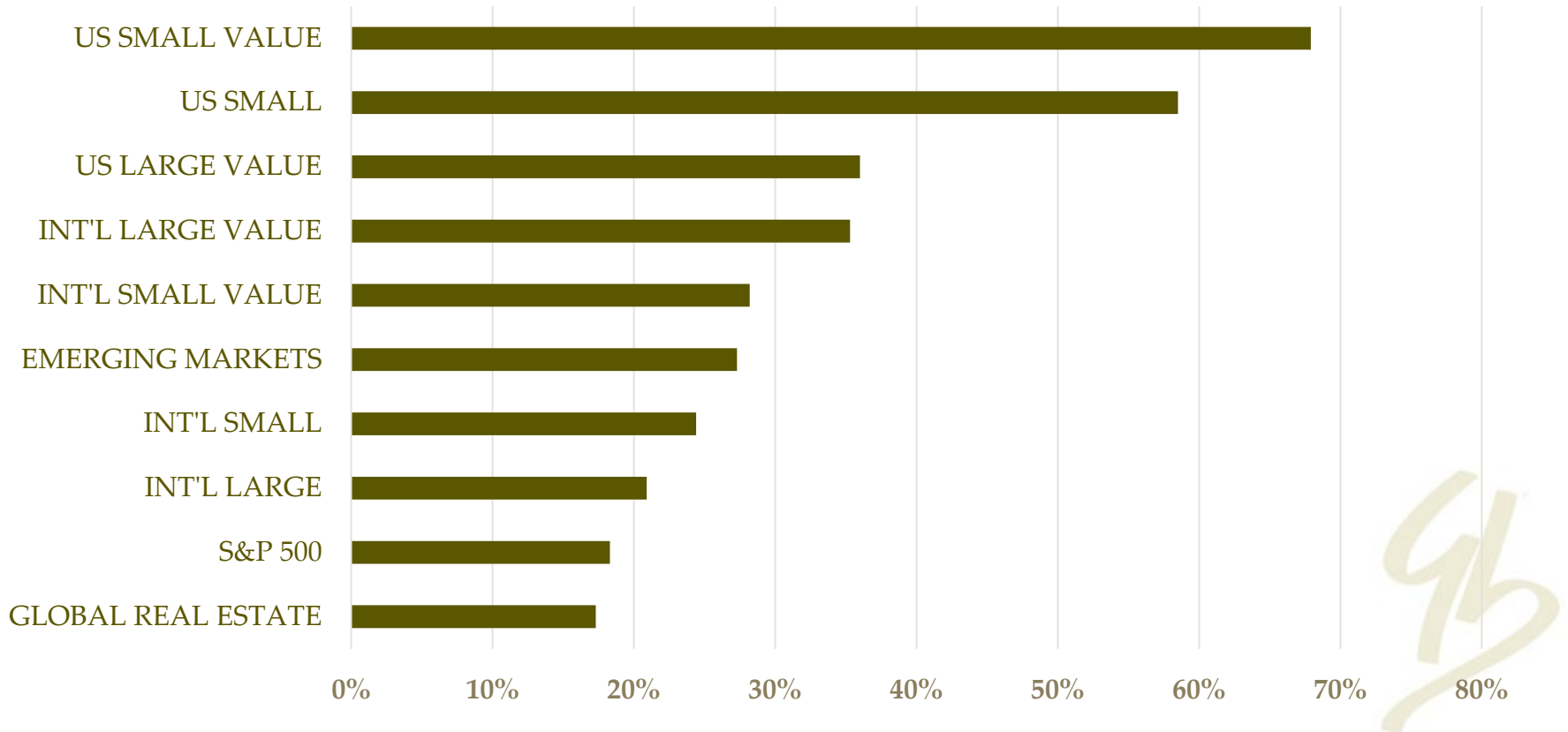
	Y-B	Benchmark	Difference
12/31/1997	21.8%	11.8%	10.0%
12/31/1998	5.8%	17.6%	-11.8%
12/31/1999	15.0%	20.7%	-5.7%
12/31/2000	12.2%	-10.4%	22.6%
12/31/2001	-8.3%	-12.5%	4.3%
12/31/2002	-10.5%	-15.4%	4.8%
12/31/2003	29.6%	25.7%	3.9%
12/31/2004	17.3%	11.2%	6.1%
12/31/2005	8.4%	7.7%	0.7%
12/31/2006	16.9%	15.8%	1.1%

Market Trends (since March 2020)

	Annualized Return (%)
Russell 2000 Index	94.8
NASDAQ Composite Index	73.4
Small minus Tech	21.5
Russell 2000 Index	94.8
S&P 500 Index	56.4
Small minus Large	38.5
DFA US Small Cap Value (DFSVX)	112.1
Russell 1000 Large Growth Index	62.7
Small Value minus Large Growth	49.3

Party Like It's 1999?

Last Six Months (through March 31st)

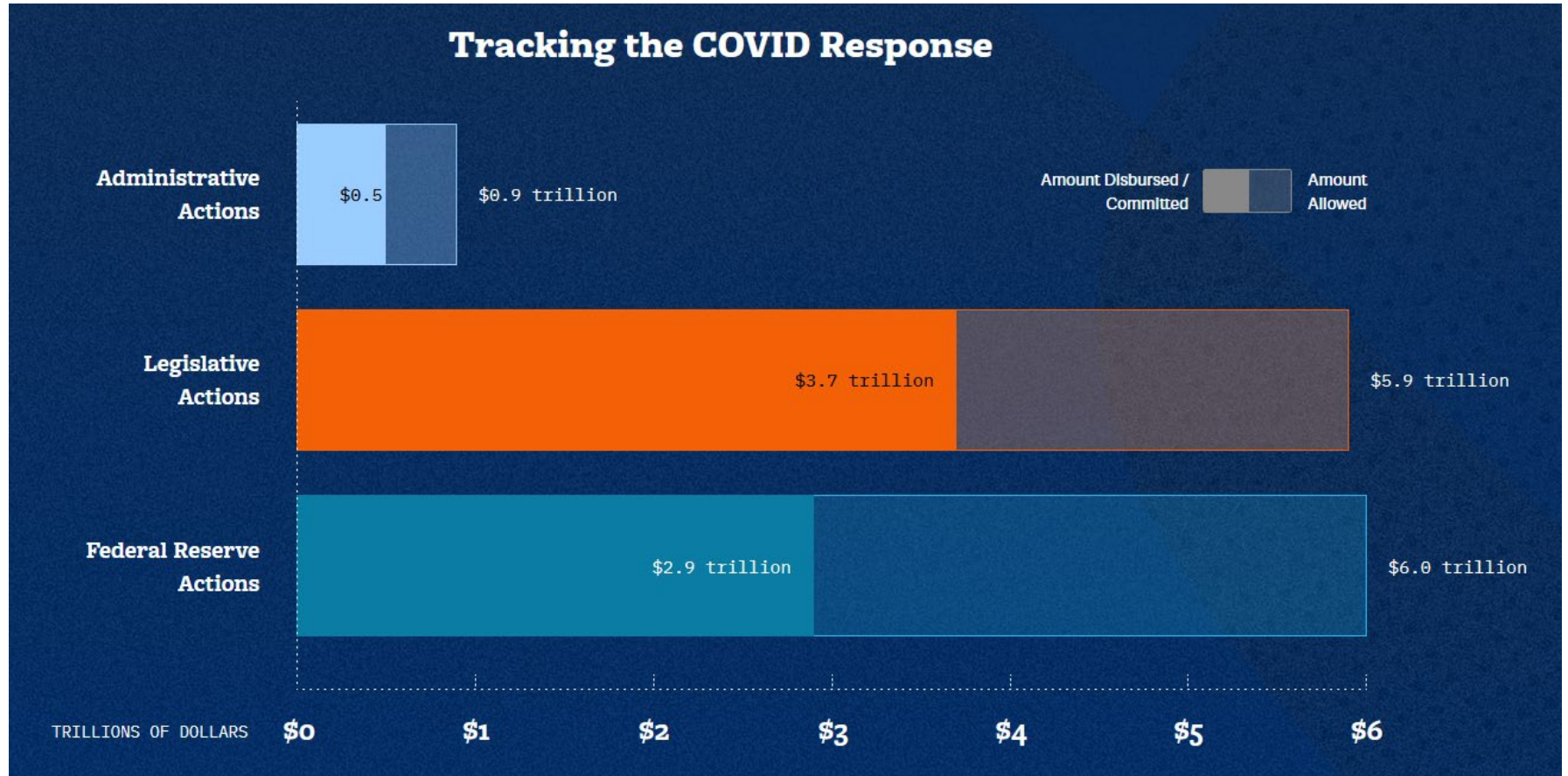


Additional Fiscal Support

- American Rescue Plan - **\$1.9T**
 - March 2021
 - \$1,400 stimulus checks, extended unemployment assistance, increased tax credits, COVID testing and vaccine support, extended 15% increase in food stamps, emergency paid leave



Spending Remaining



\$Trillions and No Inflation?

- CPI: 2.6% for the trailing 12 months (March 2021)
- Why has trillions of dollars of government spending not caused inflation?
- How does the global savings glut affect inflation?
- How does the labor market affect inflation?
- How does the shift to a globalized economic system affect inflationary pressures?



The American Jobs Plan

- Infrastructure plan
 - Fix highways, rebuild bridges, upgrade ports/airports/transit systems
 - Ensure clean drinking water, renew electric grid, high-speed broadband
 - Modernize schools/childcare facilities, upgrade veterans' hospitals and federal buildings, increase affordable housing
 - Raise wages for essential home care workers
 - Create jobs, revitalize manufacturing, invest in R&D and workforce development

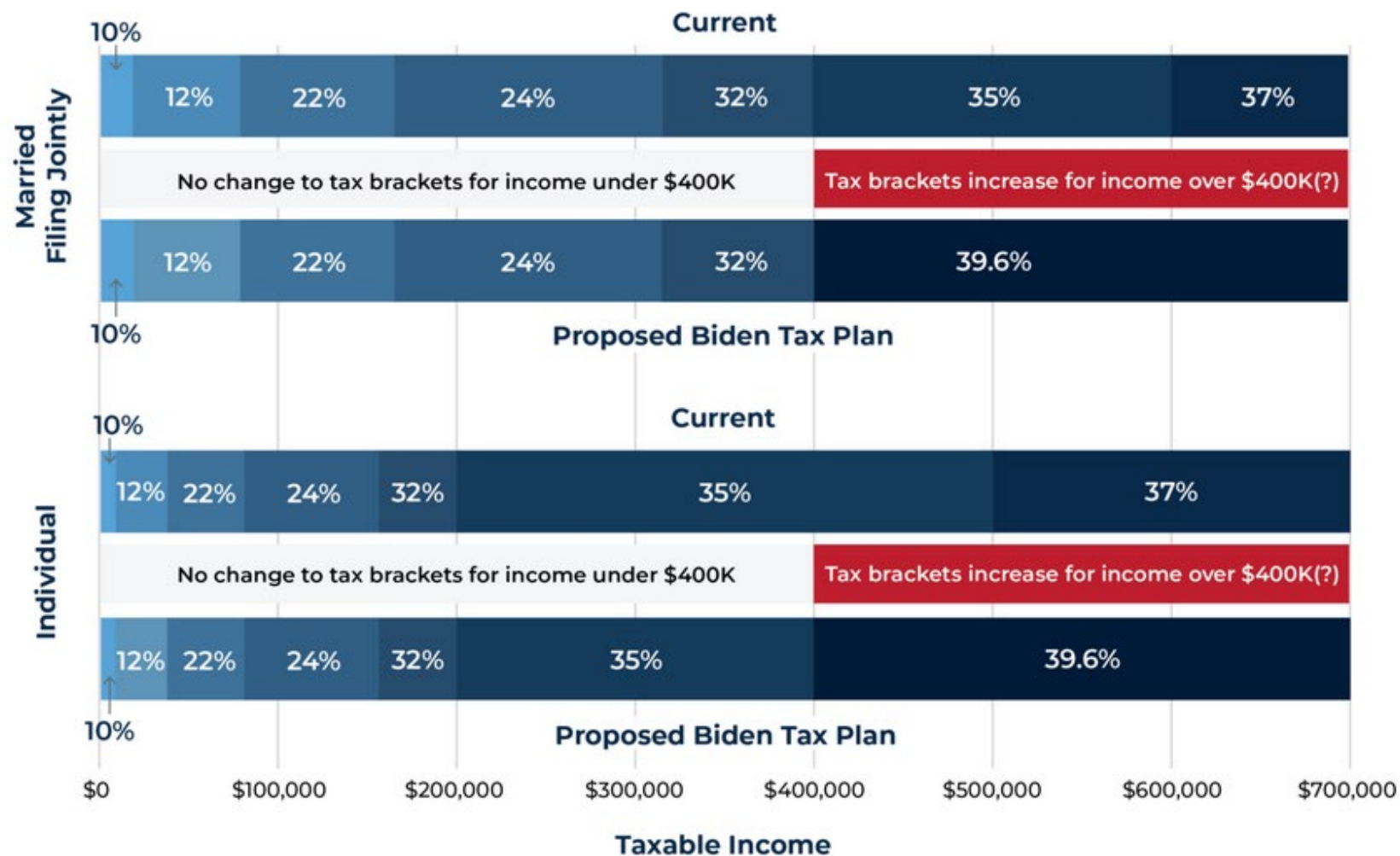


The American Jobs Plan

- Corporate tax increase (Made in America Tax Plan)
 - From 21% → 28%
 - 15% minimum tax on book income
 - Remove incentives for offshoring, global minimum tax
- Individual income tax increase
 - Family income > \$400,000 (39.6%)
 - Capital gains for income > \$1,000,000 (39.6%)



Comparison of Individual & MFJ Tax Brackets: Current vs Proposed Biden Tax Plan



Capital Gains Rates

Individual Income	Family Income	Current	<i>Proposed</i>
\$0-\$40,400	\$0-\$80,800	0%	0%
\$40,401-\$445,850	\$80,801-\$501,600	15%	15%
\$445,850+	\$501,600+	20%	20%
\$1,000,000+	\$1,000,000+	20%	39.6%

What Can Be Done?

- If your total income is expected to be higher than \$400,000 in 2022:
 - Accelerate ordinary income if possible (self-employed, small business owner)
- If your total income is expected to be higher than \$1M in 2022:
 - Accelerate ordinary income and capital gains (harvest gains and reset basis, speed up diversification plans/sell concentrated positions faster, exercise options)

Ongoing Opportunities

- For 2021
 - \$300 above-the-line charitable deduction (\$600 Married Filing Jointly)
 - Cash charitable deduction up to 100% of AGI
 - Increased tax credits
- Permanent
 - Medical expense deduction above 7.5% AGI
 - Delayed RMDs, Roth Conversions, QCDs

What Else *Might* Change?

- Estate tax exemption reversion to pre-TCJA levels (already planned to happen in 2026)?
- Cost basis step-up elimination?
- *What to do?*
 - *Review estate plans for flexibility (fund bypass trust?)*
 - *Discuss gifting*
 - *Family planning for inherited assets*



What Else *Might* Change?

- Other potential tax rate increases?
 - Social Security tax on income > \$400,000
 - Limit itemized deductions to 28% effectiveness
 - 20% QBI deduction phased out for high earners
 - Estate tax rate increase to 45%
- *What to do?*
 - *Awareness and estate planning*



What Else *Might* Change?

- Forgiveness on \$10,000 of Federal student loans
- Traditional vs. Roth
 - 26% maximum refundable tax credit for traditional contributions (equal benefit to all)
- RMDs at 75 (waived < \$100,000?)
- Tax credit for informal caregivers (and catch-up contributions)
- *What to do?*
 - *More Roth conversion and QCD planning*
 - *Discuss Traditional vs. Roth approach*



Questions/Comments

Thank you for joining us!

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