

April 2021

Dear Client,

As I write this letter, it's hard to believe but we are marking one year since the Pandemic took hold. The days are getting longer and the sun's angle feels that much stronger!

We have much to be grateful for after making it through the last year. At this stage, signs point to significant improvement by the summer as vaccinations continue to ramp up and new cases continue to decline. New Covid-19 Cases in the US have been declining steadily (although a bit bumpy lately) since January 8th, 2021, when the US reported more than 300,000 new cases daily. Currently, the new 7 day average is closer to 63,000. In the last week an average of 2.76 million Covid-19 vaccinations were administered per day.

The New Year started out positive for the stock market with the major indexes pushing all-time highs, albeit with a bit more volatility as of late. Historic Monetary Stimulus, Historic Fiscal Stimulus, continued vaccine distribution, and improving corporate earnings are coming together for an optimistic outlook. The market has even started to worry about future inflation pressures and rising interest rates. As all of this stimulus makes its way into the economy, along with businesses opening back up, there is fear that the economy could pick up too much steam and inflation pressures could present itself. Certainly, something that we will be watching for in the months ahead.

I would note that for better or for worse, the Federal Reserve seems to be more involved in the markets today than at any other time I can remember. And I suspect that they still have some levers to pull and steps to take, if interest rates start to move higher, too quickly. For one example, they could lengthen the duration on the bond buying program they had instituted during the crisis, by buying longer dated bonds. Sometimes just a comment from the Fed Chief can have the intended effect before any action is actually executed. Also, The Federal Reserve can look to raise the Federal Funds Rate sooner if inflation starts to become a problem. It's quite a tight rope they will be walking in the next year or two.

It's important to note that the U.S. Stock Market is made up of numerous different indexes. Enclosed is an easy to read chart that shows annual returns of the major indexes, over the past 15 years. Our approach to investing has always been to use diversification throughout the indexes to smooth out those big swings in the short term. Through the use of ETF's and Mutual Funds, we work to build portfolios that give you exposure to Large, Medium and Small capitalization stocks, International and Emerging Markets, as well as REITs, broken down in sectors, from Technology to Consumer Staples to Health Care and everything in between.

Taxes have been a topic of interest recently, and not just because it's that time of year. Although the Federal deadline to file personal tax returns this year has been extended until May 17th, there is still a good deal of uncertainty regarding changes that the Biden Administration might make to the tax code. And while it is still preliminary, I thought it might make sense to review some of the proposed changes that may affect some of you.

- SALT Limitation: State and Local Tax deduction limitation of \$10,000 per household is set to expire at the end of 2025. It's possible the Biden Administration looks to eliminate this before 2025. This may actually be a benefit to some individuals in Massachusetts and other states that have higher income taxes.
- Increase the top individual tax rates for tax payers earning more than \$400,000 from the current 37% to 39.6%
- Increase the Capital Gains tax and dividend rates from 20% to 39.6% for wealthy taxpayers with incomes over 1 million.
- New Social Security tax collection: Currently, the top wage on which workers pay in to Social Security is \$142,800. Biden has mentioned including social security tax on incomes up to and over \$400,000. (This is referring to social security tax that wage earners pay in – this has nothing to do with those of you currently collecting social security)
- Estate Tax Changes: The current Federal Estate Tax Exemption is 11.7 million per individual. Biden has talked about reducing that to 3.5 million and increasing the Estate tax rate from 40% to 45%. Also, it's possible that under Biden's plan, when a person dies, assets in his or her estate would be transferred to heirs at their original cost basis and then would be subject to long term capital gains rates when they sell them.
- Corporate Tax Rates: the current corporate tax rate is 21%. The Biden administration has mentioned a rate closer to 25% or 28%. Not only would it affect those who own incorporated businesses but it also will have an effect on corporate earnings which in turn could affect the stock market over time.

Keep in mind, these outlined above are still only potential changes and are certainly subject to debate. We will be sure to keep you all updated on any changes coming through-out the year.

On another note, it appears that minimum IRA distributions for 2021 will once again be required by year's end. For those of you who don't ask for the distribution, we will proactively reach out to you toward year end to make sure that you meet that requirement.

In the year ahead, please take the time to review your portfolio with us. Often times as the years go on, the appetite for risk in your portfolio may go down a bit. And while it's been a very solid past decade for stocks, if there is one thing we have learned in 2020 – it's anything can happen! In a world of great uncertainty, solid investment planning, tax planning and estate planning should continue to provide you with confidence in the years ahead. Please do not hesitate to reach out to our team with any questions that you may have.

Sincerely,



Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM