

The Journey

2021 Vision

As we look ahead to 2021 with much hope and anticipation, take time to reflect on the silver linings of 2020. For me, I know at times it has not felt like there have been many, but they are there. Think about this in relation to your financial life.

- While at home did you have a chance to organize your financial affairs?
- Were you able to review and update your budget?
- Have you spent less money on eating out and entertainment so you were able to save more?
- Did you get married or start a new job?

The silver linings are there. Take time to celebrate your successes and create your plan for 2021. I'd love to hear your financial goals for next year. Share them with me!

Happy Holidays!

Melanie Colucci



Annual Financial To-Do List

Things you can do for your future as the year unfolds

What financial, business, or life priorities do you need to address for the coming year? Now is an excellent time to think about the investing, saving, or budgeting methods you could employ toward specific objectives, from building your retirement fund to managing your taxes. You have plenty of choices. Here are a few ideas to consider:

Can you contribute more to your retirement plans this year? In 2021, the contribution limit for a Roth or traditional individual retirement account (IRA) is expected to remain at \$6,000 (\$7,000 for those making "catch-up" contributions). Your modified adjusted gross income (MAGI) may affect how much you can put into a Roth IRA. With a traditional IRA, you can contribute if you (or your spouse if filing jointly) have taxable compensation, but income limits are one factor in determining whether the contribution is tax-deductible.¹

Remember, withdrawals from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty starting again in 2021. Roth IRA distributions must meet a five-year holding requirement and occur after age 59½ to qualify for tax-exempt and penalty-free withdrawal. Tax-free and penalty-free withdrawals from Roth IRAs can also be taken under certain other circumstances, such as a result of the owner's death.²

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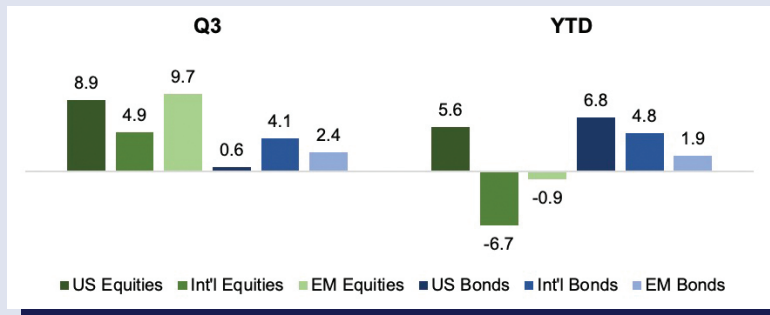
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Market Environment

The third quarter started strong, then markets fell in the final month of the quarter, as the elections took center stage along with questions over reopening the economy. However, all equity markets remained in positive territory for the quarter with Emerging Markets leading the way. An impressive 6-month run for the US equity markets, up 31.3%-- the best since 2009, saw year-to-date returns turn positive at 5.6%.¹



Source: Morningstar

Market Outlook

Although the stock market has bounced back quickly, the damage to the US economy and how long it is likely to take to recover should not be underestimated.

Investors can expect continued market volatility at least until the US elections are resolved and probably not until there is a clear line-of-sight as to when a vaccine is likely to be broadly available and in demand. The timing of if-and-when market leadership will shift from defensive pandemic stocks to post-pandemic recovery stocks is uncertain though unlikely to occur before midyear 2021 and the profoundly different policy implications depending on the outcome of the US election. Investors should be careful not to make any assumptions about how the market will react to the result of the US election -whatever they may be - and to keep in mind that the economy and the stock market can prosper under Democratic, Republican and split control of the branches of government.

In response to the overhang of lost jobs and small business failures, the Federal Reserve (Fed) has communicated that it is likely to keep interest rates low for the foreseeable future by targeting an average interest rate (to be calculated using an unspecified window of time). The low absolute level of interest rates and therefore low expected return for the fixed income portion of balanced portfolios means investors and their advisors need to be thoughtful about the return assumptions used in constructing their financial plans and open-minded to risk management strategies beyond bonds, providing an opportunity for financial advisors to be particularly helpful to investors in the years ahead.

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¹ Source: Morningstar, S&P 500

Keep in mind, this article is for informational purposes only, and not a replacement for real-life advice. Also, tax rules are constantly changing, and there is no guarantee that the tax landscape will remain the same in years ahead.

Make a charitable gift. You can claim the deduction on your tax return, provided you follow the Internal Revenue Service (I.R.S.) guidelines and itemize your deductions with Schedule A. The paper trail is important here. If you give cash, you should consider documenting it. Some contributions can be demonstrated by a bank record, payroll deduction record, credit card statement, or written communication from the charity with the date and amount. Incidentally, the I.R.S. does not equate a pledge with a donation. If you pledge \$2,000 to a charity this year but only end up gifting \$500, you can only deduct \$500.³

These are hypothetical examples and are not a replacement for real-life advice. Make certain to consult your tax, legal, or accounting professional before modifying your record-keeping approach or your strategy for making charitable gifts.

See if you can take a home office deduction for your small business. If you are a small-business owner, you may want to investigate this. You may be able to write off expenses linked to the portion of your home used to conduct your business. Using your home office as a business expense involves a complex set of tax rules and regulations. Before moving forward, consider working with a professional who is familiar with home-based businesses.⁴

Open an HSA. A Health Savings Account (HSA) works a bit like your workplace retirement account. There are also some HSA rules and limitations to consider. You are limited to a \$3,600 contribution for 2021 if you are single; \$7,200 if you have a spouse or family. Those limits jump by a \$1,000 "catch-up" limit for each person in the household over age 55.⁵

If you spend your HSA funds for non-medical expenses before age 65, you may be required to pay ordinary income tax as well as a 20% penalty. After age 65, you may be required to pay ordinary income taxes on HSA funds used for nonmedical expenses. HSA contributions are exempt from federal income tax; however, they are not exempt from state taxes in certain states.

Pay attention to asset location. Tax-efficient asset location is one factor that can be considered when creating an investment strategy.

Review your withholding status. Should it be adjusted due to any of the following factors?

- You tend to pay the federal or state government at the end of each year.
- You tend to get a federal tax refund each year.
- You recently married or divorced.
- You have a new job, and your earnings have been adjusted.

These are general guidelines and are not a replacement for real-life advice. Make certain to consult your tax, human resources, or accounting professional before modifying your withholding status.

Did you get married in 2020? If so, it may be an excellent time to consider reviewing the beneficiaries of your retirement accounts and other assets. The same goes for your insurance coverage. If you are preparing to have a new last name in 2021, you may want to get a new Social Security card. Additionally, retirement accounts may need to be revised or adjusted?

Are you coming home from active duty? If so, go ahead and check on the status of your credit and any tax and legal proceedings that might have been preempted by your orders.

Consider the tax impact of any upcoming transactions. Are you planning to sell any real estate this year? Are you starting a business? Might any commissions or bonuses come your way in 2021? Do you anticipate selling an investment that is held outside of a tax-deferred account?

If you are retired and in your seventies, remember your RMDs. In other words, Required Minimum Distributions (RMDs) from retirement accounts. Under the SECURE ACT, in most circumstances, once you reach age 72, you must begin taking RMDs from most types of these accounts.⁶

Vow to focus on your overall health and practice sound financial habits in 2021. And don't be afraid to ask for help from professionals who understand your individual situation.

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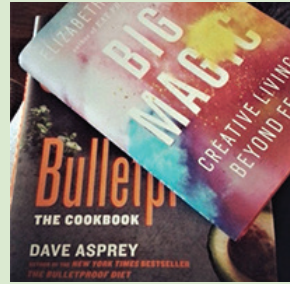
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Spotlight on Tradition

Gaby Smith

My family likes to read, so we've borrowed an Icelandic tradition and made it our own. 'Jolabokaflokkur,' which means 'Christmas book flood,' involves giving books as presents on Christmas Eve, so that friends and family can spend the cozy night curled up with a book (and hot chocolate).



Liz Carlson

My favorite holiday traditions are:

1. Watching the Macy's Thanksgiving Day Parade every Thanksgiving morning with my sister and
2. Eating my dad's prime rib on Christmas. Last year me and my dad started a new tradition of brewing our own beer on Christmas.



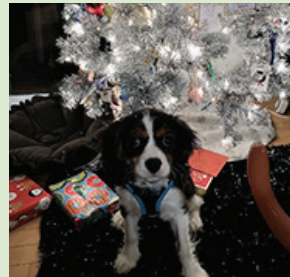
Melanie Colusci

Lefse is a traditional soft Norwegian flatbread. It is made with potatoes, flour, butter, and milk or cream. It is cooked on a large, flat griddle. Special tools are used to prepare lefse, including long wooden turning sticks and special rolling pins with deep grooves. It reminds me of my grandmother as she always used to make it for Thanksgiving and Christmas.



Jackie Bauer

During the holidays I always visit my family in New Jersey. I have a big family of seven siblings so we host a pre-Christmas dinner and exchange our Kris Kringle gifts. Pictured here is my dog Zeus who sits patiently while I take pictures of him in front of the tree!



Rachel Shields

My favorite traditions are our annual trip to see the light show at Phipps Conservatory and showing off our best "ugly leggings" (instead of sweaters)!



Are you reading this?

If so, please send us a message about your favorite holiday tradition to info@bridgerfinancialgroup.com.

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On the Horizon

November 26, 27 Thanksgiving (Offices Closed)
November 28..... Small Business Saturday
November 18..... Bridger deadline to take
required minimum distributions
(RMDs)
November 24..... Office closes at noon
December 25..... Christmas (Office Closed)
December 31..... Office closes at noon



*Stuck on Open Enrollment
Questions? We can help!*

Medicare: Ends Dec 7

Marketplace: Ends Dec 15

Employer plan open enrollment dates may vary.
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