



# Navigating the 2021 Market Landscape

February 10, 2021

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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# The four essential elements of the CLA Promise

## OUR PURPOSE

CLA exists to create opportunities — for our clients, our people, and our communities.

## OUR PROMISE

We promise to know you and help you.

## OUR CLA FAMILY CULTURE

We're one family, working together to create opportunities.

## STRATEGIC ADVANTAGES

- Deep industry specialization
- Seamless, integrated capabilities
- Premier resource for private business and owners
- Inspired careers



# Agenda

- **2021 market and tax outlook**
- **Panel discussion focused on 2021 growth and income trends in equities, fixed income, real estate, and alternative investments**



# 2021 Market and Tax Outlook

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# Trend 1: In 2020, Grit Was Critical Trait for Investors

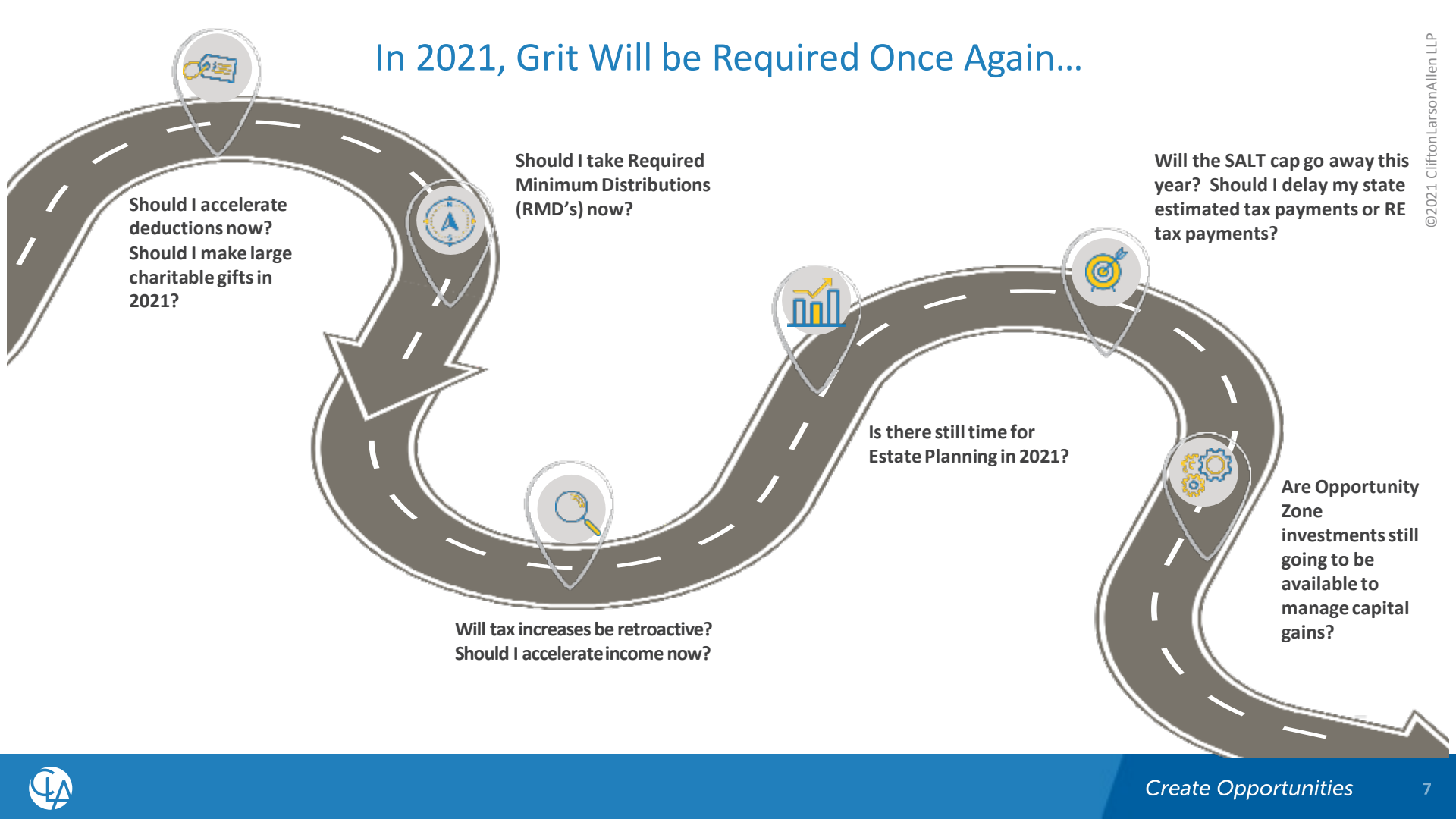
S&P 500 Index 3 Year (2019-2021)



\*Source: Morningstar and Bloomberg



# In 2021, Grit Will be Required Once Again...



Should I accelerate deductions now?  
Should I make large charitable gifts in 2021?

Should I take Required Minimum Distributions (RMD's) now?

Will tax increases be retroactive?  
Should I accelerate income now?

Is there still time for Estate Planning in 2021?

Will the SALT cap go away this year? Should I delay my state estimated tax payments or RE tax payments?

Are Opportunity Zone investments still going to be available to manage capital gains?

# Trend 2: In 2021, Investors Are Looking Beyond COVID

## Bullish Market Signals

- COVID-19 vaccine being rolled out
- Supportive fiscal and monetary policy
- Low interest rates and inflation
- Increasing consumer saving rate



## Bearish Market Signals

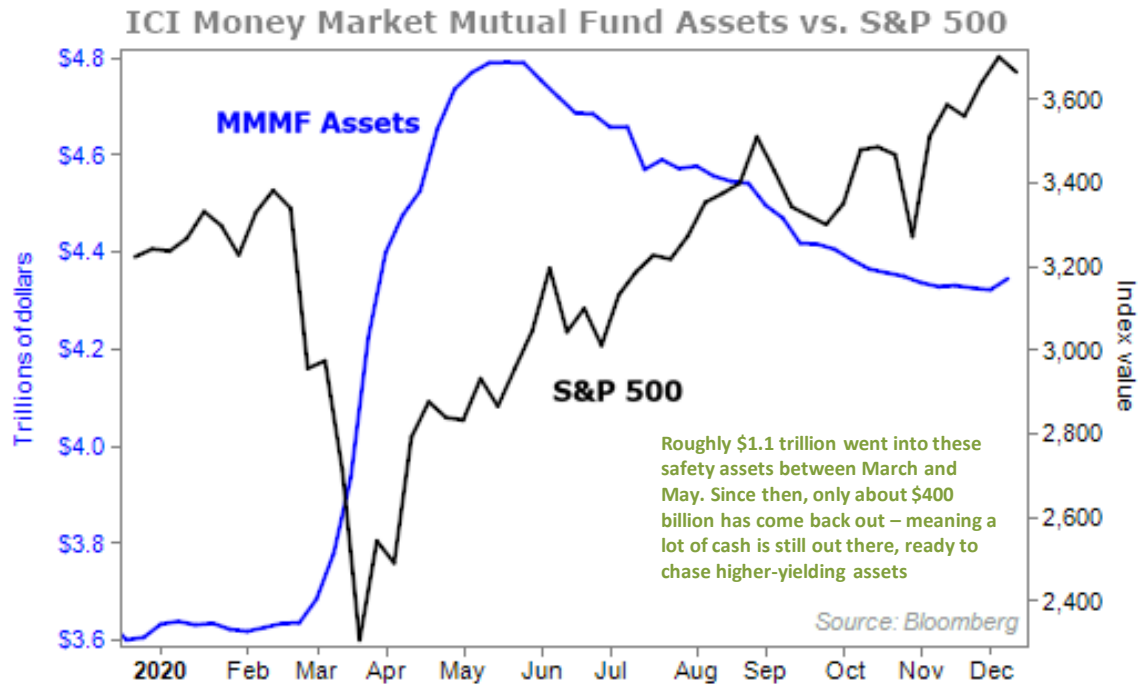
- COVID-19 health and economic impact
- Record government debt
- High unemployment
- Rich market valuations



# Post COVID: Lots of Tax Work to be Done



## Trend 3: Investors Are Starting to Put Cash to Work



**Charitable  
contributions**

**Taxable gifts  
to heirs**

**Purchase a  
business**

**Buy real  
estate**

# **Where can the cash go to create tax savings?**

**Buy equipment**

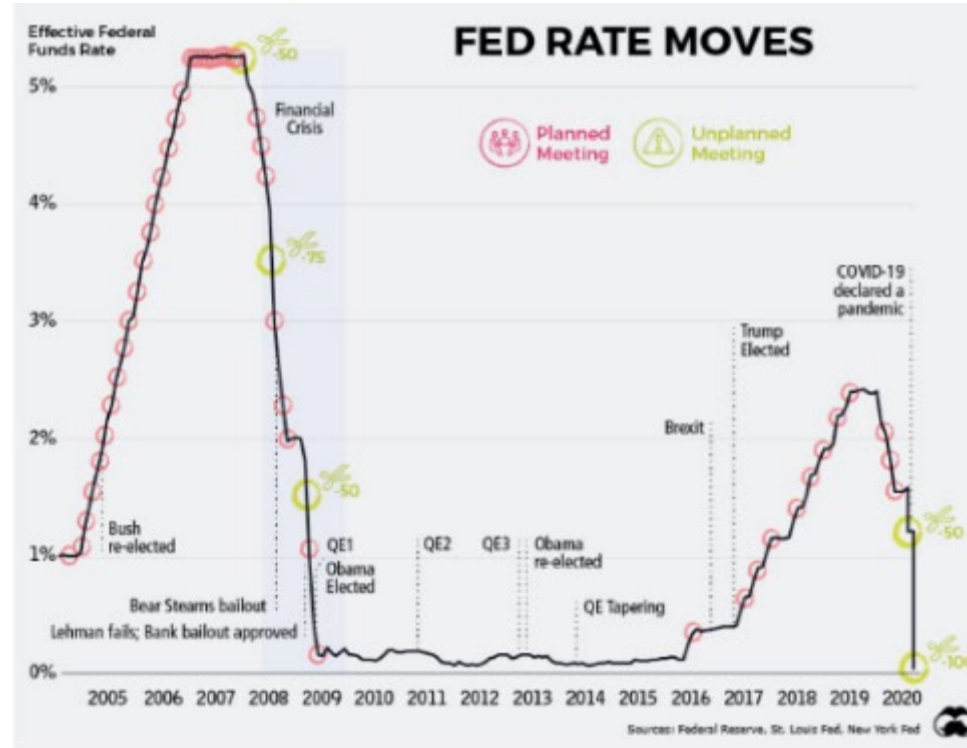
**Opportunity  
Zones**

**Fund a retirement  
account**

**Long term care  
insurance**



# Trend 4: Interest Rates Are Now Back at 0%



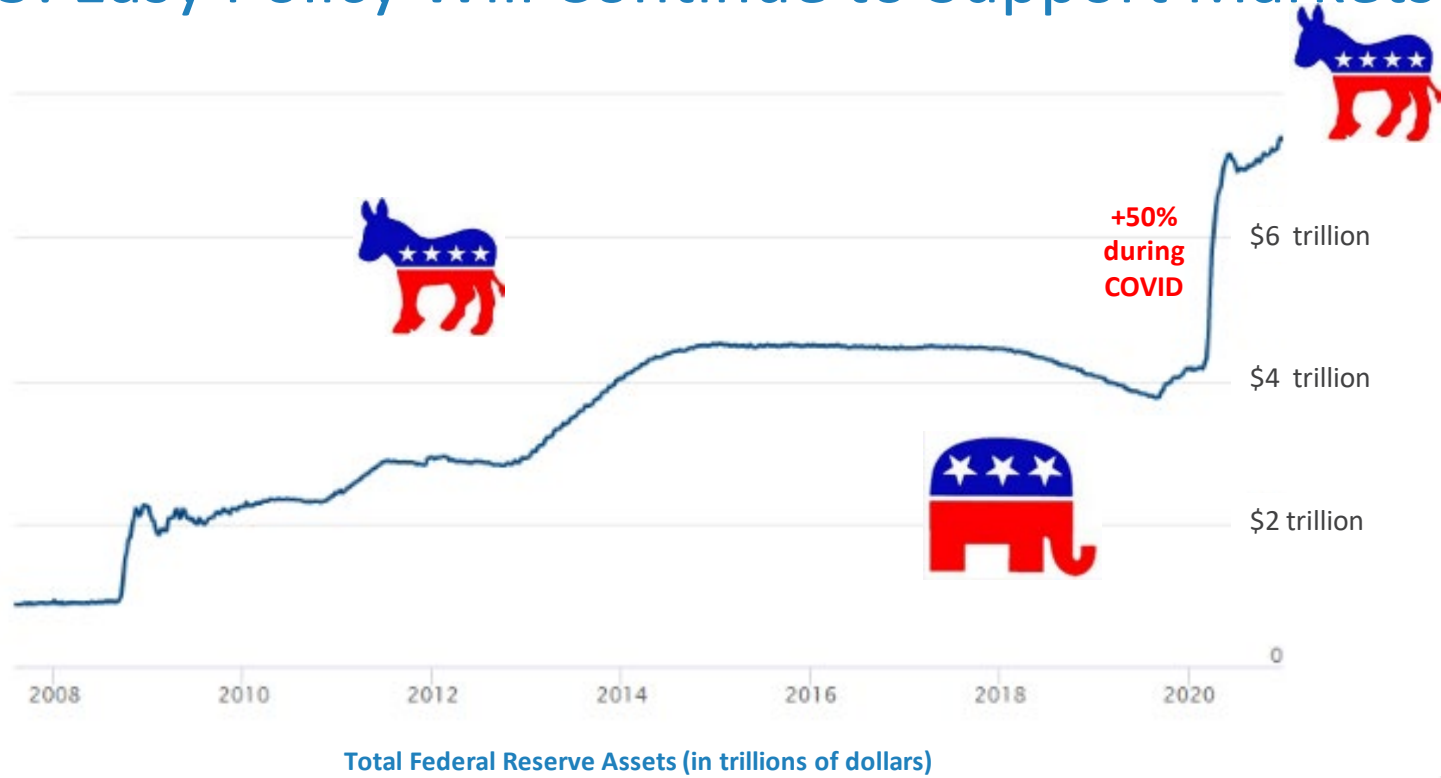
...got low interest rates?

Consider these estate planning techniques!

Tool	Common objective
Grantor Retained Annuity Trusts ("GRATs")	Retain a stream of income and transfer an appreciating asset(s) to beneficiaries
Intentionally Defective Grantor Trust ("IDGT")	Estate freezing technique to remove future appreciation from estate tax
Charitable Lead Trusts ("CLT's")	Immediate philanthropic benefit, potential income tax savings and future legacy benefits for family
Intra-family loans	Low interest rate loans to family members to support business or investment activity



# Trend 5: Easy Policy Will Continue to Support Markets



\*Source: Saint Louis Federal Reserve Bank



# Take Advantage of the Ups and Downs

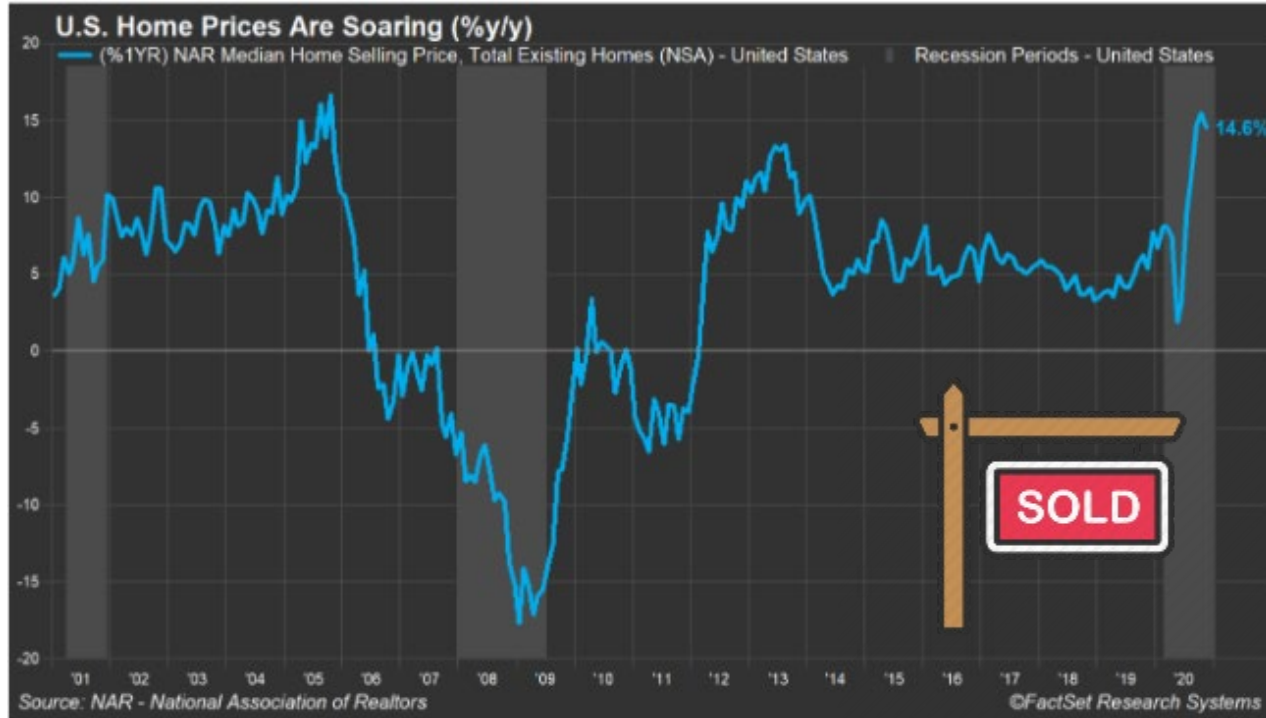
Harvest  
losses during  
market draw  
downs?

Consider  
converting  
an IRA to a  
ROTH IRA?

Fund  
philanthropic  
goals?



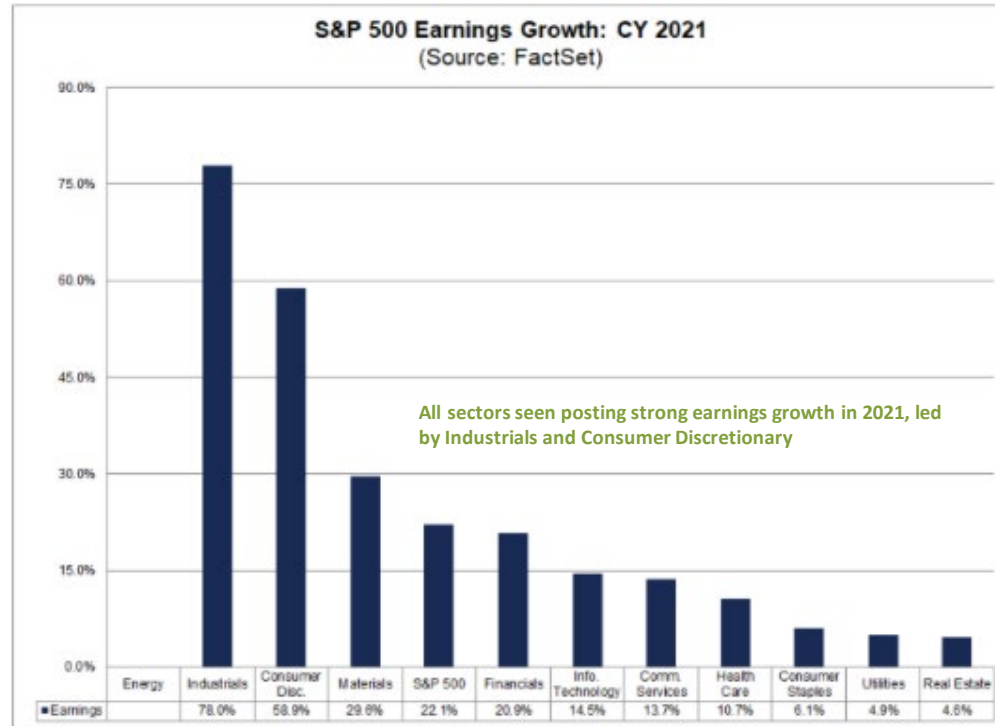
## Trend 6: Low Interest Rates Benefit Real Estate



# Current Tax Benefits of Real Estate

- Section 1031 Tax Deferred Exchanges (Like Kind Exchanges)
- Tax depreciation + favorable tax rates upon sale
- Sell your home and pay no capital gains tax
- Opportunity Zone investments bring 3 big tax breaks

# Trend 7: Post-COVID Tailwinds Are Great for Earnings

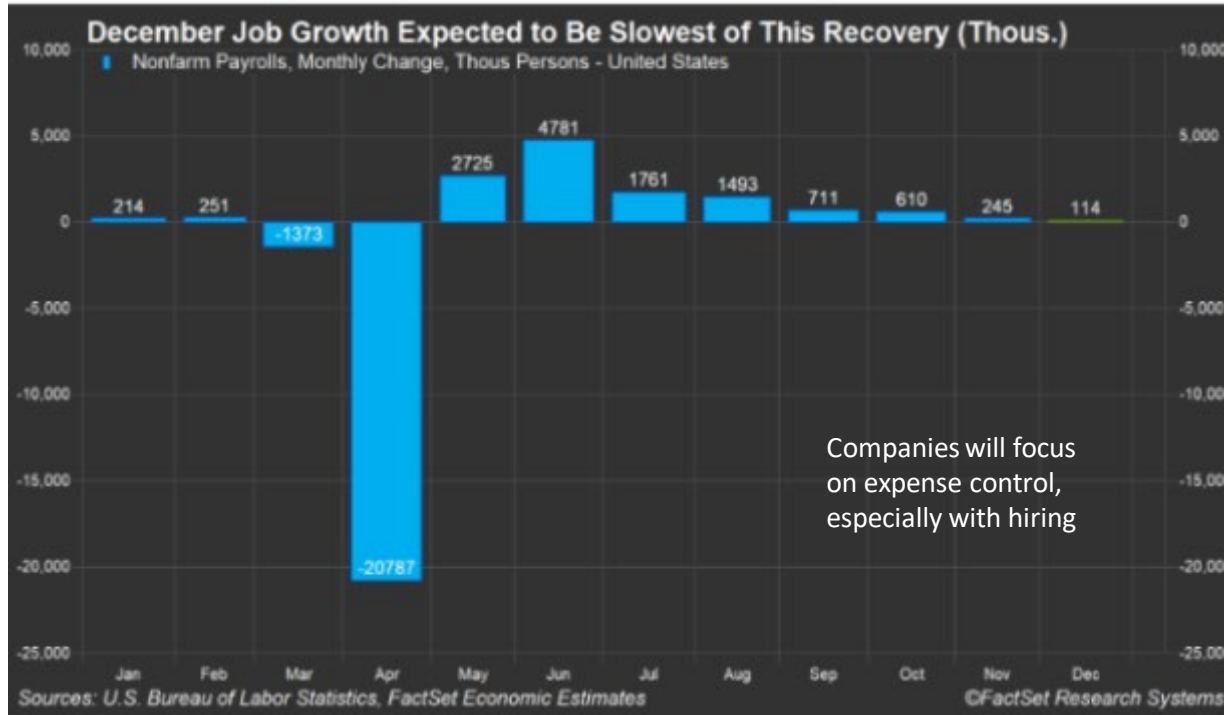


\*Source: Factset Research Systems





# Trend 8: Companies Are Operating More Efficiently



# Cost Controls May Drive Tax Planning

## Cost Segregation Studies

- Helps to allocate purchase price of group of assets to create more deductions now

## Fixed Asset Studies

- Looks backwards to see if more deductions should have been taken in prior years

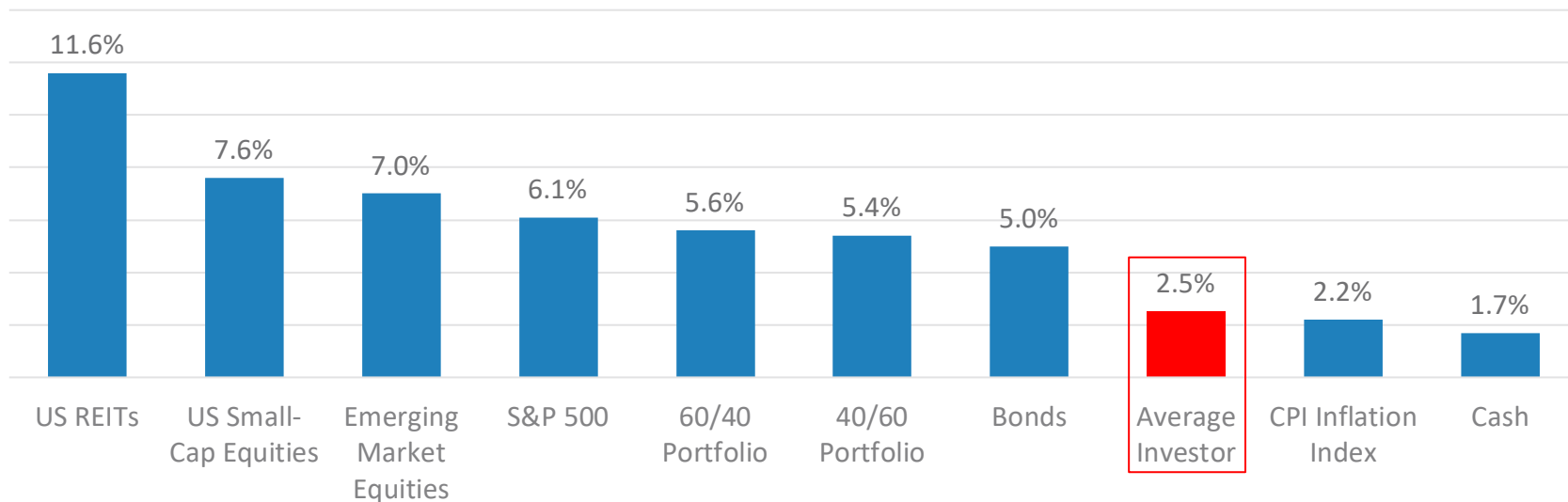
## Net Operating Loss Carrybacks

- Turns current tax losses into tax refunds



# Trend 9: Investing – Rather Than Trading – Is Rewarded

20 Year Annualized Returns by Asset Class  
(1999-2019)



\*Sources: Bloomberg Data and JPM Morgan Guide to Markets Q1 2021



# Investing Still Rewarded for Tax Purposes?

Biden's proposed tax plan		
	Current rate	Biden proposal
Top ordinary income tax rate	37%	39.6%
Top capital gains rate*	20%	39.6%
Estate tax**	40%	45%
Corporate income tax	21%	28%

*\*For taxpayers earning more than \$1 million*

*\*\*Lower \$3.5 million estate tax exemption for individuals, \$7 million for married couples, also proposed.*

*Source: [Bloomberg Tax](#)*



# Trend 10: Goals-Based Planning Is Driving Investing

## Low-cost, tax efficient, diversified strategies

### Growth

Assets like **stocks** can grow cash flows beyond inflation, though with a high degree of volatility.

- U.S. Equity
- Int'l Developed Equity
- Emerging Market Equity
- Private Equity

### Income

Assets like **bonds** often have steady cash flows and lower volatility.

- Government Bonds
- Municipal Bonds
- Investment Grade Bonds
- High Yield Bonds
- Cash Equivalents

### Diversifiers

Assets like **real estate** add portfolio diversification.

- Private Real Estate
- Private Credit
- REITs
- Preferred Securities







# Panel Discussion

- Tara Frazer, Moderator
- Chris Moss, CliftonLarsonAllen Wealth Advisors, LLC
- Dr. Randy Anderson, PhD, Griffin Capital Company, LLC
- Rick Rieder, BlackRock

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# Questions and Answers

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# Thank you!

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