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Please make sure to read John Stewart's article "Value Strikes Back" below.

Baby Boomers Buying More Online

The coronavirus pandemic has forced consumers to change many habits, including how they shop. This is particularly true for baby boomers (ages 56 to 74). Nearly half (45%) said they shop online more, with some product categories seeing a large shift in online purchases.

Source: National Retail Federation, 2020

Value Strikes Back

The recent post-election rise in the broader equity market averages has masked some of the violent undercurrents occurring beneath the surface. For example, last week the S&P 500 index was up 2%, the Dow average rose 4%, and the value-heavy small company Russell 2000 Index was up 6%. Meanwhile, the growth-heavy NASDAQ was down 0.5%. In fact, over the past month the Russell 1000 Value Index has gained 8% versus a fractional loss for the Russell 1000 Growth Index. We discussed a couple of months ago the prospect of a reversion in the trend of high-flying growth stocks, sometimes referred to as the “FANG” stocks – an acronym for Facebook (FB), Amazon (AMZN), Netflix (NFLX), and Google; now called Alphabet (GOOGL). You could include several other names on this list, most notably Apple (AAPL) and Microsoft (MSFT), although there are many more as well. At the other end of the spectrum, “value” stocks have been stuck in the mud for several years as their lack of sustainable earnings growth and economic sensitivity caused investors to overlook cheap relative valuations in favor of the stocks that seemed to be impervious to the laws of economics. While we saw a glimpse of a shift in market dynamics back in early September, the past couple of weeks may be setting the tone for a longer-term change in trend.

The recent election gave almost everyone, regardless of political persuasion, something to be upset about. The stock market, however, seems to believe that it is getting exactly what it wanted. A Biden administration would presumably be as aggressive as possible in terms of fiscal expansion, while a Republican senate will block the most punitive tax proposals Mr. Biden has outlined. Get what you want without having to pay for it? That’s music to stock prices’ ears. Nevertheless, the flip side of that is likely to be continued downward pressure on the U.S. dollar. A weaker dollar is something that we have been warning against for some time, and that continues to be one of our key themes heading into 2021.

How does a weaker dollar translate into managing investment capital? There are many ways to approach the environment we find ourselves in, and we currently recommend an all-of-the-above strategy to maintain a healthy level of diversification in client portfolios. Commodities and Real Estate are good alternatives to your standard equity and fixed income assets, and should benefit from a weaker dollar and/or inflationary pressures. In equity portfolios, we continue to look for opportunities to increase international exposure, including in emerging markets. In emerging markets, you have a trifecta of cheaper valuations, better growth prospects, and beneficial currency effects if the dollar continues to weaken. On the fixed income side, we recommend owning some international bonds denominated in foreign currencies, as well as some Treasury Inflation-Protected Securities (TIPS). Despite its challenges, we have much to be thankful for in 2020, and we look forward to 2021 with optimism.

Year-End 2020 Tax Tips

Here are some things to consider as you weigh potential tax moves before the end of the year.

Defer income to next year
Consider opportunities to defer income to 2021, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services in order to postpone payment of tax on the income until next year.

Accelerate deductions
Look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2021) could make a difference on your 2020 return.

Make deductible charitable contributions
If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 60%, 30%, or 20% of your adjusted gross income (AGI), depending on the type of property that you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.) For 2020 charitable gifts, the normal rules have been enhanced: The limit is increased to 100% of AGI for direct cash gifts to public charities. And even if you don't itemize deductions, you can receive a $300 charitable deduction for direct cash gifts to public charities (in addition to the standard deduction).

Bump up withholding
If it looks as though you're going to owe federal income tax for the year, consider increasing your withholding on Form W-4 for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck.

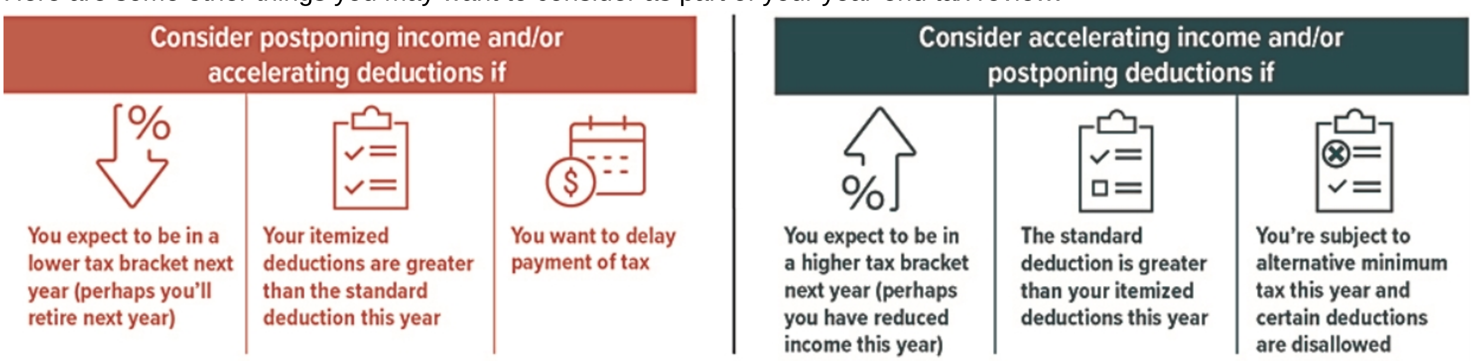
Maximize retirement savings
Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2020 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. For 2020, you can contribute up to $19,500 to a 401(k) plan ($26,000 if you're age 50 or older) and up to $6,000 to traditional and Roth* IRAs combined ($7,000 if you're age 50 or older). The window to make 2020 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2021, to make 2020 IRA contributions. (*Roth contributions are not deductible, but Roth qualified distributions are not taxable.)

Avoid RMDs in 2020
Normally, once you reach age 70½ (age 72 if you reach age 70½ after 2019), you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans. Distributions are also generally required to beneficiaries after the death of the IRA owner or plan participant. However, recent legislation has waived RMDs from IRAs and most employer retirement plans for 2020 and you don't have to take such distributions. If you have already taken a distribution for 2020 that is not required, you may be able to roll it over to an eligible retirement plan.

Weigh year-end investment moves
Though you shouldn't let tax considerations drive your investment decisions, it's worth considering the tax implications of any year-end investment moves. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses above the amount of your gains can be used to offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

More to Consider

Here are some other things you may want to consider as part of your year-end tax review.



Lessons from the Lockdown: A Back-to-Basics Holiday

If there is one thing the COVID-19 stay-at-home orders demonstrated, it was the need to find joy in simple pleasures. In fact, 43% of respondents to one survey said they had "changed their ways for the better" as a result of the lockdown.[1] By applying some of the lessons learned from pandemic purgatory to the holiday season, families may be able to create new and meaningful traditions while saving money.

Travel. While confined to their homes for several months, people discovered the benefits of virtual get-togethers via video calls. The same survey cited above found that many people who used videoconferencing technology reported that they connected more with loved ones during the lockdown than before restrictions were put into place.[2] This holiday season, if you can't be with your loved ones, consider scheduling a virtual gathering to open gifts or share a meal together. An added benefit of less time and money spent on travel could be lower stress overall.

Experience vs. "stuff." Of course, sharing experiences in person can be more rewarding than a video chat. Stay-at-home orders prompted many people to reflect on how much they took for granted, especially the opportunity simply to spend time with loved ones they don't see on a regular basis. As many grandparents would likely contend, time spent with family can be a much more valuable gift than the latest gadget or fashion trend. Moreover, while in lockdown, many families discovered they could actually live without many of the material goods they purchase on a regular basis. Rather than spending a lot on "stuff" this season, consider intentionally downsizing the piles of gifts exchanged and focusing more on the shared celebrations and traditions.

In April 2020, during the height of the stay-at-home orders, the nation's personal savings rate hit an all-time high of 32%.[3]

Food. During the lockdown, many people rediscovered the simple joy of preparing and eating home-cooked meals and baked goods. And because ingredients were often limited due to supply-chain disruptions, creativity became a valuable kitchen skill. This holiday season, instead of spending a small fortune dining out, why not put some of that pandemic culinary prowess to work? Simple meals that the whole family helps prepare can be cost-effective as well as memory-making. Wrapped up with a beautiful bow, your creations can also make thoughtful, inexpensive, edible gifts. (You might also consider supporting local businesses by having food gifts delivered or purchasing gift cards.)

1-2) OnePoll, studyfinds.org, May 23, 2020; 3) U.S. Bureau of Economic Analysis, June 30, 2020