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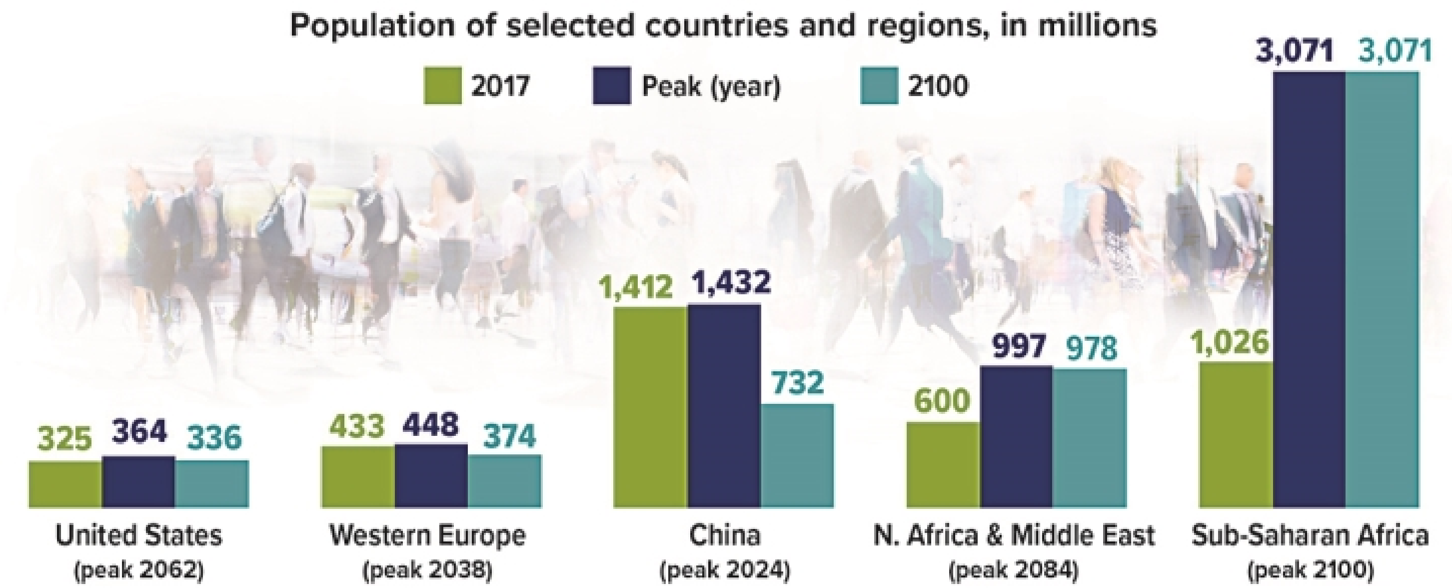
Please make sure to read John Stewart's article "More Stimulus On The Way!" below.

Population Peaks

Global population is projected to peak at 9.7 billion in 2064 and decline to 8.8 billion by the end of the century, according to a study from the University of Washington Institute for Health Metrics and Evaluation. The reversal of population growth — already in progress in some countries — is due primarily to women's better access to education and contraception.

By 2100, 183 of 195 countries will not have fertility rates necessary to maintain their current populations, with 23 countries shrinking by more than 50%. By contrast, the population of sub-Saharan Africa is projected to triple, and almost half the world's population will live in Africa and the Middle East.



Source: *The Lancet,* October 17, 2020

More Stimulus On The Way!

This past week Congress passed and President Biden signed into law the much anticipated $1.9 trillion stimulus package aimed at continuing the fight against COVID-19. Whether or not the bulk of this package truly hits its intended mark is certainly up for debate. Nevertheless, that brings the total amount of money spent by the U.S. federal government in the past 12 months using the pandemic as their justification to a mind-blowing $5.1 trillion! That’s on top of a federal deficit that was already running around $1 trillion per year. This fiscal thrust amounts to roughly 25% of the total annual economic output of the United States, otherwise known as gross domestic product (GDP). By comparison, the rescue package launched in early 2009 at the depths of the Great Financial Crisis was less than $1 trillion. This type of government spending does not come without consequences. At first, those consequences are likely to seem positive as economic growth booms. However, the inflationary effects of these efforts are already starting to show up. Steel is up over 100% in the past 8 months, lumber is up over 60%, and if you’ve been to the gas station recently you’ve seen those prices rise as well. It is important to remember that there is no free lunch. As we move toward 2022 we will be at a crossroads deciding whether to “do more” and accept the inflationary consequences, or we will make the decision to turn off the spigot and risk a fairly deep recession.

While it’s obvious to anyone paying attention that there are inflationary pressures building everywhere, the Federal Reserve is unlikely to acknowledge inflation as being anything other than “transitory” or “transient” when it convenes for its regular policy meeting this week. The Fed has repeatedly stated that it is not even “thinking about thinking about” raising its target interest rate, the federal funds rate. Meanwhile, the interest rates that the Fed does not control have been rising rapidly. The 10-year Treasury rate is now above 1.6%, which is more than triple its lows from last summer. The most recent consumer price inflation report was relatively tame, but that was compared with the pre-pandemic reading of February of last year. When we start comparing the numbers reported in April and May it will begin to show an acceleration in inflationary pressures that most market participants already know is there. It will be interesting to see how the Fed will respond to this at their June meeting.

People feel like there is safety in numbers; it’s nice to know that the stocks you own are popular, and that many other people own those same companies. However, it is usually a good idea to exercise caution when it comes to the stocks that everyone loves. When a stock becomes over-owned, meaning that the majority of investors already hold a large position, buying power usually begins to dissipate as the pool of potential buyers shrinks relative to the number of investors that are looking to cash in their profits. Heavily owned stocks also tend to trade at premium valuations, which can be dangerous if the market corrects or if interest rates rise like they have recently, as rising rates put pressure on stock valuations. It’s no wonder that the most popular stocks of the past few years like Apple, Amazon, and Tesla have all lost money in 2021 while the overall stock market is doing just fine.

Due Date Approaches for 2020 Federal Income Tax Returns

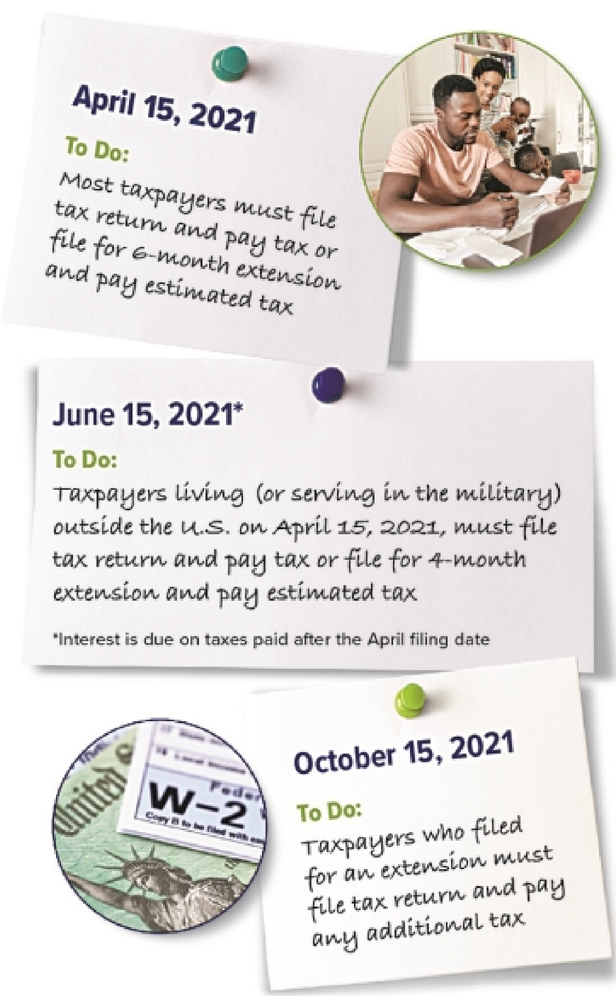
Tax filing season is here again. If you haven't done so already, you'll want to start pulling things together — that includes getting your hands on a copy of your 2019 tax return and gathering W-2s, 1099s, and deduction records. You'll need these records whether you're preparing your own return or paying someone else to prepare your tax return for you.

Don't procrastinate. The filing deadline for individuals is generally Thursday, April 15, 2021.

Filing for an Extension

If you don't think you're going to be able to file your federal income tax return by the due date, you can file for and obtain an extension using IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.* Filing this extension gives you an additional six months (to October 15, 2021) to file your federal income tax return. You can also file for an extension electronically — instructions on how to do so can be found in the Form 4868 instructions.

Due Dates for 2020 Tax Returns



Filing for an automatic extension does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe and pay this amount by the April filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the IRS believes that your estimate was not reasonable, it may void your extension.

Note: *Special rules apply if you're living outside the country or serving in the military and on duty outside the United States. In these circumstances, you are generally allowed an automatic two-month extension (to June 15, 2021) without filing Form 4868, though interest will be owed on any taxes due that are paid after the April filing due date. If you served in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file.*

What If You Owe?

One of the biggest mistakes you can make is not filing your return because you owe money. If your return shows a balance due, file and pay the amount due in full by the due date if possible.

If there's no way that you can pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you'll limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the remaining balance (options can include paying the unpaid balance in installments).

Expecting a Refund?

The IRS has stepped up efforts to combat identity theft and tax refund fraud. More aggressive filters that are intended to curtail fraudulent refunds may inadvertently delay some legitimate refund requests. In fact, the IRS is required to hold refunds on all tax returns claiming the earned income tax credit or the additional child tax credit until at least February 15.

Most filers, though, can expect a refund check to be issued within 21 days of the IRS receiving a tax return. However, note that in 2020 the IRS experienced delays in processing 2019 paper tax returns due to limited staffing during the coronavirus pandemic.

So if you are expecting a refund on your 2020 tax return, consider filing as soon as possible and filing electronically.

Tax Filing Information for Coronavirus Distributions

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation included a provision that allowed qualified retirement plan participants and IRA account holders to take penalty-free early distributions totaling no more than $100,000 between January 1 and December 31, 2020. If you took advantage of this measure, here's what you need to know for tax filing.

What Is a Coronavirus Distribution?

In order for a distribution to be qualified under the CARES Act, it must have been made to a qualifying individual before December 31, 2020. You qualify if you, your spouse, or dependents were diagnosed with the virus, or if you, your spouse, or someone who shares your principal residence experienced a pandemic-related financial setback as a result of:

- A quarantine, furlough, layoff, or reduced work hours
- An inability to work due to lack of child care
- Owning a business forced to close or reduce hours
- Reduced pay or self-employment income
- A rescinded job offer or delayed start date for a job

The Three-Year Rules

A key provision in the Act allows the distribution(s) to be spread "ratably" over three years for purposes of calculating tax payments. In other words, the total can be reported in equal amounts on your 2020, 2021, and 2022 tax returns. For example, if you received a $15,000 distribution, you could report $5,000 in income for each of the three years. However, if you prefer, you can generally report the entire distribution in your 2020 tax filing.

Another provision allows you to repay all or a part of your coronavirus distribution to an eligible retirement plan within three years from the day after the date the distribution was received. Repayments will be treated as if you enacted a trustee-to-trustee transfer, and no federal income taxes will be owed. (A repayment to an IRA is not considered a rollover for purposes of the one-rollover-per-year rule.)

If you pay your income taxes prior to repaying the distribution, your repayment will reduce the amount of the distribution income you report in a subsequent year. Or instead, you may file an amended return, depending on your specific situation.

Consider speaking with a tax professional before making any final decisions.

How to Report Distribution Income

If you received a coronavirus distribution(s) in 2020, you should use Form 8915-E, Qualified Disaster Retirement Plan Distributions and Repayments, to report the income as part of your 2020 federal income tax filing. You can also use this form to report any recontributed amounts.