

# Q3 news

## 2020 Election: Planning Considerations

Election Day is rapidly approaching and while President Donald Trump and his Democratic opponent, former Vice President, Joseph Biden have wildly divergent tax policies, there could be significant changes to the tax law regardless of the election's outcome. Most notably, either party could enact tax increases to fund government expenditures for Covid-19 relief. Any revisions to individual, corporate, and estate and gift taxes Congress may pass in 2021 could be made retroactive to January 1, 2021, so there are some strategies to consider now in anticipation of possible increases.

Individuals may see ordinary income tax and capital gains rates increase. Certain tax deductions, incentives and credits may change. Payroll taxes rules may be revised. Retirement plans may be enhanced and encouraged. State income taxes could also be raised. If you think you will be subject to a higher rate in the future, consider accelerating income to 2020 or perhaps think about Roth conversions. 2020 may be an optimal year to convert a traditional IRA to a Roth IRA. While taxes are due as a result of the conversion, it may be at a lower rate compared to the rate at the time when you start taking IRA distributions. Additionally, earnings on the Roth IRA will grow tax-free and are not subject to required minimum distributions.

We welcome the opportunity to coordinate with your other advisors to ensure your savings and distribution plans minimize your tax burden. The right strategy is different for every family, so we want to help you evaluate what makes the most sense for your situation.

Estate planning changed significantly with the elimination of the "Stretch IRA" and future changes may include lowering the estate and gift tax exemption amount and potentially eliminating the step-up in basis of inherited capital assets.

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Index	3rd Quarter Total Return	YTD Total Return
S&P 500	8.93%	5.57%
Russell Mid Cap	7.46%	-2.35%
Russell 2000	4.93%	-8.69%
MSCI EAFE	4.80%	-7.09%
Bloomberg Barclays US Aggregate Bond	0.62%	6.79%
Bloomberg Barclays Muni Bond Index	1.23%	3.33%
Dow Jones Industrial Average	8.22%	-0.91%

\*Index return data as of 9/30/2020 provided by Morningstar Direct<sup>SM</sup>

## Quarterly Market Review

While the world anxiously awaits a medical solution to the COVID-19 pandemic, the U.S. economy along with many of our global peers have shown remarkable resilience in bouncing back from the largest economic shock in the modern era. The world is learning to cope with the adjustments forced by the virus.

- The S&P 500 was propelled higher during July and August and established new all-time highs on improving economic data, optimism related to multiple vaccine candidates, healthy corporate earnings reports and a benign interest rate environment that is expected to prevail for an extended period. September saw the return of volatility and stocks gave back some gains as the likely timeline for the pandemic has extended into next year.
- The wide performance gap between stocks classified as "Growth" vs. "Value" has been a theme in the market this year along with the outperformance of U.S. large cap companies versus smaller companies and foreign stocks. As a result of many large U.S.-based technology and e-commerce companies benefiting from the "stay at home" environment, while traditional value sectors such as Energy, Financials and Real Estate have suffered.
- The previously wide differential between U.S. interest rates versus those in major foreign markets has significantly narrowed during the 3rd quarter. This coupled with projections for the highest federal debt levels since WWII, as deficit spending due to the pandemic is employed to stimulate the U.S. economy, caused the U.S. dollar to weaken.
- Despite an environment of ultra-low interest rates, the bond market has continued to find support from strong investor demand. This demand stems from the Federal Reserve's initiatives to backstop credit markets combined with its coordinated efforts to maintain interest rates at low levels and the intention to keep the Federal Funds rate near zero until 2023. ▲

## News and Notes

- 3rd quarter GDP growth is expected to reveal a sharp recovery from the historic decline caused by the pandemic-induced shutdown. This recovery reflects the "reopening" of the U.S. economy and the unprecedented stimulus measures that have provided critical economic support to bridge the gap until a medical solution is available.
- The Dow Jones Industrial Average, a 30-stock index representing some of the largest U.S. companies across a range of industries, added cloud software company Salesforce.com, biopharmaceutical company Amgen and manufacturing conglomerate Honeywell. Replacing Raytheon Technologies, Pfizer and long-standing member ExxonMobil, which had been part of the index since 1928. These new members reflect the changing dynamics of the U.S. economy.
- Despite tensions related to a host of issues ranging from the response to the coronavirus to the political independence of Hong Kong and Taiwan, in late August U.S. and Chinese officials reaffirmed their commitment to the Phase 1 trade deal that was signed in January.
- Federal Reserve Chair Jerome Powell introduced an update to the Fed's inflation policy at the Fed's "virtual" Jackson Hole conference in August. The updated policy seeks to offset recent periods of sub-2% inflation by aiming to achieve inflation moderately above its long-run 2% goal so that inflation averages 2% over time.

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Triangle Securities is a privately owned investment advisory firm that specializes in assisting families with developing a realistic strategic plan to provide the best opportunity for achieving their long-term financial goals as prudently as possible.

We provide clients structure, clarity, confidence and reassurance as they move toward the next phase of life. Our clients value our honesty, integrity, transparency and genuine concern for their well-being.

**We are in business to serve our clients.**

**Our core values** describe who we are and what we stand for, as well as what our clients can expect from us everyday.

**Independence**

We value the independence of seeking the best solutions for our clients and are not beholden to any one company or its investment products.

**Integrity**

We have a duty to always act in the best interest of our clients.

**Care & Concern**

We create multigenerational relationships based on mutual trust and respect. We are advocates for our clients.

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**News and Notes continued**

- As our nation turns its attention to a contentious November election with a highly uncertain outcome, we remind ourselves that the strength and resilience of the American and global economies have been the largest determinant of investment success rather than the candidate or party in office. ▲

**2020 Election: Planning Considerations continued**

In 2020 the estate and gift tax exemption amount is \$11,800,000 and is scheduled to increase with inflation until 2025 and will sunset back down to the prior \$5,000,000 adjusted for inflation or possibly even lower.

It is important to review your estate plan regularly to make sure that your assets move as efficiently as possible to your beneficiaries. Changes in the rules around how retirement accounts pass to beneficiaries may also impact financial plans. Strategies in charitable giving also present new opportunities to consider. We welcome working with your attorney to make sure your plan and beneficiary designations are up to date and that you understand the implications.

Medicare, Medicaid, and Social Security are important components in most people's retirement plans and will most likely be impacted as a result of the election. Staying on top of the evolving rules and benefits of these programs is an important part of successful retirement planning and we will continue to monitor these developments and help you maximize your benefits from these programs.

**NO MATTER WHO WINS:**

- Markets have performed well under both parties.
- Investors are better off staying fully invested.
- We do not radically re-engineer the U.S. economy.
- The historical narrative is not as you remember it.
- Signature legislative accomplishments are infrequent and the impact is not always as expected.
- Predictions tend to be wrong.
- Monetary policy matters more.
- It's okay if you don't like the President. The market doesn't care.
- No, this is not the most vitriolic election.
- Don't confuse partisan politics with market analysis and keep your eye on one indicator. ▲

**Team Spotlight**

**Karen Conrad**  
*Senior Relationship Manager*

**"Far and away the best prize that life has to offer is the chance to work hard at work worth doing" — Theodore Roosevelt**

For the last 40 years, Karen has been working side-by-side with Paul Reynolds and his team to make a difference in the lives of the families we serve. As one of the founding team members of Triangle Securities, Karen has developed many relationships over the years and has assisted many with life transitions. She is known for her sweet southern style, caring nature, and her talent of picking just the right card for every situation.

As of November 1, 2020, we would like to announce that Karen will be embarking on her own new journey into retirement. Please join us in thanking Karen for all of the wonderful contributions she has made and her dedication to her Triangle families over the years. Her kind smile and delicious banana pudding will be missed!



**"Stay young at heart, kind in spirit, and enjoy retirement living." — Danielle Duckery ▲**

**Save the Date**

Please mark your calendar to join us for a Virtual Town Hall Meeting with special guest speaker **Dr. Michael Walden, a William Neal Reynolds Distinguished Professor and Extension Economist at North Carolina State University.** The event will take place **Thursday, December 3, 2020 at 12:30 p.m.** Zoom invitation to be emailed soon. ▲