



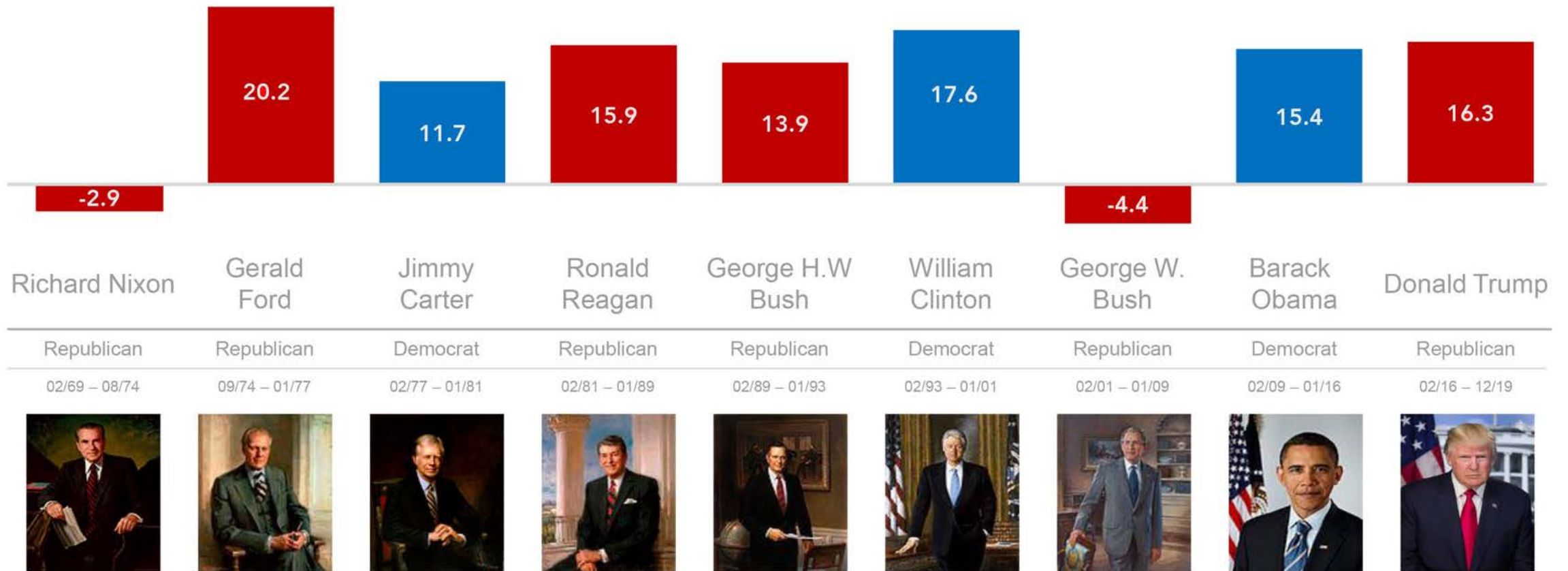
**If you mix your politics  
with your investment  
decisions, you're making  
a big mistake.**

- Warren Buffett



# Markets Have Performed Well Under Both Parties

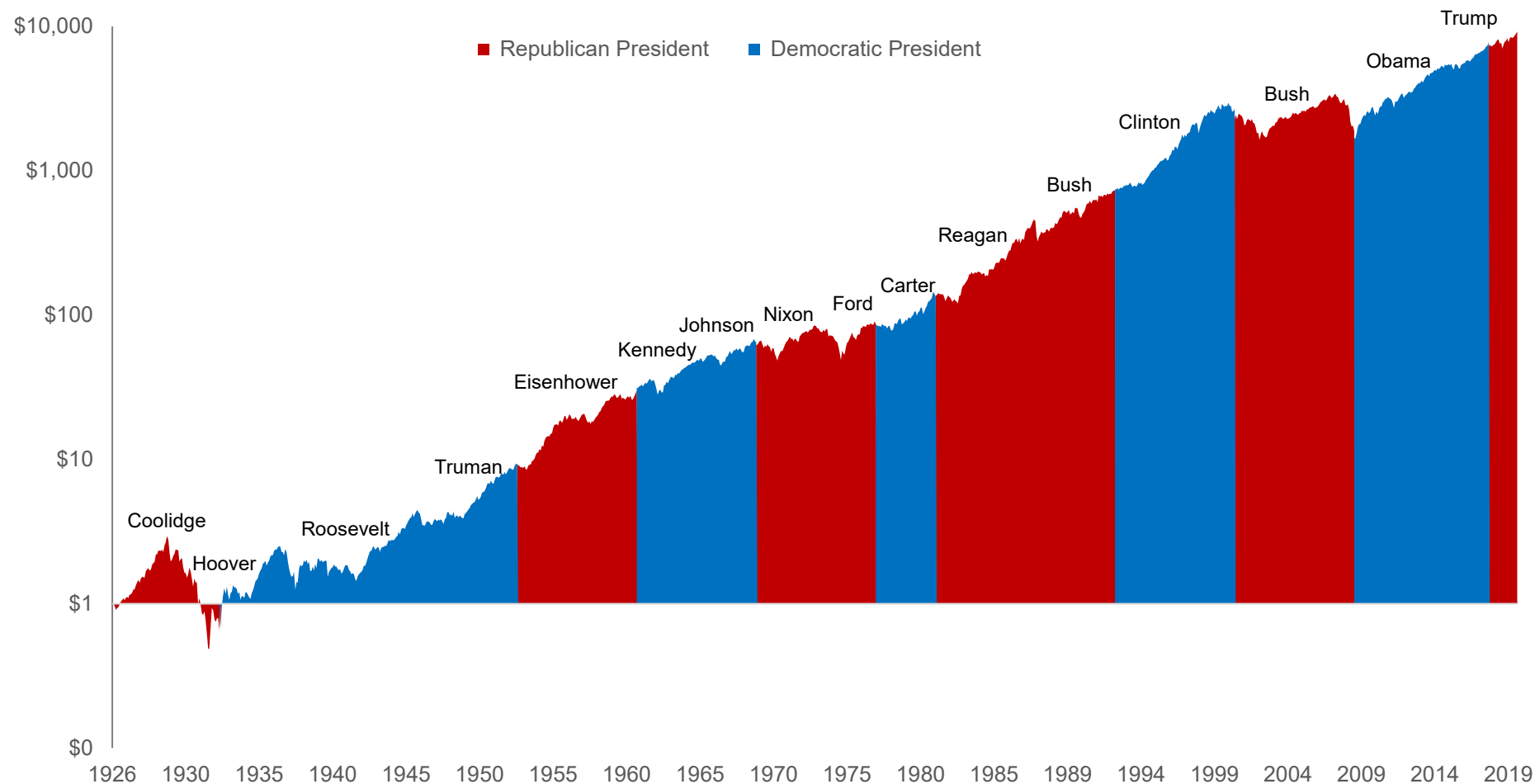
*Annualized Returns During Presidential Terms (S&P 500 Index: 1969 – 2019)*



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# Investors Are Better Off Staying Fully Invested

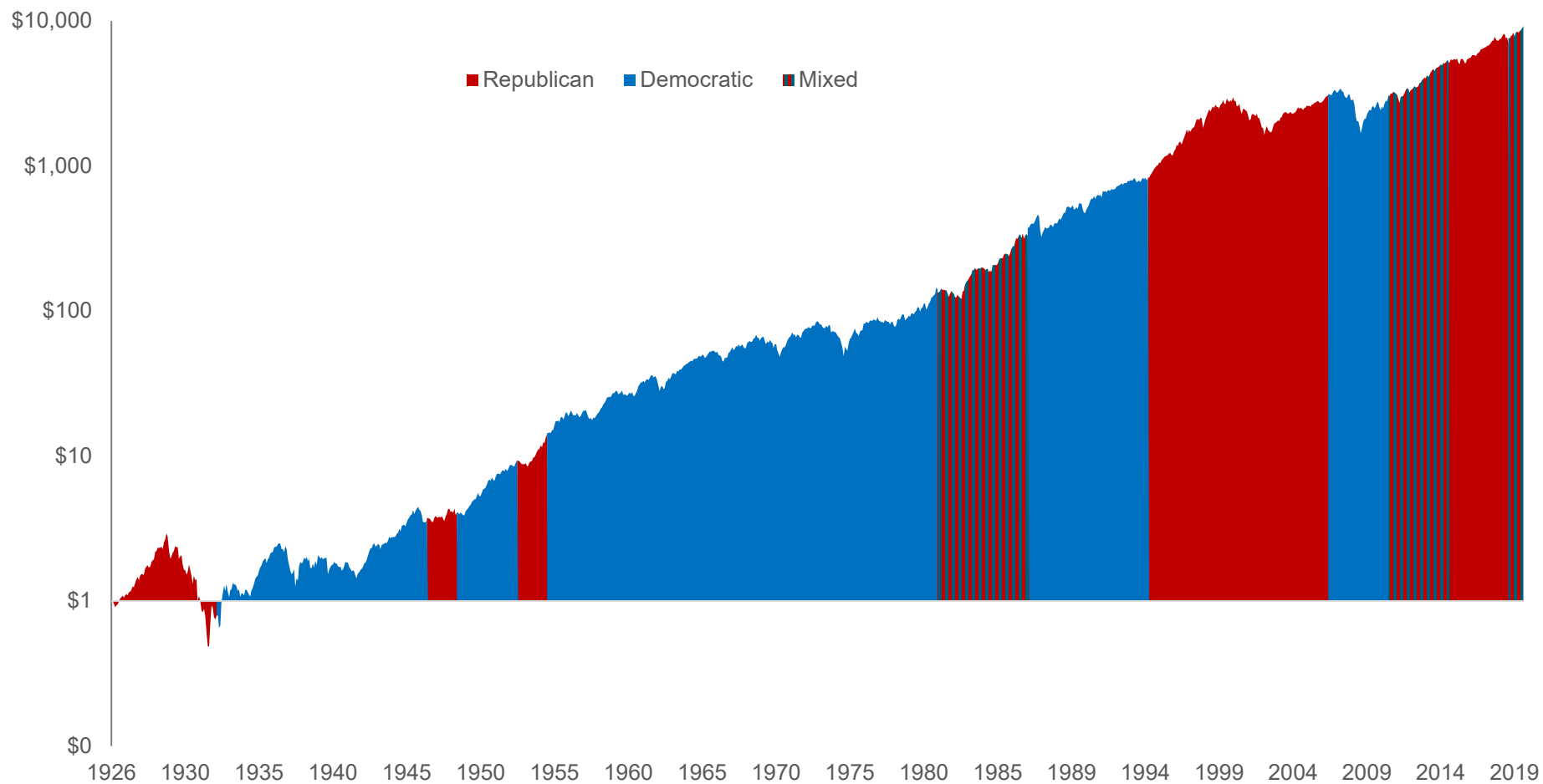
*Growth of a Dollar Invested in the S&P 500: January 1926 – December 2019*



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# The Same with Control of Congress

*Growth of a Dollar Invested in the S&P 500: January 1926 – December 2019*



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# What About a One-Party Sweep?

## Average Annualized Return of the S&P 500 (since 1949)

	Average Annual Return	Percentage of Time
Republican	11.8%	11%
Democrat	9.2%	27%
Divided Gov't	6.1%	62%

## Average GDP Growth (since 1945)

	Average GDP Growth	Percentage of Time
Democrat	4.4%	27%
Republican	2.8%	11%
Divided Gov't	2.5%	62%

Source: FactSet, Office of the President, JPMorgan Asset Management, Standard & Poor's, Bureau of Economic Analysis; data as of July 31, 2020

# Election Season Does Not Equal Increased Volatility

Equity volatility has been lower in the weeks before and after an election

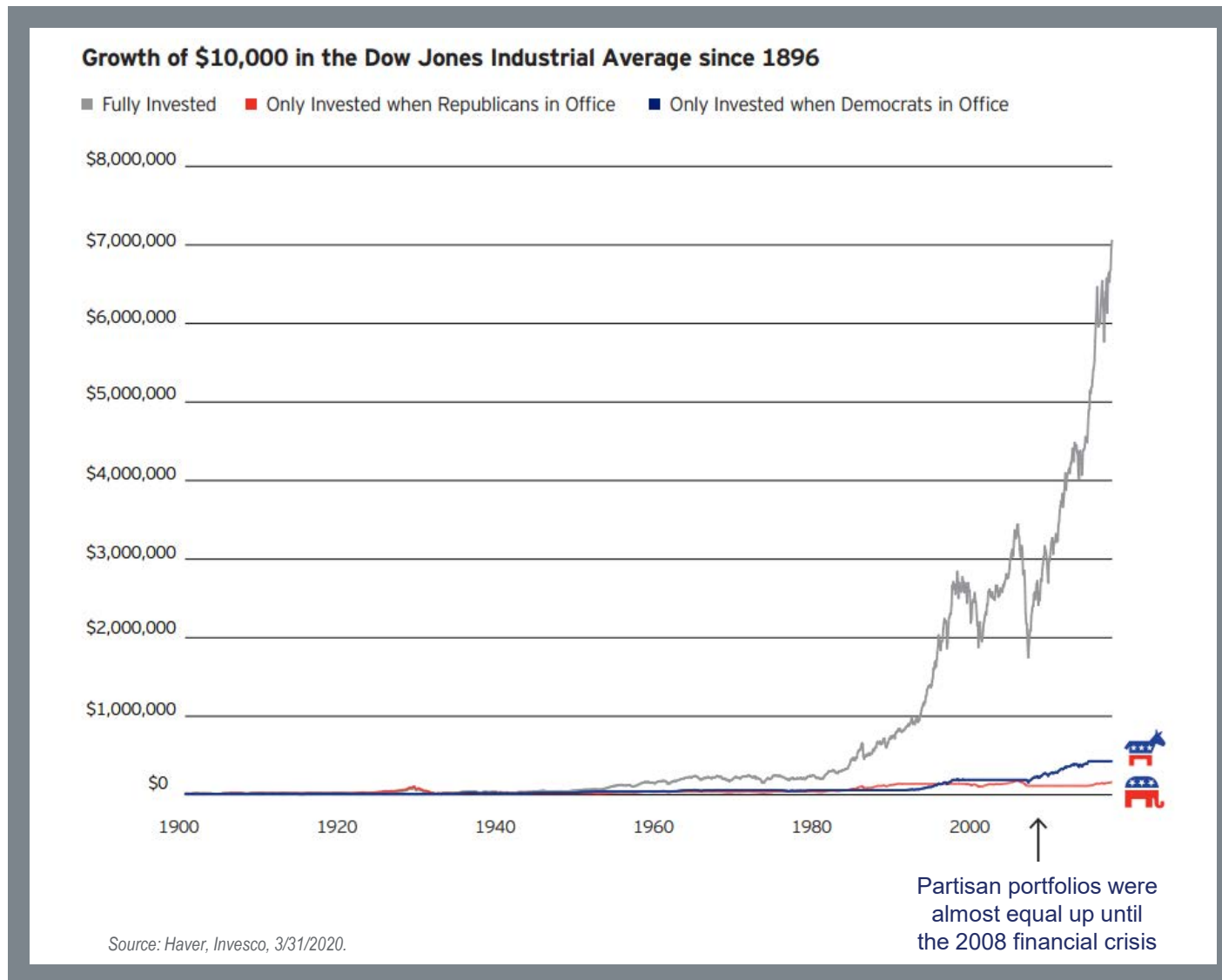
**Annualized S&P 500 Index volatility**

Full time period: 15.7%



Source: Vanguard calculations of S&P 500 Index daily return volatility from January 1, 1964 to December 31, 2019, based on data from Thomson Reuters

# It's Time in the Market, Not Timing the Market That Matters





# So What Does This All Mean For Me?



# The Worst Part of the Game?



# Candidates' Tax Proposal Comparison

## 2020



### Trump



### Biden

#### Individual Tax Rates:

Range from 10% to 37%. The top rate is scheduled to return to 39.6% in 2026.

No change.

Return top tax rate to 39.6% for 'ordinary' income above \$400,000.

#### Capital Gains Tax Rates:

Current 0%, 15%, 20%.

Extend current rates beyond 2025.

Increase top rate from 20% to 39.6% for taxpayers with over \$1 million of income.

#### Itemized Deductions:

No overall limitation currently.

No change.

Would limit the tax benefit of the deductions to 28% of income and reinstate Pease Limits.

# Candidates' Tax Proposal Comparison

2020



Trump

Biden



## Basis Step Up on Inherited Property:

A beneficiary uses as their basis of an inherited asset the fair market value at the date of death. (Basis is the amount from which future gain or loss is determined.)

No change.

Eliminate basis step up.

## Estate Exemption:

The amount of one's estate that will avoid estate tax, currently \$11.58 million per person.

Extend current exemption beyond 2025.

No official proposal.

# Candidates' Tax Proposal Comparison

2020



Trump



Biden

## Social Security Taxes:

Earned incomes are subject to a tax rate of 12.4% on the first \$137,700 (2020). For employees, half is paid by the employer.

No proposal (See note).

FICA – OASDI tax resumes when earned income exceeds \$400,000.

NOTE: As of now, any worker benefiting from the FICA-OASDI holiday must pay back all taxes that would have been withheld between 9/1/2020 - 12/31/2020. Trump would like such taxes to be 'forgiven.'

# Social Security: Looming Bankruptcy

**Social security is projected to be bankrupt in 2034\***

**FICA OASDI tax collections will only fund 76% of benefit payments.**

*\*From the Social Security and Medicare Boards of Trustees 2020 Annual Report. Note, current high unemployment could accelerate the bankruptcy.*

# Social Security: How We Got Here

## Meet Ida May Fuller



- Ida paid a total of **\$24.75** into social security
- Ida received a total of **\$22,880** in benefits

1939

Retired at the age of 65

1940

Received first check for \$22.54

1975

Received final check at the age of 100

# Case Study #1: Retired Couple

	Trump Victory	Biden Victory
IRA Distributions	\$115,000	\$115,000
Social Security Benefits	25,000	25,000
Qualified Dividends	35,000	35,000
Non-Qualified Dividends	35,000	35,000
Long Term Capital Gains	50,000	50,000
Itemized Deductions	(37,000)*	(37,000)*
Taxable Income	\$223,000	\$223,000
Total Federal Tax	<b>\$35,070</b>	<b>\$35,070</b>
FICA OASDI	N/A	N/A

Charitable contributions \$15,000, real estate/state/local taxes \$10,000, mortgage interest \$12,000



# Case Study #2: Employed Couple

	Trump Victory	Biden Victory
Wages (Earned Income)	\$200,000	\$200,000
Interest Income	25,000	25,000
Qualified Dividends	35,000	35,000
Non-Qualified Dividends	35,000	35,000
Long Term Capital Gains	50,000	50,000
Itemized Deductions	(37,000)*	(37,000)*
Taxable Income	\$308,000	\$308,000
Total Federal Tax	<b>\$58,039</b>	<b>\$58,039</b>
FICA OASDI	<b>\$8,537</b>	<b>\$8,537</b>

Charitable contributions \$15,000, real estate/state/local taxes \$10,000, mortgage interest \$12,000

# Case Study #3: Employed Couple

	Trump Victory	Biden Victory
Wages (Earned Income)	\$450,000	\$450,000
Interest Income	25,000	25,000
Qualified Dividends	35,000	35,000
Non-Qualified Dividends	35,000	35,000
Long Term Capital Gains	50,000	50,000
Itemized Deductions	(37,000)*	(15,688)*
Taxable Income	\$558,000	\$579,312
Total Federal Tax	<b>\$137,320</b>	<b>\$150,739</b>
FICA OASDI	<b>\$8,537</b>	<b>\$11,637</b>

Same deductions as in previous example. Under Biden's plan, this taxpayers' income triggers two itemized deduction limitations – Pease & 28% Cap.

# Case Study #4: Employed Couple

	Trump Victory	Biden Victory
Wages (Earned Income)	\$900,000	\$900,000
Interest Income	25,000	25,000
Qualified Dividends	35,000	35,000
Non-Qualified Dividends	35,000	35,000
Long Term Capital Gains	50,000	50,000
Itemized Deductions	(37,000)*	(15,688)*
Taxable Income	\$1,008,000	\$1,029,312
Total Federal Tax	<b>\$306,069</b>	<b>\$332,989</b>
FICA OASDI	<b>\$8,537</b>	<b>\$39,537</b>

Same deductions as in previous example. Under Biden's plan, this taxpayers' income triggers two itemized deduction limitations – Pease & 28% Cap.

# Case Study #5: Significant Capital Gain

	Trump Victory	Biden Victory
Wages (Earned Income)	NONE	NONE
Interest Income	NONE	NONE
Qualified Dividends	50,000	50,000
Non-Qualified Dividends	50,000	50,000
Long Term Capital Gains	945,000	945,000
Itemized Deductions	(37,000)*	(15,688)*
Taxable Income	\$1,008,000	\$1,029,312
Total Federal Tax	<b>\$196,280</b>	<b>\$208,628</b>
FICA OASDI	N/A	N/A

Same deductions as in previous example. Under Biden's plan, this taxpayers' income triggers two itemized deduction limitations – Pease & 28% Cap.

# Moral of the Story?

**Don't let the  
"tax tail" wag  
the dog.**



# What Do You Do NOW?

## Do Not...

Implement any financial transaction based on your prediction of future income tax or estate tax law

## Do...

Adopt a NASA approach: prepare for every possible outcome

- Restate your financial/estate goals
- Assess how they are impacted under each proposal
- Identify 'all purpose' actions that can be taken regardless of the election outcome
- Identify actions that preserve your ability to achieve your goals under different outcomes
- Establish a reasonable time frame for implementation



# Planning Strategies to Consider Now – Regardless of Outcome

- ✘ Roth IRA Conversions ✘
- ✘ Intra-Family Loans ✘
- ✘ Grantor Retained Annuity Trust (GRAT) ✘
- ✘ Spousal Lifetime Access Trust (SLAT) ✘
- ✘ Integrated Family Gifting – Cash vs Stock ✘

# Planning Strategies to Consider Prior to 12/31

## Biden Victory

- ✘ Estate Planning/Transfer Strategies ✘
- ✘ Consider Acceleration of NQ Stock Options ✘

## Trump Victory

- ✘ Defer Income/Accelerate Deductions ✘
- ✘ Estate Planning/Transfer Strategies ✘



# Q&A

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