

# the BENCHMARK

Newsletter



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# A 'Workout' Routine for the New Year



By Philip Bachman

Although our society lost many routines and customs in 2020, the turn of the calendar presents an opportunity to look ahead, not backward. A cultural ritual that we haven't lost is setting New Year resolutions. A common New Year resolution is getting in shape. This article puts a personal finance spin on that!

Physical fitness is a matter of healthy eating, exercise, and rest. Getting in financial shape is no easier than getting physically fit. Both require a plan and discipline. What are some ways to get in financial shape?

## Weigh and Build Strength

Start by knowing where you stand at the beginning. This is like weighing yourself at the start of a dieting or physical fitness journey. Then build strength! This could mean several things in terms of personal finance.

From a budgeting standpoint, take a fresh look at your expenses relative

to: (a.) your income and/or (b.) your retirement savings. Set a goal if you find that you need to be higher on saving and lower on spending. Begin with small steps to not feel overwhelmed, then gradually ramp it up. Allow yourself time to get there. This is like strength training or training for a long-distance run. Fitness doesn't come to any of us overnight.

If you're employed and if your workplace offers a retirement plan, enroll in it if you haven't already. It's always beneficial to participate at least to the degree that the employer offers a matching contribution. If you're already saving either through a workplace retirement plan or your own IRA or Roth IRA, review your contribution amounts. Contribute more if you can to beef up your retirement muscles.

Insofar as investment management, review your investments, or engage with your advisor to do so. This is to make

sure your portfolio is still positioned to meet your goals, risk appetite, and investment time horizon.

*Perhaps your objectives have changed. If so, this might necessitate updates to your investment strategy. Your advisor can accommodate these.*

An analogy is making sure your body's unique dietary needs are being met throughout your ongoing fitness lifestyle.

Regarding life insurance, disability insurance, and long-term care insurance, are you and your family protected to the degree you should be? Our insurance advisors would be glad to help answer any questions about life, disability, or long-term care insurance. They can evaluate current policies to make sure they are still meeting your needs. Having appropriate insurance protection is akin to staying hydrated. Drinking enough water is sometimes overlooked, but it does wonders for health.

## Organize Your Financial Workout Room

To unclutter is another good New Year resolution. Perhaps there are opportunities to consolidate retirement accounts, brokerage accounts, or bank accounts. For example, folks often consolidate old retirement plans into current retirement accounts for simplification and for ensuring the assets are aligned with each other.

Make sure beneficiaries are listed correctly on insurance policies and financial accounts, especially if there has

been a significant life change recently. A periodic review of estate planning documents is similarly important. Remind the appropriate people about where important documents are located.

Although not a formal legal document, consider making a list of assets, liabilities (including bills with due dates), and account info (including online login info) for reference by your power of attorney, estate representative, or family members. Even a simple list with short notes could make their job easier if they have to step in quickly to handle your finances.

Let us know if we can be helpful towards your New Year resolutions. We appreciate the opportunity to serve you this year.



In November, Philip visited the rescued sea turtles at the Turtle Hospital in Marathon, FL.

## Are you making a resolution for the new year?

Here are some of ours:



*Myra—reduce my one-mile jog time to under seven minutes*



*Yvonne—travel more; be more intentional to put others first*



*Kim—to appreciate the simple things we took for granted prior to 2020*



*Nick—read more books on a wide array of topics*



*Nathan—to exercise and eat healthier*



*Philip—to run a half marathon*



*Carolyn—spend more time with family; volunteer more; and find more joy in everyday life and share that joy with others*



*Scott—to get in better physical shape*



*Andrew—to read more, specifically books on professional development and non-fiction. Also to learn a new skill.*

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By Nick Clay

## 2020... Where do I start?

I write that title half-serious and half-joking because there is so much to digest about last year. Even now in hindsight, we're still digesting a year that put American businesses and households to the ultimate test of strength and faith. While many are eager to turn the page on 2020, we still haven't cleared the numerous hurdles encountered during the year.

We might have clawed our way out of a brief bear market in stocks, but there is still political upheaval and an ongoing global pandemic. By the time you read this

we should have more political clarity, but as I write this on January 6, I am watching protests on Capitol Hill and President Trump's Twitter and Facebook accounts being silenced. Therefore, I hesitate to write anything "in stone" these days because nothing is surprising anymore.

### The Stock Market Resilience

As you can see from the chart, the stock markets ended the year much like they started: at fresh, all-time highs. It was everything in the middle that continues to cause heartburn. The

downward bear market was the fastest ever recorded, but it was extremely short-lived. The stock market had the third-fastest recovery, breaking even in just five months.

Major Stock Indexes	4th Quarter 2020	2020
DJIA	10.2%	7.2%
Nasdaq Composite	15.4%	43.6%
S&P 500	11.7%	16.3%
Russell 2000	31.0%	18.4%
Global Dow	17.8%	7.3%
Japan: Nikkei 225	18.4%	16.0%
Stoxx Europe 600	10.5%	-4.0%
UK: FTSE 100	10.1%	-14.3%
Major Bond Index	4th Quarter 2020	2020
Bloomberg Barclays US Aggregate (Total Return)	0.7%	7.5%

Much of the recovery is credited to early and unprecedented fiscal and monetary stimulus, as well as a rapid development, approval, and deployment of vaccine options. The speed of last year's stock market recovery was impossible to predict at the time. Analysts' best-case scenarios called for a recovery by late 2020 or early 2021 at the earliest.

While so much about 2020 was impossible to predict, many battle-tested investment philosophies proved their mettle once again. As last year illustrated, the stock market does not move in a straight line. Stocks are volatile in the short term, but long-term returns are efficient. We don't invest on what we think will happen day-to-day; in fact, we invest knowing there will be volatility.

*We don't always know exactly what will cause the volatility, but we don't have to know the cause to plan for it.*

Diversification, rebalancing, tax efficiency, and having available liquid cash are a few strategies that help weather the short-term volatility storms. That is how we invest at BCS Wealth Management. A long-term approach coupled with these strategies gives us confidence in the face of uncertainty.

## Politics' Implications for Investors

Our dispassionate observation about the political landscape from an investment context is as follows:

It appears that the "blue wave" is coming to fruition as Democrats will control Congress and the White House. A common narrative is that this will be bad for stock market investors because of regulatory and tax policies that will be unfriendly to businesses and households. However, a common counterargument is

that Democratic leaders might be likely to approve additional fiscal stimulus.

Historically, the stock market has done well regardless of which political party has more control. Analysis by CFRA Research found that since 1945, the S&P 500 has averaged an annual gain of 11.2% when Democrats controlled the White House and an average annual gain of 6.9% under Republicans. Even excluding the Great Recession and COVID-19 recession – both of which occurred while a Republican was in office – the data still shows stronger performance when Democrats occupied the White House.

Historically, the stock market does best with a split congress. Even though it looks like a split congress won't happen, it's still as close as it can possibly be. Even if Democrats achieve their best-case scenario of a 50-50 tie in the Senate, there's not enough unanimity amongst Democrats on many of Biden's plans. It's true the Biden camp promised to go big on issues like climate change, health care, and racial justice – with increased taxes in order to pay for these plans. Yet even with a majority, we believe many of Biden's campaign promises will have to be scaled back, if implemented at all.

*If new tax/investment policy is passed, our team will be ready to take any and all appropriate action after proper planning and research.*

I would encourage you to follow our blog and social media accounts where we post coverage of office happenings, thoughts on the markets, and relevant new legislation that can potentially affect you.

## Looking Ahead

We always want to be proactive, but at this point there is no specific action we recommend taking due to politics.

Politics, the economy, and the stock market are intertwined, yet they operate independently. If 2020 and the start of 2021 don't drive this point home, I don't know what else could.

*What we do recommend is to review your investment objectives, risk tolerance, and time horizon. These are important fundamentals to regularly discuss because they are at the core of your unique investing journey.*

If anything has changed with regards to your financial life, please let us know so that we can adjust your strategy accordingly.

Thank you for your continued trust in our BCS Wealth Management team. We are hard at work on your behalf. We consider ourselves truly blessed for the opportunity to walk alongside you and play a part in the success of your financial life.



Nick Clay, CFP®, AIF®, AAMS®  
Managing Partner & Senior Financial Advisor



## IRS Releases 2021 Contribution Limits

By Myra O'Dell

How much can you save in 2021 in tax-advantaged accounts? The Internal Revenue Service recently announced the 2021 cost-of-living adjustments to the dollar limitations for qualified retirement plans and other benefits. Many of the key employee contribution limits remain unchanged from the 2020 limits. Here's a list of some of the most common limits:

### Retirement Plan Limits

	2021 Limits	2020 Limits
IRA Contributions	\$6,000	\$6,000
IRA Catch-Up Contributions (age 50 or older)	\$1,000	\$1,000
401(k)/403(b)/457(b) Elective Deferrals	\$19,500	\$19,500
Catch-Up Contribution (plans other than SIMPLE plans; age 50 or older)	\$6,500	\$6,500
SIMPLE Plan Employee Deferrals	\$13,500	\$13,500
SIMPLE Plan Catch-Up Contributions (age 50 or older)	\$3,000	\$3,000
Plan Maximum Annual Contribution – Defined Contribution Plans (Section 415(c))	\$58,000	\$57,000
Maximum Annual Benefit – Defined Benefit Plans (Section 415(b))	\$230,000	\$230,000
Highly Compensated Employee Definition under Section 414(q)	\$130,000	\$130,000
Key Employees Officer Compensation for Top-Heavy Plans	\$185,000	\$185,000

## Health Savings Accounts Limits

2021 Limits

2020 Limits

### HSA Contribution – Annual Contribution Limit

Self-Only Coverage	\$3,600	\$3,550
Family Coverage	\$7,200	\$7,100
Catch-Up Contributions (age 55 or older)	\$1,000	\$1,000

### High Deductible Health Plan – Minimum Annual Deductible

Self-Only Coverage	\$1,400	\$1,400
Family Coverage	\$2,800	\$2,800

### High Deductible Health Plan – Maximum Out of Pocket Limit

Self-Only Coverage	\$7,000	\$6,900
Family Coverage	\$14,000	\$13,800

### Deductible IRA Phase-Outs

In 2021, the deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$66,000 and \$76,000, up from \$65,000 and \$75,000 in 2020. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$105,000 to \$125,000 for 2021, up from \$104,000 to \$124,000 in 2020.

For a person who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$198,000 and \$208,000 in 2021, up from \$196,000 and \$206,000 in 2020.

### Roth IRA Phase-Outs

In 2021, the AGI phase-out range for taxpayers making contributions to a Roth IRA is \$198,000 to \$208,000 for married couples filing jointly, up from \$196,000 to \$206,000 in 2020. For singles and heads of household, the income phase-out range is \$125,000 to \$140,000, up from \$124,000 to \$139,000 in 2020.

*We're here to help you sort through all of these limits and determine the best savings plan for you. Please reach out to us if you have questions about any of the limits for 2021.*



Myra recently welcomed a new furry family member, Joey!

*BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.*

## Latest News from Around BCS Wealth Management

### *Kudos, Andrew Farmer*

Andrew Farmer, who interned with us this past summer, also worked with us over his winter break. He will be returning to Belmont University in Nashville, where he will be finishing his freshman year. Andrew is a finance major and has done a tremendous job on a multitude of tasks in his time at BCSWM. We wish Andrew a great spring semester and a safe return!



### *Congrats, Nathan Goodwin*

Nathan Goodwin successfully completed all the requirements for the CERTIFIED FINANCIAL PLANNER™ certification. As part of the certification process, CFP® professionals must meet rigorous education and experience requirements, pass an extensive exam, complete mandatory continuing education hours, and commit to the highest ethical and professional standards.

At BCSWM it is extremely important to us to continually grow in our expertise and knowledge so we can continue to serve our clients at the highest level. Congratulations, Nathan!

