



## Wealth Care LLC July 2020 Commentary

### Investment Thoughts

Steve attended his semi-annual peer group meeting (virtually) in June. There were speakers from a variety of investment and insurance firms and a lively discussion on investment choices. The group invests around 2 billion dollars collectively, and there were several lively discussions on investment strategies.

With the Federal Reserve suggesting that interest rates will remain ultra-low for up to two more years, looking for investment returns in the fixed income asset class is simply hard. Wealth Care LLC continues to use active managers who use global fixed income to produce better returns than we think we will get domestically.

On the equity side, we remain optimistic. We think the economy will resume strength rapidly and note the incredible amount of money put into circulation by the US government (and others).

### Inflation

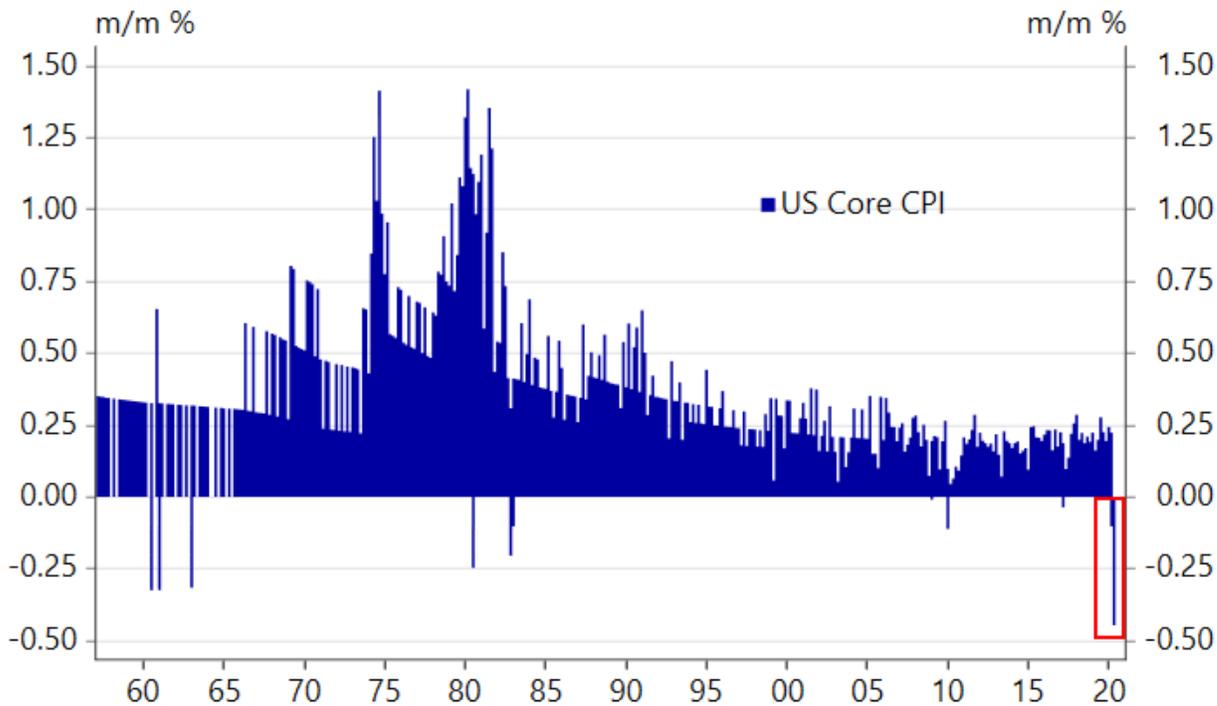
Although any family's exposure to inflation depends on what "things" they buy as well as their general lifestyle, US inflation remains very low. The Federal Reserve will try hard to prevent the negative interest rates we see in some other countries by making the money supply "easy."



Global Inflation Rates	
Country	CPI Inflation (YoY %)
SWITZERLAND	-1.3%
SPAIN	-1.0%
PORTUGAL	-0.7%
SINGAPORE	-0.7%
SWEDEN	-0.4%
FINLAND	-0.3%
SOUTH KOREA	-0.3%
CANADA	-0.2%
ITALY	-0.1%
IRELAND	-0.1%
JAPAN	0.1%
US	0.1%
FRANCE	0.2%
GERMANY	0.6%
UK	0.8%
SAUDI ARABIA	1.3%
BRAZIL	1.9%
HONG KONG	1.9%
PHILIPPINES	2.1%
INDONESIA	2.2%
AUSTRALIA	2.2%
CHINA	2.4%
NEW ZEALAND	2.5%
MEXICO	2.8%
POLAND	2.9%
RUSSIA	3.0%
SOUTH AFRICA	4.1%
INDIA	5.8%
TURKEY	11.4%
ARGENTINA	44.2%
VENEZUELA	2297%

 @CharlieBilello

Here is another sign of low inflation- it is the first time ever for three consecutive drops in the CPI (Consumer Price Index)



Source: Macrobond and Nordea

At the same time, we recognize that inflation might trigger a rise in interest rates. Such a rise could result in principal losses (for fixed income) that would wipe out years of low interest returns.

### Grouping Charitable Contributions:

With the new tax law, every couple gets an automatic \$24,800 standard deduction (\$12,400 for single filers). You can itemize deductions such as mortgage interest, property tax, state income tax (if any) and charitable donations on your Schedule A-but it only pays to do so if these categories exceed \$24,800 for a couple. Also note, the *maximum* deduction for property tax *and* state and local taxes is \$10,000 (this is often called the SALT deduction).

Thus, for married filers with no mortgage interest, at least the first \$14,800 of each year's charitable donations is "lost" (\$24,800 standard deduction minus the \$10k maximum SALT deduction). For single filers, at least the first \$2,400 of charitable donations is "lost" (\$12,400 standard deduction minus the \$10k maximum SALT deduction).



For example, let us take a couple with property taxes of \$8,000, no state income tax, no mortgage interest, and annual charitable donations of \$15,000. It makes sense for them to take the standard deduction of \$24,800 because this exceeds their Schedule A deductions of \$23,000 (\$8000 + \$15000). So, they really get no credit for their charitable donation every year.

If, instead, the same couple donates three years of charitable donations at once ( $\$15,000 \times 3 = \$45,000$ ) into a Charitable Gift Fund, they can take a total of \$53,000 in Schedule A deductions for that year (\$45,000 in charitable deductions + \$8,000 property tax deduction) instead of taking the standard deduction of \$24,800.

Over the long term, using this charitable gifting strategy will mean taking a \$28,200 charitable write-off every three years instead of getting a zero-dollar write-off for charitable deductions every year. In a 24% tax bracket, this write-off is worth over \$6000.

Money contributed to a Charitable Gift Fund can then be parsed out to charities each year as they wish with no further tax implications.

If the couple has appreciated after tax investments, all the better. The appreciated investments can be donated directly to the Charitable Gift Fund and a full deduction taken without paying tax on the capital gain.

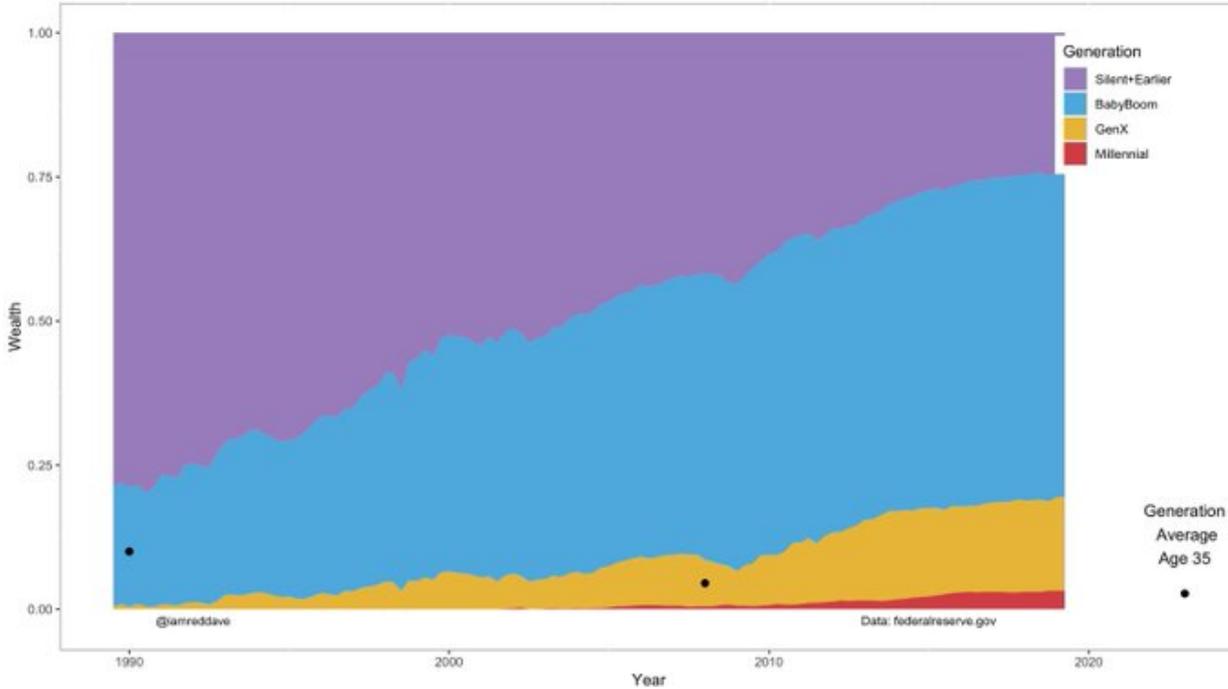
We have set up Charitable Gift Funds for several Wealth Care LLC client families over the last couple of years. If you are like the example above, talk to us about it.

### Baby Boomers Have the Bucks

We can expect an impressive transfer of general wealth from Baby Boomers (now in their 60's and older) to the next generation over the next couple of decades.



Fraction of all US Wealth Owned by Each Generation



## Stocks Beat Bonds

Look at this amazing chart that shows how much better stocks do than bonds. Then be further impressed that it ends before the almost quadrupling of stock indexes since 2010.



Table 14-1  
Compounded Returns After Inflation  
1946–2010

Holding Portfolio for...	Returns			Percent of Times Stocks Beat	
	Stocks	Bonds	T-Bills	Bonds	T-Bills
1 year	<b>6.5%</b>	1.6%	0.4%	63%	68%
2 years	<b>13.4%</b>	3.2%	0.9%	67%	73%
3 years	<b>20.8%</b>	4.9%	1.3%	71%	79%
4 years	<b>28.7%</b>	6.6%	1.8%	73%	77%
5 years	<b>37.1%</b>	8.3%	2.2%	74%	75%
10 years	<b>87.9%</b>	17.2%	4.5%	84%	82%
15 years	<b>157.5%</b>	26.9%	6.8%	94%	88%
20 years	<b>252.9%</b>	37.3%	9.2%	98%	100%
25 years	<b>383.7%</b>	48.7%	11.6%	98%	100%
30 years	<b>563.0%</b>	61.0%	14.1%	100%	100%

Source: © David Dreman, 2011. Data Source: Ibbotson® S&P® Classic Yearbook 2011.



## Meetings

The social isolation recommendations to date have resulted in many more video conferences and telephone calls in place of face to face meetings. Many in the Wealth Care LLC family seem to enjoy the efficiency of these types of meetings-and we want to encourage you to talk with us in any way you like!

## Miscellaneous

### Statement Copies

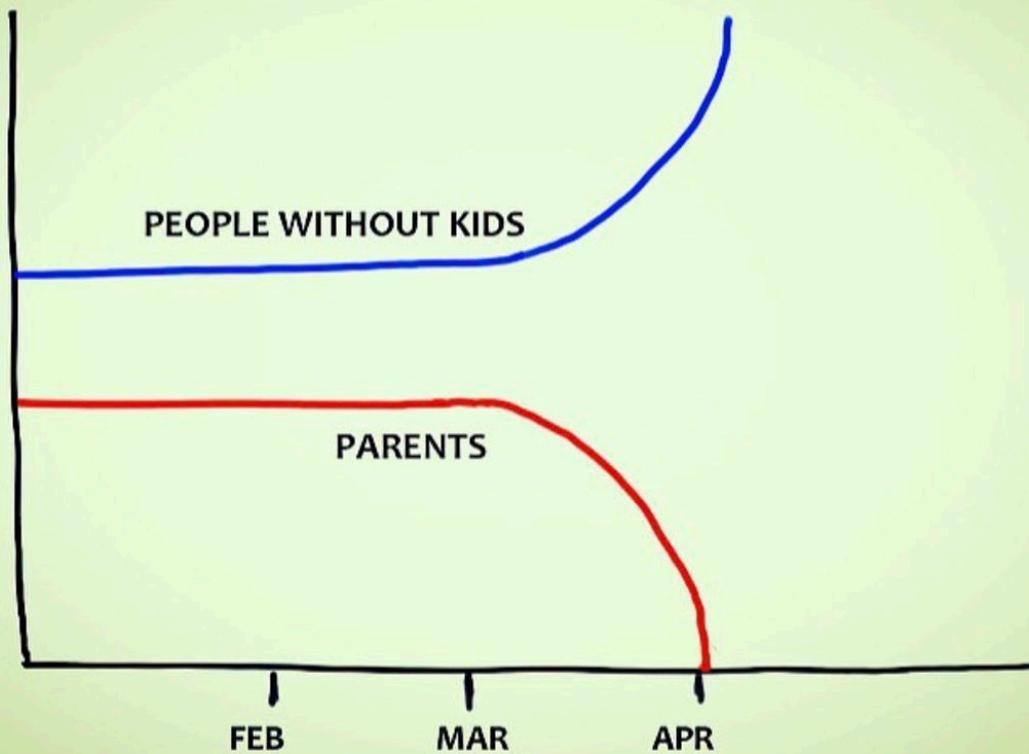
If you are receiving monthly paper statements from Fidelity and would just like email statements, please let us know. Fidelity keeps online statements for ten full years as well, so they are always accessible.

### Spillover-by Ron Gardner

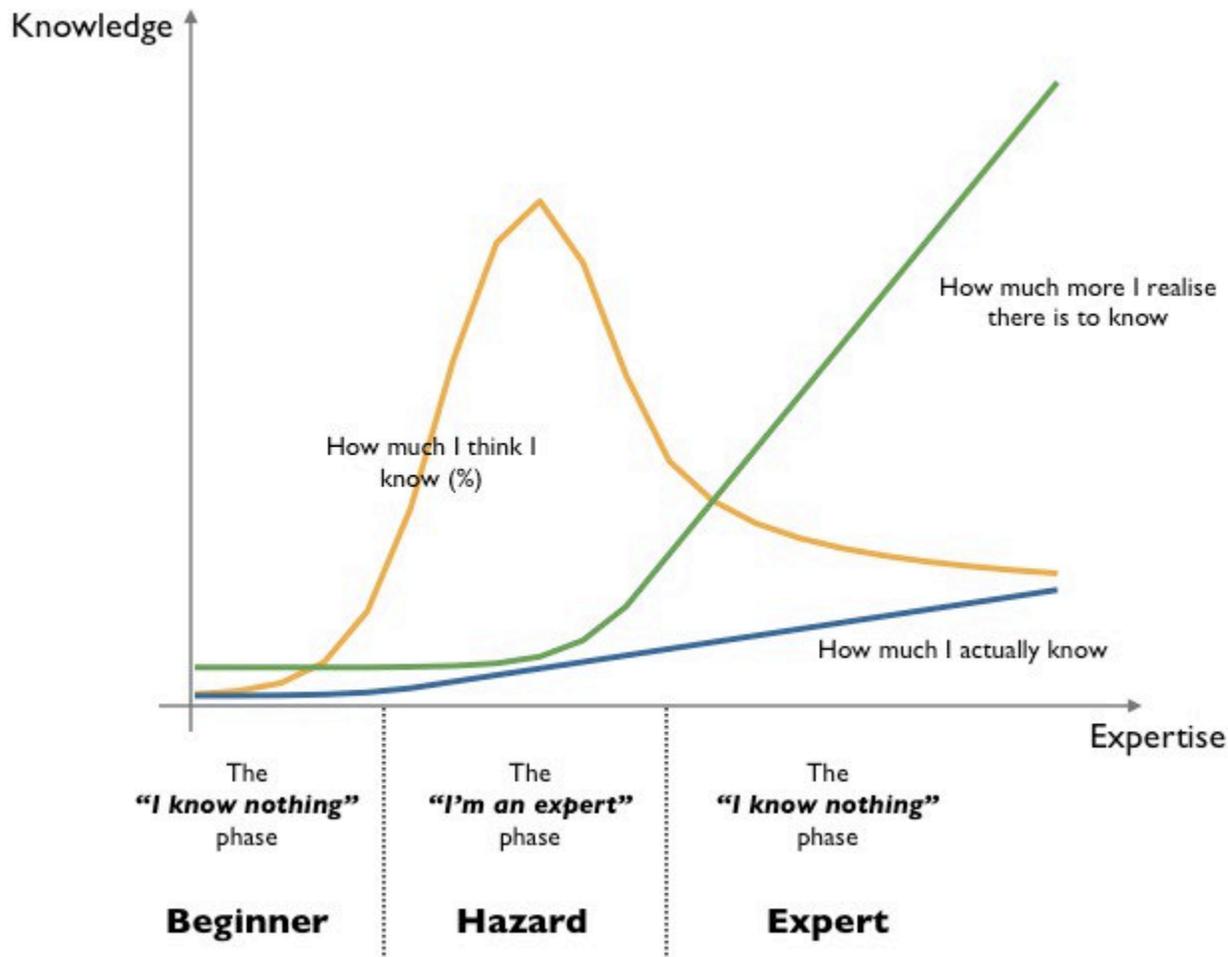
A member of the Wealth Care LLC family just published a book on a different time of pandemic (timely!). I read the book and thought it was both a fascinating and educational thriller well worth reading. We'd be happy to buy anyone on this list a copy (Kindle only)-just ask!



# “FREE TIME” DURING LOCKDOWN



Instagram: @MrLawrenceLeung



## Random Notes

If an advisor can't explain something to you simply then it means one of three things: they either don't communicate well, don't understand the subject well, or don't want you to understand it well. In all cases, it's time to get advice elsewhere.

"Pain is inevitable. Suffering is optional." - Haruki Murakami

"Do first what you don't want to do most." - Clifford Cohen

WEALTH CARE  
LLC



“A healthy man wants a thousand things, a sick man only wants one.” -

[@Naval](#)

Ravikant

**[www.WealthCareLLC.com](http://www.WealthCareLLC.com) | F. 815.301.3777**

Steven Podnos MD, MBA, CFP® P. 321.543.1099 E. [Steven@wealthcarellc.com](mailto:Steven@wealthcarellc.com) • Rachel Podnos J.D., CFP® P. 321-505-7592 E.

[Rachel@wealthcarellc.com](mailto:Rachel@wealthcarellc.com)

Lauren Podnos, CFP® P. 321-537-7502 E. [Lauren@wealthcarellc.com](mailto:Lauren@wealthcarellc.com)