Wealth Care LLC March 2021 Commentary

Investment Thoughts

What a year it has been!

Here were the opening lines of our April 2020 Monthly Commentary:

March 2020 was clearly the most eventful month in at least a decade. We've sent out eight specific emails this last four weeks titled "Markets and Coronavirus" to share our best thoughts and information. In addition, we've shared a number of articles from other sources. We've been asked if it is ok to share our emails, and it certainly is.
We have sent out specific information on how to best use the CARES Act stimulus, and will keep you informed on this, the markets and our health the best we can.

Our missives that followed over the next few months pointed out that significant drops in market prices were more common than we remember, and that not selling was the best strategy-and for some of you buying discounted funds was even better.

Understanding the long term advantages of using retirement plans to build wealth.

See the federal income tax brackets for 2021 below. If a married household has an annual income of say 200 thousand dollars, they pay tax in various brackets. Their highest bracket is at 24%-on amounts over $172,150. So presumably a salary deferral to a retirement plan would be tax deferred in this, their highest "marginal" bracket.

Now the money so contributed and all of it's future earnings continues to grow without tax. When it is time to retire and remove money-there are two types of advantages to see. First, for most people, their total income is less in retirement-meaning be taxed in a lower marginal bracket than the money was contributed in. Second, in the absence of significant outside continued taxable income in retirement, the retirement plan distributions will constitute most of the retirees taxable income. And it will be taxed in several brackets, not just at the top. For

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example, let us take the couple that deferred to a retirement plan in a 24% marginal bracket originally. Their money grew for decades and is now ready to come out slowly in retirement. Their total taxable income will be Social Security (lets give them 40K a year) and withdrawals from their retirement plan of 60K per year.

Despite the fact that they were allowed to deduct their retirement plan contributions in a 24% bracket way back when, their total taxable income in retirement (100K)-will actually be taxed much lower across several brackets. They will pay only 10% tax on the first 20K of income, then 12% on the next roughly 60K of income, and then 22% on the last 20K of their income. This "arbitrage" of tax brackets between earnings years and retirement years is a great wealth builder.

Rate	For Unmarried Individuals	For Married Individuals Filing Joint Returns	For Heads of Households
10%	$0 to $9,950	$0 to $19,900	$0 to $14,200
12%	$9,951 to $40,525	$19,901 to $81,050	$14,201 to $54,200
22%	$40,526 to $86,375	$81,051 to $172,750	$54,201 to $86,350
24%	$86,376 to $164,925	$172,751 to $329,850	$86,351 to $164,900
32%	$164,926 to $209,425	$329,851 to $418,850	$164,901 to $209,400
35%	$209,426 to $523,600	$418,851 to $628,300	$209,401 to $523,600
37%	$523,601 or more	$628,301 or more	$523,601 or more

Why Does the Government Say Inflation is so low?

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Charlie Bilello @charliebilello · Feb 10

% Increase over last year...
Ethereum: +683%
Bitcoin: +363%
Lumber: +115%
Soybeans: +59%
Silver: +55%
Copper: +46%
Corn: +45%
Cotton: +30%
Coffee: +25%
S&P 500: +20%
Gold: +17%
Crude Oil: +16%
Wheat: +16%
US Home Prices: +10%
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US Consumer Price Index (reported today): +1.4%

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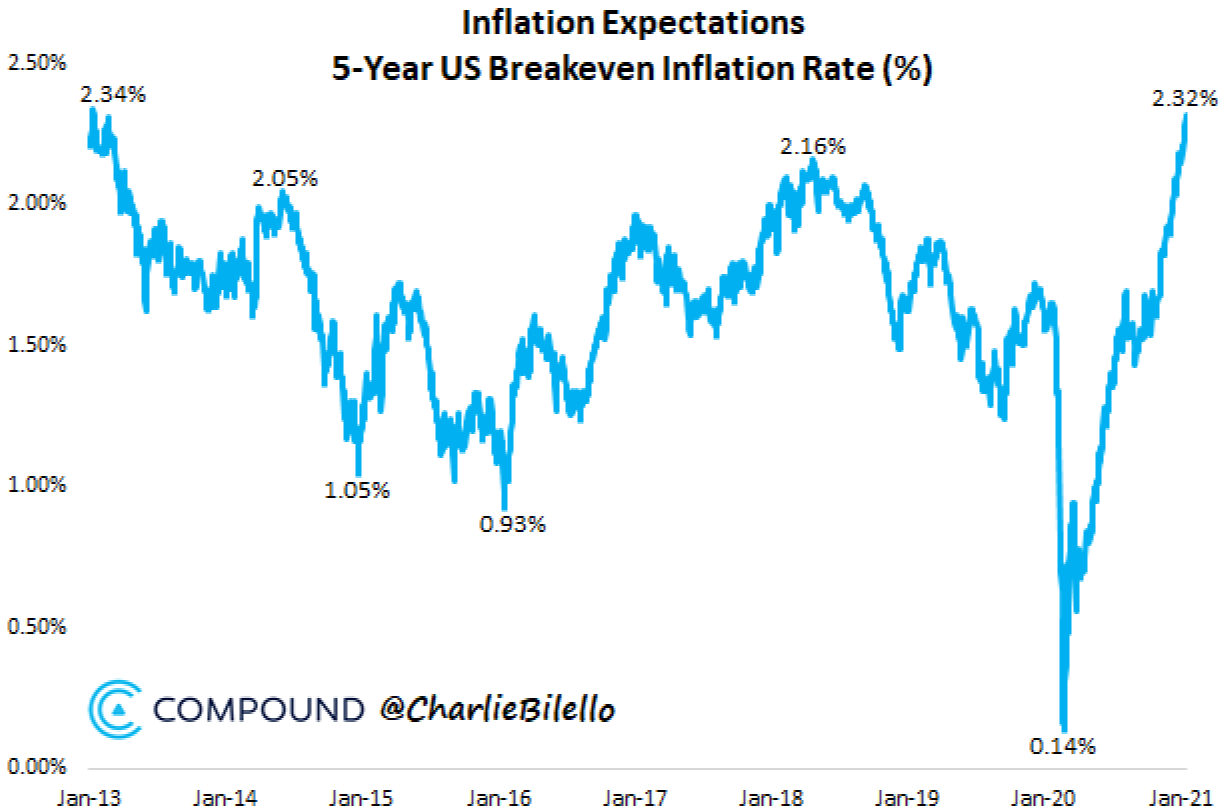

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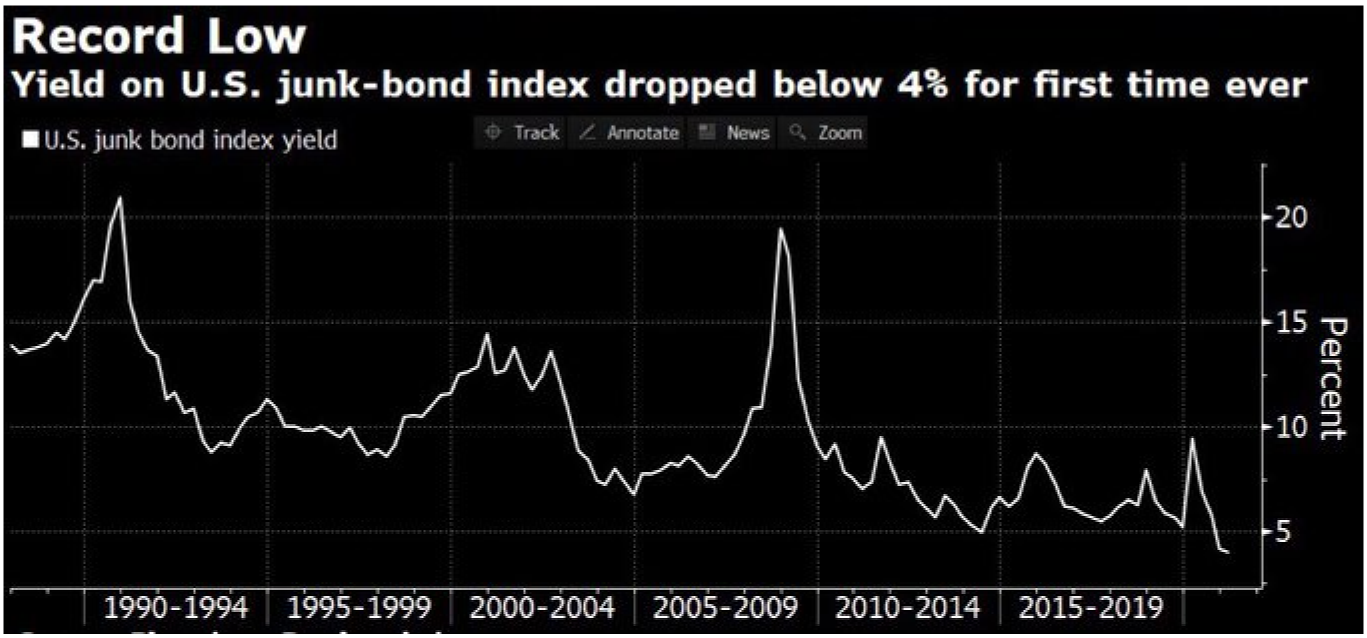
Fixed Income Investing is Hard



More Fixed Income is Hard

From the Financial Times on Feb 24:

The global bond market is suffering its worst start to a year since 2015 as investors grow increasingly confident that the rollout of Covid-19 vaccines will boost economic growth and fan serious inflationary pressures for the first time in decades. The Bloomberg Barclays Multiverse index tracking $70tn worth of debt has lost 1.9 per cent since the end of last year, in total return terms that account for price changes and interest payments. If sustained this would be the worst quarterly performance since mid-2018 and the sharpest first-quarter setback for the broad fixed income gauge in six years.

Look at this! Long term US bonds that pay about 2% interest per year have dropped over 18% in price this last few months.

We have been talking about rising interest rates and the threats to our fixed income investments for many months now. Our actively managed and diversified funds are holding up well in this challenging environment.

The Housing Market is Hot! (unless you want to buy in Manhattan or San Francisco)

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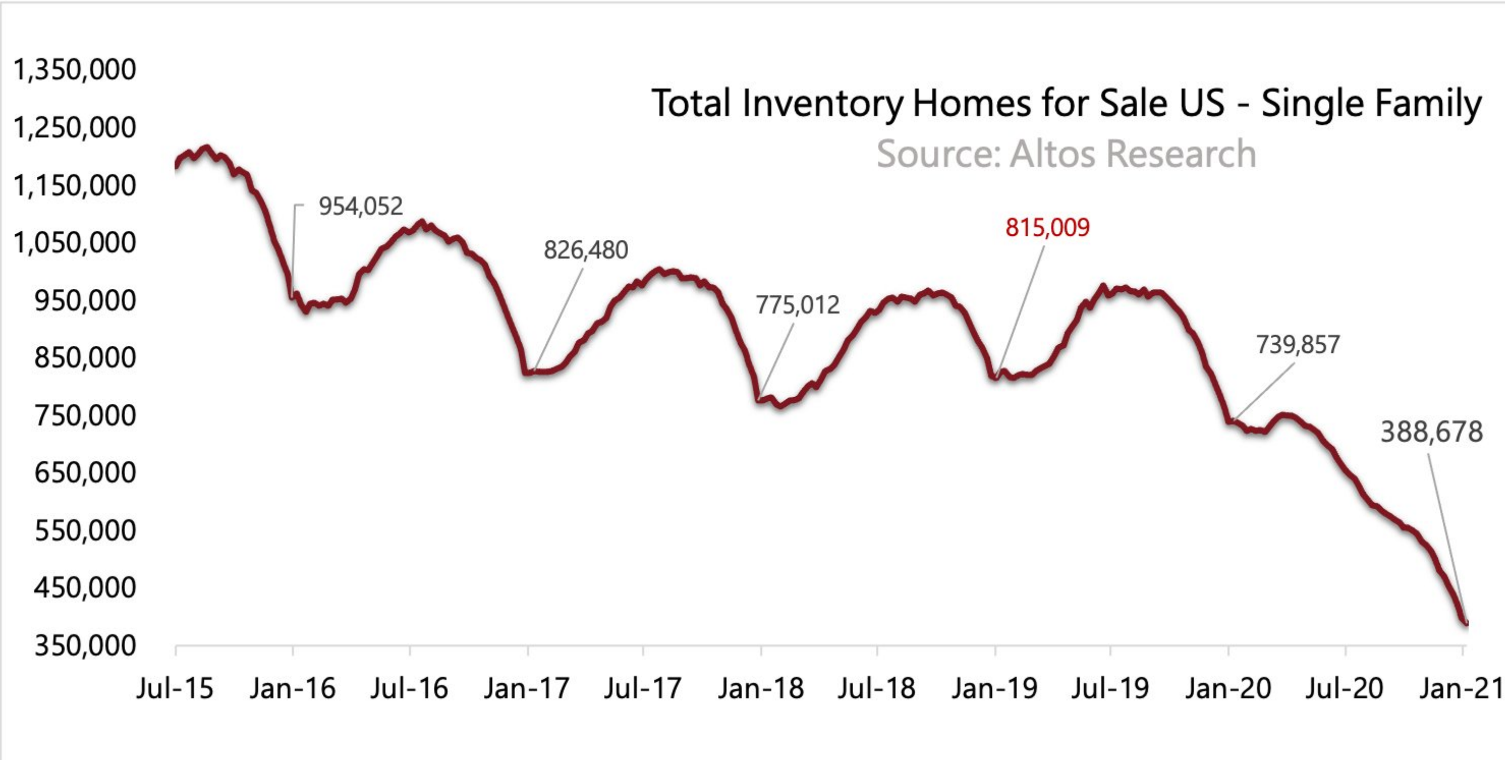

Notice How Investment Returns Cycle between US and International -Over and Over

Annualized performance by economic cycle

	1980s Jul 81-Jul 90	1990s Jul 90-Mar 01	2000s Mar 01-Dec 07	2010s Dec 07-Feb 20
U.S.	14.8%	**13.8%**	4.8%	**7.6%**
International	**21.0%**	4.7%	**11.1%**	1.1%
Difference	6.2%	8.8%	6.3%	6.5%

Dates reflect economic peaks defined by the National Bureau of Economic Research. Annualized total return between cycle peaks measured by MSCI USA Index and MSCI EAFE Index.

Miscellaneous

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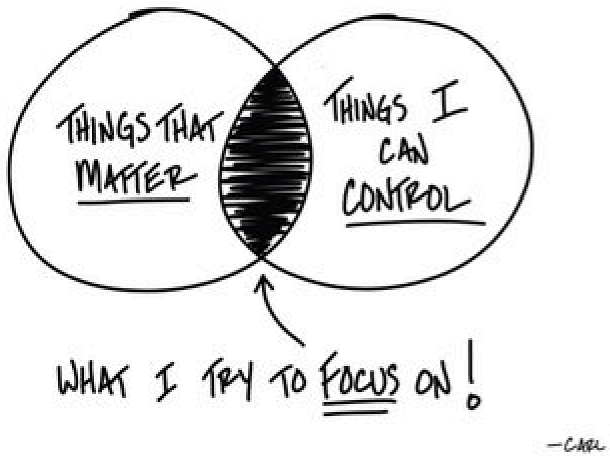

Random Notes

Daniel Kahneman says a key to investing is having "a well-calibrated sense of your future regret," which might actually be the key to understanding all forms of risk. You know exactly how much risk to take if you know exactly when you will cry Uncle when things don't work out.

It's not about getting all you want, it's about enjoying all you get.-anon

Instead of trying to "beat the market," focus on not getting killed by it.

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"I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one. I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two — because you can build a business strategy around the things that are stable in time ... In our retail business, we know that customers want low prices, and I know that's going to be true 10 years from now. They want fast delivery; they want vast selection. It's impossible to imagine a future 10 years from now where a customer comes up and says, 'Jeff I love Amazon; I just wish the prices were a little higher,' [or] 'I love Amazon; I just wish you'd deliver a little more slowly.' Impossible.

... When you have something that you know is true, even over the long term, you can afford to put a lot of energy into it."

-Jeff Bezos

https://blog.samaltman.com/the-days-are-long-but-the-decades-are-short

A nice essay by a young man on the things that are important.

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