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SPRING 2021



A QUARTERLY FINANCIAL PUBLICATION
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LETTER FROM LAUREN

When we began the 1st quarter of 2021, we were relieved to say goodbye to 2020. Most of us were anxious to welcome a new era, including the rollout of vaccines, a new administration in D.C., the hope of children returning to school, and the possibility of hugs and visits. On January 6th, that optimism hit a speedbump as protesters stormed the Capitol in an attempt to disrupt and undo the presidential election certification. Despite the violence, the inauguration of Joe Biden as 46th president of the United States took place as scheduled. Soon after, the first distribution of COVID-19 vaccines began to make a real difference in slowing the spread of the virus. At long last, we were able to become a little less hyper-vigilant and dip our toes into the 'new normal.'

Since then, much of the news has been positive. The Biden administration's \$1.9 trillion stimulus was signed and delivered. Vaccines have become increasingly available, giving the more than 51 million Americans who are now fully vaccinated a new sense of freedom. From a market perspective, this sense of buoyancy is tangible as well, with all of the major indices hitting record highs once again in Q1.

As spring comes into full bloom, we can envision a near-normal summer with friends, families, BBQs, and maybe, just maybe, a little travel. You may be asking yourself, "now what"? I invite you to reflect on what you learned during the pandemic and what you may want to hold on to once the plague subsides. Will we be closer as a community, cherish our time together more, be less busy, and be better neighbors—both locally and globally? That's my hope. I'd love to hear yours.

Stay safe and healthy, and I hope to see you *in real life* soon!

Lauren Klein

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MARKET HIGHLIGHTS: Q1 2021

In general, the first quarter of the year bode well for investors. The small caps of the Russell 2000 gained nearly 12.5% and the Global Dow climbed

9.4%, while the large caps of the Dow rose 7.8% and the S&P 500 posted solid gains of 5.8%. Tech shares, which had driven the market for much of

2020, slumped during the quarter, but still gained enough ground to push the Nasdaq up by almost 3.0%, while the yield on 10-year Treasuries climbed

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 **MARKET HIGHLIGHTS: Q1 2021** *continued from page 1*

| Market/Index | 2020 Close | As of March 31 | Monthly Change | Quarterly Change | YTD Change |
|--------------------|-------------|----------------|----------------|------------------|------------|
| DJIA | 30,606.48 | 32,981.55 | 6.62% | 7.76% | 7.76% |
| NASDAQ | 12,888.28 | 13,246.87 | 0.41% | 2.78% | 2.78% |
| S&P 500 | 3,756.07 | 3,972.89 | 4.24% | 5.77% | 5.77% |
| RUSSELL 2000 | 1,974.86 | 2,220.52 | 0.88% | 12.44% | 12.44% |
| Global Dow | 3,487.52 | 3,813.59 | 3.98% | 9.35% | 9.35% |
| Fed. Funds | 0.00%-0.25% | 0.00%-0.25% | 0 bps | 0 bps | 0 bps |
| 10-year Treasuries | 0.91% | 1.74% | 28 bps | 83 bps | 83 bps |

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments. Source: Forefield Inc.

more than 80 basis points. Year to date, the Russell 2000 is well ahead of its 2020 year-end closing value, followed by the Global Dow, the Dow, the S&P 500, and the Nasdaq.

As we ease into Q2, optimism abounds, albeit cautiously. On March 11th, the \$1.9 trillion American Rescue Plan was enacted to help relieve some of the economic damage the pandemic brought to families and small businesses. Following this success, the administration has proposed a \$2.3 trillion American Jobs Plan. Also known as the infrastructure plan, the proposal calls to rebuild America’s crumbling infrastructure and make the US more competitive with China and other emerging economies by addressing a broad range of projects—from road repairs and electric vehicle stations, to public school upgrades and training for the clean-energy workforce.

The American Jobs Plan is as ambitious as the Interstate Highway Act of 1956 and as broad in purpose as the Marshall Plan that rebuilt Europe after WWII. While those who don’t favor the plan express concerns about debt, inflation, and pay-fors, many (myself included) see it as promising.

Anticipating passage of most of the bill’s provisions, analysts have increased earnings estimates for S&P 500 companies by a record 6.0%. Combined with the fact that unemployment rates have been trending lower since the start of the year, it seems that the US economy has weathered its most significant challenge since 2008.

With the stock market seemingly stable and the stage set for economic growth, eyes are now on the rise of longer-term interest rates. The Fed continues to hold down short-term rates to essentially zero, resulting in a steepening yield curve (often an indicator of economic health) and higher returns on longer-term bonds, which have been stagnant for some time. While this environment could dampen stock prices, the pandemic reinforced a common law of successful investing: trying to predict the future is a fool’s game. The soundest investment strategy moving forward is one that focuses on diversification and, above all, meeting your personal income needs. Our team has that covered. If we anticipate any bumps in the road, we’ll be sure to let you know so we can adjust your plan together. ■

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Q SPOTLIGHT

ON BUBBLES

If you follow us on social media, you know I'm a fan of Jonathan Clements. I re-post his articles frequently, and I've talked about his book *How to Think About Money* in my [blog](#). A couple of weeks ago, he wrote a piece called *Blowing Bubbles* that, once again, hit the nail on the head.

The focus, of course, is financial bubbles—including how our collective fear of bubbles and subsequent market crashes can cause investors to throw sound investment strategies by the wayside. He shares the perspective of another one of my financial planning heroes, William Bernstein, who believes that what we're seeing today isn't a bubble that's expanding and ready to burst. Instead, he sees lots of small, avoidable bubbles, including Bitcoin (which I recently covered in my [blog here](#)), GameStop, the Robinhood phenomenon, and SPACs (Special Purpose Acquisition Companies that exist for the sole purpose of buying private companies to make them investable to the public—without actually going public).



In Clements's opinion (which I share wholeheartedly), today's small bubbles are nothing to worry about—as long as investors stick to a strategy of investing in “a globally diversified stock portfolio, backed by a safety net of short-term bonds.” If you have any questions about whether your portfolio is ‘bubble-proof’ or if your strategy needs adjusting to prepare for what's to come, let's schedule a time to chat. As always, I'm here to help! ■

(Another) TAX FILING UPDATE



Few of us guessed we'd still be trying to dig out of a global pandemic during tax season 2021, but here we are—again. The IRS and the State of California announced that the tax-filing and payment deadlines for individual tax returns only are extended again this year, though just by one month. Individual returns are now

due May 17, 2021. The due dates for corporate returns, trust returns, and 1Q2021 estimates were not extended and remain April 15, 2021.

Despite the extension, we urge our clients to file by April 15th. Your 2021 1st quarter estimate is based on your 2020 return, so getting the return completed is important. If you owe taxes, you won't have to pay until May 17th. And if you are due a refund, the earlier your file, the earlier you'll receive the funds.

There are a lot of filing challenges this year related to PPP loans, stimulus payments, unemployment, advance payments of premium tax credits, and more. We've found the tax preparation and projection process more iterative this year. Thank you for your patience and willingness to make the extra effort. ■

 **FROM THE BLOG**

Don't miss **Lauren's Blog** on our website to stay informed on topics that impact your finances, your family, and your future.



**Bathtubs and Sharks:
The Difference between
Fear and Danger**



**The Price of College
(and what parents
and grandparents
can do about it!)**



**Cryptocurrency-mania!
Investing in Bitcoin
and NFTs**

Is there a topic you'd like Lauren to tackle? Send us an email with your thoughts. We'd love your suggestions and feedback. ■

 **Q2 DATES TO REMEMBER**

| | |
|---------------------------|---|
| APRIL 4 | April 4 Easter |
| APRIL 15 | April 15 Federal and State 1st Quarter Estimated payments due Corporate and Trust tax returns due |
| MAY 9 | May 9 Mother's Day |
| MAY 17 | May 17 Federal and State tax-filing and payment deadline |
| MAY 31 | May 31 Memorial Day (markets closed) |
| JUNE 20 | June 20 Father's Day |

 **FINANCIAL TOOLS & TIPS**

As we slowly ease into a post-pandemic world, it's a great time to review how your spending and saving changed during lockdown—and which changes you should keep or toss as things return to 'normal.' Here are a few ideas to get started. If you have any questions or want to take a closer look at your financial plan, let's chat!

- **Analyze your pandemic spending habits.**
How did your spending change in 2020? Was there a good shift that you want to continue—or a bad shift that you need to address?
- **Review how your saving habits changed.**
In general, people saved much more during the pandemic than they had in prior decades. Many grew their emergency funds or tucked away money they weren't able to spend on activities while in lockdown.
- **Decide on your next steps.**
To reset your finances, think carefully about what habits you want to continue and what you want to stop. If you have unspent cash on hand, be strategic about what to do with it. Is your emergency fund fully funded? Are there household items that need to be repaired or replaced? Is now the time to bulk up your portfolio with some additional investments? Do you want to save it for your first post-pandemic vacation? Planning today can position you for a financially confident 'new normal.'



Cartoon credit: Ali Solomon/The New Yorker Collection/The Cartoon Bank