



## **Pandemic Blues**

The pandemic has unquestionably changed our lives forever. We are exposed daily to a constant drip of scary news and high counts of those affected.

Psychologists tell us that one of the best ways to cope is to take stock of our blessings and have gratitude for them.

So, before I do anything else, I would like to express my gratitude and the gratitude of all of us at HCM to say "Thank You" to all of our friends. We appreciate the trust you have placed in us over these many years (going on 31) in allowing us to help you plan for your family's financial independence.

We are certainly thankful for the Christmas miracle of 2020, which came in the form of new vaccines developed at historically unprecedented speeds. They bring the promise of a return to a more normal life for everyone.

We are grateful that we have been able to keep the HCM team together and safe during this complicated time and that we have continued to grow through it all. Most recently, our Tax Division has expanded with the addition of Cameron Stalf, an experienced CPA with twelve years in the profession. In addition, to help us better manage the upcoming tax season, Lauren Cavanaugh, a student at Thomas More University, is joining our 1040 tax team as a co-op. Finally, Christy Barlow joined the HCM team as part of our internal accounting department.

I'm feeling better already. Those Pandemic Blues are fading away!

## **Economic Outlook**

As we move into 2021, our primary planning recommendations are based on the assumption that we are moving into a successful reopening and recovery year.

As people become vaccinated en masse, large parts of our economy will begin to pick up steam, creating a cycle of improving confidence, thus supporting stronger economic growth.

This strong economic environment should provide support for stock prices in 2021. In addition, stocks should get a near-term boost from:

- The most recent round of fiscal stimulus
- Continued support from central banks around the globe
- Improving corporate profits

With that said, the markets have been riding a euphoric rocket ship that has allowed valuations to get ahead of themselves again. That spaceship needs to come back to earth before the next sustained "up" phase in equity prices can take place. While it is impossible to know when that will happen, our best estimate is that price normalization will come as we are declaring victory over the virus and the need for financial stimulus begins to wane.

As 2021 plays out, we expect to see a new group of leaders including energy, value, and smaller stocks. We also believe that foreign stocks, especially emerging market equities, will add value vs. the S&P.

**The main risks to our thesis include:**

- A surge in new, more aggressive variants of the virus, if they prove resistant to the vaccines, would stifle the reopening mindset.
- Political events following the change in administrations relating to tax policy or economic stimulus could impact the direction of the markets either positively or negatively.
- Increasing inflation resulting from the massive fiscal and monetary stimulus could wreak havoc on fixed income assets.
- A rising dollar would create headwinds for foreign securities in the hands of U.S. investors.

With that said, for the first time in a long time, we see the potential for more positive surprises than negative.

**Invitation to contact your HCM Advisor**

We want to hear from you. If you have experienced any changes in your life that may impact either your financial situation or family financial goals, be sure to let us know. It's always best to schedule regular conversations so you can stay on top of any changes that may affect your planning, tax, and investment objectives. We would prefer to meet in person after the current situation normalizes, but until then we are happy to schedule conference calls/video conferences or whatever works best for you.

If there is someone in your life that might benefit from the type of tax and financial assistance we provide, please connect us. We will do everything in our power to help.

As I mentioned above, we appreciate the opportunity to work with you, and we thank you for your confidence.

Sincerely,



Michael T. Hengehold, CPA/PFS MST RICP®

P.S. Please look for announcements regarding HCM's Monthly Town Hall Live Webinars in your email inbox.