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Financial New Year's Resolutions for a Better You!

Happy New Year! We're probably not the first to wish you glad tidings for 2021, but we wanted to make sure we took a moment to wish you well in the new year.

Along with champagne and off-key renditions of *Auld Lang Syne*, the New Year is synonymous with making resolutions. According to the website YouGov, in 2019 half of all people who made New Year's Resolutions resolved to save money, and about a third of all people resolved to stick to a budget. Unfortunately, almost no one sticks to their resolutions. It probably comes as no surprise that most Americans who make New Year's Resolutions do not keep them, with 80% throwing in the towel by the start of February.

So, what are some resolutions you'll actually keep that could help you improve your financial situation?

- ♦ **Make a retirement bucket list:** Retirement represents a new and exciting adventure. What kind of adventure appeals to you? Where will you live? Who will you spend your time with? How will you spend your days? Above all, what would make you happy? Life in retirement generally works better for folks who "retire to" a new adventure rather than "retire from" their old life – what do you want to "retire to"? Take some time and think about what you want to get out of retirement, keep a list, and update it as needed to ensure you're getting the most out of this new phase of your life.
- ♦ **Plan for your future finances:** Once you know where you want to go, it's time to figure out how you're going to get there. Step one is creating a plan. After taking a close look at your cashflow, it's likely you'll



find more than one old subscription you don't use anymore or purchases you can eliminate and be just as happy as before. This "found money" can be allocated to activities that you will find meaningful in the next phase of your life.

- ♦ **Take a mini retirement:** Now that you have your plans put together, it's time to try them out! Don't buy a motor home; instead, rent one for a summer. Find out if life on the road is really for you. Same for that beachfront condo. Florida gets awfully hot in August and crowded in February. Try it out first. A mini retirement could be as short as a few weeks or several months, and it's an excellent opportunity to try out your new retirement life. Testing out your retirement plans can help avoid a headache later; we've seen new retirees make expensive mistakes learning how to be happy in retirement.

To keep your resolutions, experts recommend changing one behavior at a time and talking about your goals with family and friends. Happy New Year!

2020 Market Wrap-Up & 2021 Themes to Watch



With 2020 having finally come to an end, we thought it would be a good time to reflect on the major financial events of the past year and hazard a guess as to what the main themes to watch for in 2021 will be.

The year was indelibly marked by the COVID-19 pandemic, and the financial markets were not immune. As the virus began to show up in the US, confidence began to falter and insecurity started to rise. So much so that, at the end of February, with only 26 confirmed cases and one death from COVID, the S&P 500 dropped 34% in just 33 days, the fastest descent into a bear market in recorded history.

In a turn of events that gave most investors whiplash, the market rebounded to its prior peak by August 19th in what was the shortest recovery from a bear market on record. This was due primarily to fiscal intervention by the Fed, which set interest rates practically to zero, purchased securities through Quantitative Easing, backstopped money market mutual funds, and encouraged and supported lending to a whole host of market actors. All in all, over \$3 trillion of stimulus was pumped into the economy to keep it afloat, with more being added recently.

While all this went on, many investors flocked to MegaCap (the largest of the large) growth stocks fearing the “work from home” phase would become permanent. MegaCap companies, or companies with a market capitalization exceeding \$200 billion, have historically been energy or transportation sector companies, but recently have shifted

to technology companies. As the country went into lockdown early in the year, working from home was mandatory for many employees, and as it seemed to go well, a lot of investors believed that we were at a tipping point where the modern office itself would be transforming. This resulted in an influx of investments in technology companies whose products saw a spike in demand.

Finally, the year ended on a hopeful note as COVID-19 vaccines began their rollout. Assuming they work as intended and make the virus much more manageable, we expect to see a resurgence of Value/Small Cap names as the economy recovers.

As we look ahead to 2021, HCM believes a few specific themes seem highly likely to add value. One is rotation from growth stocks to value names. As the COVID vaccine becomes distributed and the economy can go back to something approaching normalcy, we expect a rotation from the MegaCap stocks that soared during the stay-at-home orders toward shares of smaller companies that would likely improve their performance in the anticipated economic recovery. Additionally, as the threat of rising rates manifests in the fixed income market, balancing risk versus income is going to be of chief concern to investors going forward.

“Did you know?” Stock Market Facts

- 1. The United States represents 40% of global market capitalization.** This is due to a combination of a strengthening dollar and gains in American equities along with a decline in many international equity markets.
- 2. More than 80% of the stock market is now automated.** Automation is revolutionizing industry, and investing is no exception. The vast majority of US stock trades are currently handled by machines, usually making “high frequency” trades. Some worry this could have negative consequences: as more investors attempt to eke out a short-term advantage billions of times over, that leaves fewer traders investing with the long-term outlook of a company in mind.
- 3 Slightly more than half of all US adults have money in the stock market.** According to a Gallup poll, 55% of American adults are invested in the stock market, either through individual stocks they may own, mutual funds, or retirement savings accounts. Over the past 20 years, this percentage was as high as 65% in 2007 and as low as 52% in 2013 and 2016.



Important 2020 Mailing Deadlines for 1099 Tax Forms



The New Year has arrived and that means that soon you can expect Schwab and other custodians to send various year-end tax forms associated with your HCM accounts. Please refer to the items below so you will know what to expect and when.

Original Form 1099:

The first mailing of original Form 1099s for brokerage accounts will be sent to HCM clients by Schwab in late January 2021. This includes all accounts for which Schwab has all necessary tax information. The second mailing will be sent by mid-February 2021 for those accounts that contain at least one investment for which the issuer wasn't able to provide information in time for the earlier mailing. Examples include ETFs and Mutual Funds, Complex fixed income, REITs, UITs, WHFITs, Suspect Securities, and US and Foreign stocks that have been reclassified in the past. If you have a new address, please contact our office, so we can

update your information with Schwab. This ensures that you will receive your 1099s and other tax forms in a timely manner.

Corrected Form 1099:

If Schwab receives updated information from issuers of securities held after your original Form 1099 has been sent, they are required to send you a corrected tax form. Revisions will be clearly highlighted on the corrected form you receive. Corrected forms will be sent periodically, as the information becomes available.

Since 1099s are subject to change, we recommend that you wait until late March 2021 to file your 2020 income tax returns in case there are 1099 corrections.

Key Contribution Numbers for 2021

The Internal Revenue Service recently announced cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2021 in Notice 2020-79.

Most IRA contribution limits are unchanged from 2020. However, SEP IRAs have had their limits increased by \$1,000, and HSA contribution limits for individuals and married couples have increased to \$3,600 and \$7,200, respectively.

Note that with HSAs, the limit is a combination of employer and employee contributions, so be sure to

coordinate with your boss or employee(s) to make sure a proper contribution schedule is kept. Additionally, you must have an appropriate high-deductible health plan if you want to take advantage of an HSA.



The specific details of the limits and their changes are listed in the table below. If you have any questions or would like more information about retirement accounts, feel free to reach out to your HCM Advisor today.

Retirement Plan Type	2020 Contributions	2021 Contributions	Age 50+ Catch-Up
401(k), 403(b), and most 457	\$19,500	\$19,500	+\$6,500
Traditional IRA	\$6,000	\$6,000	+\$1,000
Roth IRA*	\$6,000	\$6,000	+\$1,000
Simple IRA	\$13,500	\$13,500	+\$3,000
SEP IRA	\$57,000	\$58,000	N/A
Health Savings Accounts (Individual)	\$3,550	\$3,600	\$1,000*
Health Savings Accounts (Married)	\$7,100	\$7,200	\$1,000*

*HSA catch-up contributions are allowed for individuals 55 years of age and older.

HCM Out and About



This quarter we're excited to share news about a charity we're proud to support who has just received a well-deserved award!

The Aubrey Rose Foundation, which strives to help families caring for children with life threatening illnesses, was voted Best Nonprofit Support Organization in the Greater Cincinnati Nonprofit of the Year Awards by Cincy & NKY Magazines. With two decades of work under their belt, the Foundation has helped thousands of families with crucial financial assistance in their times of need.

The Foundation has also awarded over 300 educational scholarships for grade school students based on their volunteer and service activities with plans to give out 35 additional scholarships annually. Alongside these efforts, their Heart Mini-Marathon team has raised over \$100,000 to combat heart disease and strokes.

Visit aubreyrose.org to learn more about the Foundation.

Announcing the Marriage of Kacidee and Jake Gemperle

With all the struggles of 2020, a wonderful thing to come out of this year is the marriage of our new Receptionist, Kacidee, to her fiancé Jake. After making many unexpected last-minute adjustments, their ceremony turned out to be incredibly memorable, and they were able to celebrate with their loved ones on the beautiful day of October 10th. The day, the ceremony, and the bride and groom were simply amazing. Congratulations, Kacidee and Jake!



HCM Welcomes Christy Barlow to the Team!

The HCM team grew again in October of 2020. We're extremely happy to bring Christy Barlow on as HCM's staff accountant. She has her Associate Degree in Accounting and has extensive experience with accounting, bookkeeping, and office administrative responsibilities. Christy has been in the accounting field for 5 years and has a keen attention to detail and sense of accuracy.

She's an avid Bengals and FC Cincinnati fan and loves anything Disney. She and her husband Kyle will be spoiling their 3 grandchildren with many trips to Disney.

Share the Warmth – Donate a Winter Coat Today!

We're proud to partner with St. Vincent de Paul for their Winter Coat Drive. They are asking community members to donate new and gently used coats, for both adults and children, as well as gloves, hats, and scarves, which are then made available to neighbors in need this season.

The coat drive extends through January 29th. We have no-contact collection barrels in the foyer on both floors at 6116 Harrison Avenue. Simply stop in and drop your coat donations into the barrels.

Please look through your closets for any coats and jackets not being worn. We will share these with neighbors who will be so grateful to receive your new and gently used winter wear. Thanks for whatever you can give!



This newsletter provides financial and tax information to clients and friends of HCM Wealth Advisors. This information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.