**Webinar Script: Strategies to Help You Prepare and Protect Yourself in 2021**

Welcome to our live webinar, where we will cover Strategies to Help You Prepare and Protect Yourself in 2021.

To say 2020 has been a shocking year that we will never forget is no understatement. Thankfully, 2020 is coming to an end. Now, we must prepare for whatever the new year might bring. It doesn’t matter who you voted for, or what your political affiliation is, we are all in the same boat now and must hope for the best but be prepared for the worst. That’s why today we are going to cover:

* How the Election could impact the Financial Markets…
* Tax Saving Strategies under the new administration…
* How Inflation Rates could rise as the Fed prints more money…
* Income Strategies in a low interest rate environment…
* How Increased Corporate Taxes could impact the market…
* Strategies for dealing with new Capital Gains Tax Rates…

Millions of Americans will be impacted by the new policies of the incoming administration, which means that now is the time to start preparing to protect your retirement savings. The strategies we will cover today can help to protect what you’ve worked so hard to earn and can help keep you on track to enjoy the retirement you’ve always envisioned.

My name is (Advisor’s Name), I’m the founder and president of (Company Name.) For the last (X Years) we’ve specialized in working exclusively with retirees and pre-retirees emphasizing income generation and asset protection.

Our mission is to educate baby boomers on how to make sure their income lasts the rest of their life. The plain and simple truth is that the average baby boomer will most likely spend 20 to 30 years in retirement. That’s why you must have a financial plan in place to ensure your retirement savings will last that long.

In addition, we're members of a national study group known as ***Advisors’ Academy***. We have 40 different offices across the country, each of us own independent businesses, and we've hired an institutional money management team with chartered financial analysts to make sure our clients have a foundation of consistent, reliable income for their retirement.

Alright, so now let's move on to talking about you and what you need to do to be prepared and protect your money in 2021. However, before we do, I would like to say that if any of the following situations I’m about to describe apply to you, you will want to make sure to stay until the end of the webinar.

* First, if you lost money in common stocks or stock mutual funds this past year
* Second, if you're retired and don't want to reduce your lifestyle, or you don't want to go back to work.
* Third, if you plan on retiring within the next 10 years, and you really don't want to face the prospect of postponing retirement
* Finally, you’ll want to make sure to stay until the end of the workshop if you're not 100% sure that you're insulated from a potential stock market drop

If you stay until the end, guess what? There'll be a special gift just for you. It's not going to be wrapped with a blue ribbon in a package quite like what you see on your screen, but you will receive a special offer, only if you stay until the end. This offer can help you increase your sense of financial security throughout your retirement—especially if any of the situations I just described apply to you. So, make sure you stay with us.

**1. How the Election Outcome Could Impact the Financial Markets**

<taken from TIG Show script; “Election Outcomes”>We all remember the so-called “Trump bump,” when the stock market enjoyed a ride upward following Donald Trump’s presidential victory in 2016.As dramatic as it may have seemed, a post-election market spike is not uncommon.

Many presidents have enjoyed similar “honeymoon periods”, where the stock market spiked during their first year in office, including Herbert Hoover, Dwight D. Eisenhower, John F. Kennedy, Bill Clinton, and others. Then, following the post-election spike, according to history, stock market returns tend to be slightly lower the following year. And, although the impact of a presidential election can seem dramatic in the short term, it usually means little in the broader picture.

When the presidency changes hands, as is the case with President elect Joe Biden, stock market gains average 5%, and when the same president is re-elected, 6.5%—according to the analysis conducted by US Bank. Of course, these figures are based on historical averages and can differ greatly from one election to the next.1

For example, Donald Trump’s honeymoon period lasted longer than normal, and in the year following his election all the major market indexes rose by 20% or more. Of course, this election was different in many ways – the most obvious being that the COVID-19 pandemic is still fueling massive economic uncertainty and another being how long it took to declare the official winners.

With the Senate contest in Georgia too close to call and the winners in both contests yet to be determined, it looks possible that congressional power could be split down the middle. Or, whoever ends up winning the majority will hold a thin margin, which could be a good thing for the stock market.

History has shown that the stock market tends to perform better with a divided government. And some analysts feel it’s a best-case scenario because it offers some level of stability, plus the potential for more progress in addressing the COVID-19 crisis.

The good news is that those who have switched their focus from investing for growth to investing for income, are well positioned to meet almost any challenge and take advantage of new opportunities that may arise.

If you haven’t made that important switch to investing for income and are retired or within 10 years of retirement age, please make sure to schedule a complimentary call with me so I can help you make this important shift in time.

 **Tax Saving Strategies** Under The New Administration
<taken from Tig Show script; “Tax Savings Strategies”>

I know your 2020 tax bill may be the last thing on your mind right now, but if you want to take steps to minimize it as much as possible, you still have a few weeks left to take action. It’s no secret that president elect, Joe Biden has an extensive list of tax proposals. These include raising taxes on households earning more than $400,000 dollars and lowering the amount you can pass on to your heirs tax-free.

Today we’ll share some tips from tax experts on things you may still be able to do to minimize your tax bill for this year. Some of these options may no longer be available after 2020, so you’ll want to take advantage. We’ll also review some evergreen tax strategies available to retirees and near-retirees.

First, let’s go over a few of the tax strategies you may still have time to take advantage of as the year winds down.

## We all know the holiday season goes by quickly and is filled with obligations. But taking time to review and revise your financial plan at this time can pay big dividends in the new year, and managing your taxes is obviously an important part of that process. And there are still things you can potentially do even this late in the year to give you an advantage. Here are a few examples.

First, add up your healthcare expenses for the year. Although healthcare costs are only deductible after they exceed 7.5 percent of your adjusted gross income, in today’s age of expensive medicine and high deductibles, you might be surprised by how much you’ve actually spent.

If you earn $100,000 dollars in 2020, that means any healthcare spending in excess of $7,500 can be deducted. And this includes spending on things like dental care, prescription glasses and even mileage to and from your medical appointments.

Next, give generously and wisely this holiday season. The CARES Act passed by congress in response to the coronavirus this year created two new tax incentives to encourage donations. The first is a $300 dollar write-off that donors can claim for giving cash to a charity. You can claim it even if you take the standard deduction when you file your taxes, as opposed to itemizing your deductions. The second incentive is aimed at donors who do itemize when they file and is in effect only for 2020.

It allows you to deduct up to 100 percent of your adjusted gross income for cash donations to public charities, as opposed to the previous limit of 60 percent. Of course, there are limits and provisions to these rules.

***Estate Planning Opportunities Created by Low Interest Rates***

You don’t need me to tell you that interest rates are historically low in the wake of the coronavirus crisis. This impacts your financial strategy in many ways, of course. But in terms of tax planning, these low rates combined with current lifetime gift and estate tax exemptions may create a powerful estate-planning tool for certain people.

Understand that many estate and gift tax strategies depend on the ability of assets to appreciate faster than the interest rates prescribed by the IRS. Also, consider that the economic fallout of the pandemic is still depressing many asset values.

Together these factors create a small window of opportunity to use estate-planning techniques while interest rates are still low and the lifetime gift exemption is at an all-time high. But this window will close, and possibly sooner than later.

The current gift and estate tax exemptions are set to expire in just a few years, and a new administration in the White House could accelerate that timeline. Again, an advisor who specializes in retirement income can help you review this and other strategies more thoroughly. For example, you might also have the opportunity to avoid potential tax penalties by increasing your withholding before the end of the year.

Obviously, the pandemic has created cashflow problems for many Americans this year. So, it’s smart to make sure your withholding and estimated taxes align with what you expect to pay while you still have time to fix the problem. If you find yourself in danger of being penalized for underpaying taxes, you can make up the shortfall – or some of it – through an increased withholding on your salary or any year-end bonuses.

You may still be subject to penalties for underpayments in previous quarters. But increasing your withholding for year-end wages can still make a big difference in the size of any potential penalty. You can use the IRS’s tax-withholding estimator tool available on the IRS.gov website to make the calculation.

Another year-end strategy you might want to consider if you own your home is going green. If you install alternative energy equipment such as solar panels, wind turbines or a solar hot water heater, you can claim a tax credit on your out-of-pocket costs. The value of this credit is dropping, but it’s still at 22 percent now. What’s more, if selling your home is part of your retirement strategy, adding these energy efficient improvements will increase its value.

The IRS recently released a breakdown of next year’s marginal income tax rates. This update occurs each year to reflect inflation and reduce what’s called “bracket creep. That’s when a taxpayer gets pushed into a higher tax bracket not because he earned more money, but because of rising inflation. These brackets are marginal, meaning that different portions of your income – up to a specific dollar amount – will be taxed at a different rate.

 **<Insert: GRFX: Chart of the new tax brackets>**

<https://www.aarp.org/money/taxes/info-2020/income-tax-brackets.html>

For 2021, the top tax rate of 37 percent will apply to individual taxpayers with income over $523,600 dollars, or $628,300 dollars for those married and filing jointly. That’s up from just over $518,000 for individuals this year and just over $622,000 for joint filers.

Meanwhile, single filers with income over $209,425 dollars will fall into the 35 percent bracket, as will joint filers earning just under $419,000. Again, the brackets are marginal, so your highest tax bracket doesn't reflect how much you pay in federal taxes. If, for instance, you're a single filer in the 22 percent tax bracket for 2020, you don't pay 22 percent on all your taxable income.

**<Insert: GRFX: Chart of this year’s tax brackets with the bottom three brackets highlighted>**

<https://www.aarp.org/money/taxes/info-2020/income-tax-brackets.html>

You pay 10 percent on taxable income up to $9,875 dollars, 12 percent on the amount between that and $40,125, and 22 percent on anything above that. Like everything having to do with the IRS, it can get confusing, which is why it’s always best to have your financial advisor involved in any decisions or changes you may be considering for your tax strategy.

That’s especially true when you’re in or nearing retirement and have many new tax decisions to make related to things like your social security income, required minimum distributions and – as we already mentioned – estate planning.

Getting back to changes for next year, you should also be aware that the standard deduction will rise to $12,550 dollars for single filers. And the standard deduction for couples filing jointly will rise to $25,100. What’s more, single filers age 65 and older can increase the standard deduction by $1,700 dollars next year, and each joint filer 65 and over can increase it by $1,350 apiece, or $2,700 total.

As you probably know, you need to have more tax deductions than the standard deduction to make itemizing your tax return worthwhile – and even then, in certain cases the standard deduction might still make more sense. Again, the right advisor can help you figure that out – and help set you up to take advantage of other tax-saving strategies.

Taking advantage of the bigger standard deduction offered by the IRS once you turn 65 is just one tax strategy you can use every year once you have reached retirement age. Keep in mind, there are others as well.

For example, if you become self-employed after you leave your job – as a consultant for instance – you can deduct the premiums you pay for Medicare Part B and Part D. You can also deduct the costs of supplemental Medicare policies or a Medicare Advantage plan.

Another strategy that might work for you involves spousal IRA contributions. Even if you’re no longer working but your spouse still is, he or she can contribute up to $7,000 dollars a year to an IRA that you own. As long as your spouse has enough earned income to make that contribution, this tax shelter remains available to you.

Another popular strategy is to have any payout you receive from a pension, annuity or IRA sent directly to a rollover IRA instead of to you. As long as the check is made out to that account and not to you personally, you’ll avoid the automatic withholding of 20 percent required by the IRS.

Again, these are just a few examples of strategies that may or may not be right for you, depending on your situation and retirement goals. The right financial advisor can help you make that determination, and help you coordinate these strategies with your broader retirement income plan.

How **Inflation Rates** could rise as the Fed prints more money…

It’s no secret that inflation has the potential to slowly eat away at the value of your savings. Estimates differ, but the average rate of inflation on the goods and services that we purchase is right around 3 - 4%. That means if you had $100,000 in the bank, each year the amount of goods you could buy with your savings would decrease by approximately $3,000 to $4,000.

Although it is often overlooked, inflation impacts all aspects of our lives—from the cost of lunch to the cost of mailing a letter. To better understand how inflation decreases your purchasing power over time, let’s look at “The Big Mac Index”, which compares the cost of a Big Mac sandwich at Mc Donald’s through the years.

Back in 1986, the price of a Big Mac was $1.50. In the year 2000, the price of the same sandwich had gone up to $2.50. In 2012, that Big Mac would cost about $4.33 and by 2016, that same sandwich would cost you $4.93. During the twenty-year period between 1986 and 2016, the cost of treating yourself to a Big Mac has gone up by about 229%!

Another simple example of the power of inflation can be seen by taking a look at the cost of a stamp. Back in 1980, a postage stamp cost 15 cents. Today, it costs 55 cents, a 267% increase over 20 years.

Slowly but surely, inflation is a force that silently eats away at the purchasing power of our money. And, to make matters worse, inflation tends to impact the things we’ll need in retirement, like healthcare, more than it does other goods and services.

The textbook definition of inflation is “too much money chasing too few goods and services.” The textbooks also say that when you print money you create inflation, because it’s assumed consumers will spend that money, creating demand for goods and services, and pushing prices upward.

Many economists believed that would be the case when Congress provided Americans with their stimulus checks earlier this year. They thought that people would receive their checks and spend that money to help stimulate the economy. However, instead of going out and spending that money to stimulate the economy, most people used it to pay for essentials, used it to pay down debt, or stashed it away in their savings.

There are other economists who believe that the tremendous amount of money printing by the Fed could result in what is known as asset price inflation, where the increased liquidity in the economy and financial markets drives up the prices of things like real estate and shares of stocks. Some fear that this could lead to an asset bubble and ultimately, the bursting of that bubble.

While no one can know for sure how the unprecedented Quantitate Easing efforts of the Fed will impact inflation, this is clearly something that your retirement plan needs to account for.

That’s why it is important that those who are retired or nearing retirement, ensure their retirement plan is designed to offset the power of inflation—through steady streams of income that are not dependent on stock market performance.

**Income Strategies** in a low interest rate environment…
<taken from new report; “Investing for Income in the Stock Market”>

When people think of Investing for Income, the first thing that might come to mind is investing in non-stock market investments, like bonds. Yes, bonds and bond-like instruments are an important part of investing for income, but there is also a way for those with the willingness and ability to endure some level of stock market risk to enjoy the benefits of earning steady income through dividends.

Keep in mind that stocks are generally considered to be riskier than bonds, because they can cut dividends and/or drop in value. Some financial firms might tell you that they have some proprietary formula, or advanced algorithm, to manage stocks and help protect your downside. Well, these algorithms do not work forever. Eventually they fail to protect the investor.

However, a dividend-paying value strategy can help to mitigate stock market risk. One reason is because buying “undervalued” stocks, means that they should have somewhat less downside than an “overvalued” stock. The other reason is that the dividend is a “bird in the hand.”

To illustrate the benefits of a bird in the hand strategy, let’s consider two different couples who decide to invest in real estate. The first couple decides to invest in a plot of land—hoping that the value of their land will appreciate by the time they retire so they can sell it for a profit. But, just as they’re about to retire, the real estate market experiences a downturn and the value of their land drops significantly. This couple would most likely feel the pain of this drop in value.

Now, consider the second couple who decides to invest in a rental property instead. Each month this couple is able to collect rent from their tenant. Because of the steady income coming in, this couple wouldn’t be so concerned about a potential drop in value. The steady income they receive would help to soften the blow of a drop in property value. If they had no intention of selling their property anytime soon, it might not even impact their ability to fund their retirement.

It’s similar when investing in dividend paying value stocks. If you’re retired when the market experiences a downturn, but the dividends satisfy your income needs, you can hold the stock and wait for it to come back, essentially giving you staying power. Alternatively, if you don’t need the income at the time, you can reinvest those dividends at essentially dollar cost average. We call it growing your money the old-fashioned way.

Additionally, stock dividends have preferential tax treatment. And, since the dividends these types of stocks pay can increase, they can also offer a potential hedge against inflation. This is why many believe that a dividend paying value strategy can be ideal for retirees, and those within 10 years of retirement, who can still tolerate some investment risk.

If you would like to learn more so you can determine if a dividend paying value strategy makes sense for your situation, please make sure to schedule your complimentary call with me before signing off of today’s meeting.

How **Increased Corporate Taxes** Could Impact The Market…

Ahead of the election, many analysts believed that if Joe Biden would win the presidential election, and Democrats would gain control of congress, it could mean a likely sell off for the stock market—since Biden would likely look to reduce or repeal the corporate tax cuts put into place by President Trump.

The reasoning behind this is that if corporate taxes are raised, that could impact the profitability, or bottom line, for many of these companies, which in turn could impact their stock price.

However, as we mentioned previously, it does not look like Democrats will gain sweeping control of congress. If they do manage to gain an edge after the runoff in Georgia, it will be a slim advantage. And if that were to happen, President-elect Biden and democrats would more likely be focused on first approving the second round of coronavirus relief that’s been used as a political pawn by both parties since August. Odds are investors would celebrate that move, and that could help lessen the severity of any potential market dip.

Depending on the outcome of the runoff election in Georgia, it is possible that congressional power could remain split. And as I mentioned, history shows that the markets, in general, do better with a divided government and some analysts feel it would be a best-case scenario because it offers some level of stability plus the potential for more progress in addressing the covid-19 crisis.

**Strategies for Dealing with New Capital Gains Tax Rates…**

If you’ve made money on an investment, you’ve earned a capital gain, which means that you will owe taxes on it. How much you will owe depends on how long you held that investments.

If you held that asset for more than a year, then it is considered a *long-term capital gain*. That means you will either owe zero percent, fifteen percent, or twenty percent—depending on how much overall income you have.

If you held that investment for less than a year, then it is considered a *short term capital gain* and those gains will be taxed as ordinary income meaning you will be taxed according to where your income falls in the federal tax brackets.2

Although the capital gains tax rates remained the same as before under the Tax Cuts and Jobs Act of 2017, the income required to qualify for each bracket goes up each year to account for workers’ increasing incomes. Here are the capital gains rates for 2020 and 2021:

### **Long-term capital gains tax rates for the 2020 tax year:**

| **FILING STATUS** | **0% RATE** | **15% RATE** | **20% RATE** |
| --- | --- | --- | --- |
| **Single** | Up to $40,000 | $40,001 – $441,450 | Over $441,450 |
| **Married filing jointly** | Up to $80,000 | $80,001 – $496,600 | Over $496,600 |
| **Married filing separately** | Up to $40,000 | $40,001 – $248,300 | Over $248,300 |
| **Head of household** | Up to $53,600 | $53,601 – $469,050 | Over $469,050 |

Source: Internal Revenue Service

### **Long-term capital gains tax rates for the 2021 tax year:**

| **FILING STATUS** | **0% RATE** | **15% RATE** | **20% RATE** |
| --- | --- | --- | --- |
| **Single** | Up to $40,400 | $40,401 – $445,850 | Over $445,850 |
| **Married filing jointly** | Up to $80,800 | $80,801 – $501,600 | Over $501,600 |
| **Married filing separately** | Up to $40,400 | $40,401 – $250,800 | Over $250,800 |
| **Head of household** | Up to $54,100 | $54,101 – $473,750 | Over $473,750 |

Source: Internal Revenue Service

For example, in 2020, individual filers won’t pay any capital gains tax if their total taxable income is $40,000 or below. However, they’ll pay 15 percent on capital gains if their income is $40,001 to $441,450. Above that income level, the rate jumps to 20 percent.

In 2021, individual filers won’t pay any capital gains tax if their total taxable income is $40,400 or less. The rate jumps to 15 percent on capital gains if their income is $40,401 to $445,850. Above that income level the rate climbs to 20 percent.

In addition, those capital gains may be subject to the [net investment income tax](https://www.bankrate.com/calculators/tax-planning/1040-form-tax-calculator.aspx) (NIIT), an additional levy of 3.8 percent if the taxpayer’s income is above certain amounts. The income thresholds depend on the filer’s status (individual, married filing jointly, etc.).

Meanwhile, for short-term capital gains, the tax brackets for ordinary income taxes apply. The 2020 tax brackets are 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent. Unlike the long-term capital gains tax rate, there is no 0 percent rate or 20 percent ceiling for short-term capital gains taxes.

***A Popular Year-End Savings Strategy***

One potentially tax saving move, for those who have experienced gains this year, is dumping bad investments. Tax-loss harvesting, as it’s known, is a popular year-end savings strategy that involves selling certain securities at a loss to offset your short-term capital gains liability. Tax-loss harvesting is not right for everyone, obviously. But not only can it potentially save you money in the short-term, it can also be the starting point for making that all important switch from investing for growth, or capital gains, to investing for income.

I hope that today’s event helped you understand how some of the upcoming changes proposed by the incoming administration could impact the financial markets and your plans for retirement—as well as some of the steps you can take now to lower your tax liability in the upcoming year.

At the end of this webinar, please go ahead and use the feedback form to give us some feedback about what you learned from the program and some areas you think we might be able to improve for the future.

If you are not 100% sure that your retirement plan is built to offset the power of inflation or how to maximize the income generated by your retirement savings, call our office or click on the button below to schedule your 15-minute complimentary phone call.

Or, if you're curious about whether your investments are properly allocated for things like RMDS, or when the right time is to claim your social security benefits, call our office or click on the button below to schedule your 15 minute complimentary phone call. Thank you for watching this webinar and I hope it answered most, if not all, of your questions.

1. [How Presidential Elections Affect the Stock Market | U.S. Bank](https://www.usbank.com/investing/financial-perspectives/market-news/how-presidential-elections-affect-the-stock-market.html)

2. <https://www.bankrate.com/investing/long-term-capital-gains-tax/>