

Wealth Management Update and Q&A

REDW Wealth_{LLC} expertise.

October 14, 2020 Presented by:
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- Welcome
- Policy Not Politics
- Federal Finances
- Biden Tax Proposal
- Questions & Answers





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Policy not Politics

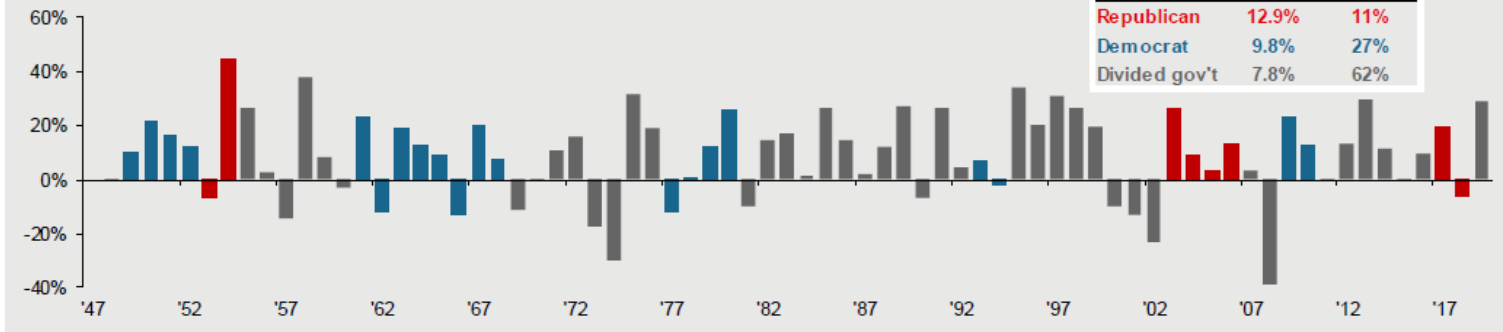
Government control, the economy and the stock market

GTM - U.S. | 37

Economy

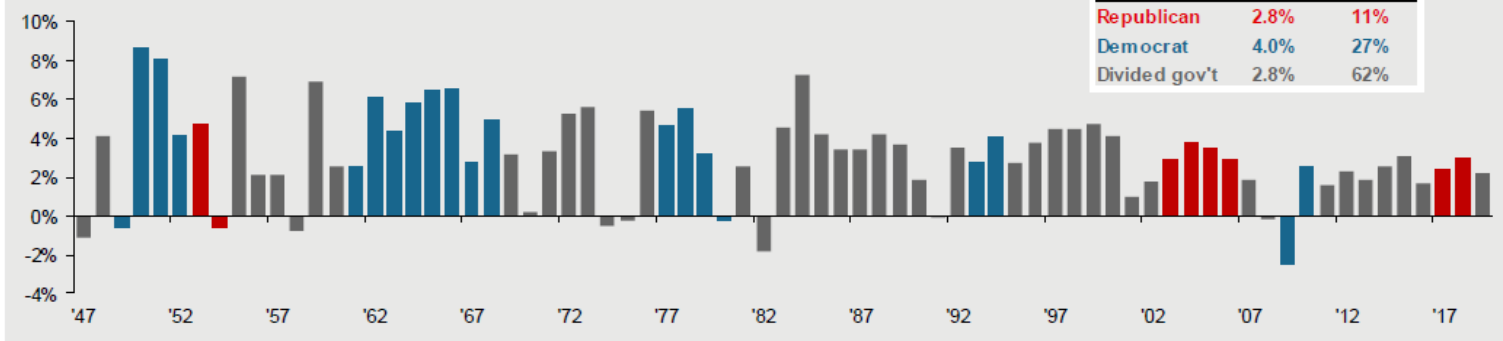
S&P 500 Price Index

Calendar year returns



Real GDP

Year-over-year % change, annual

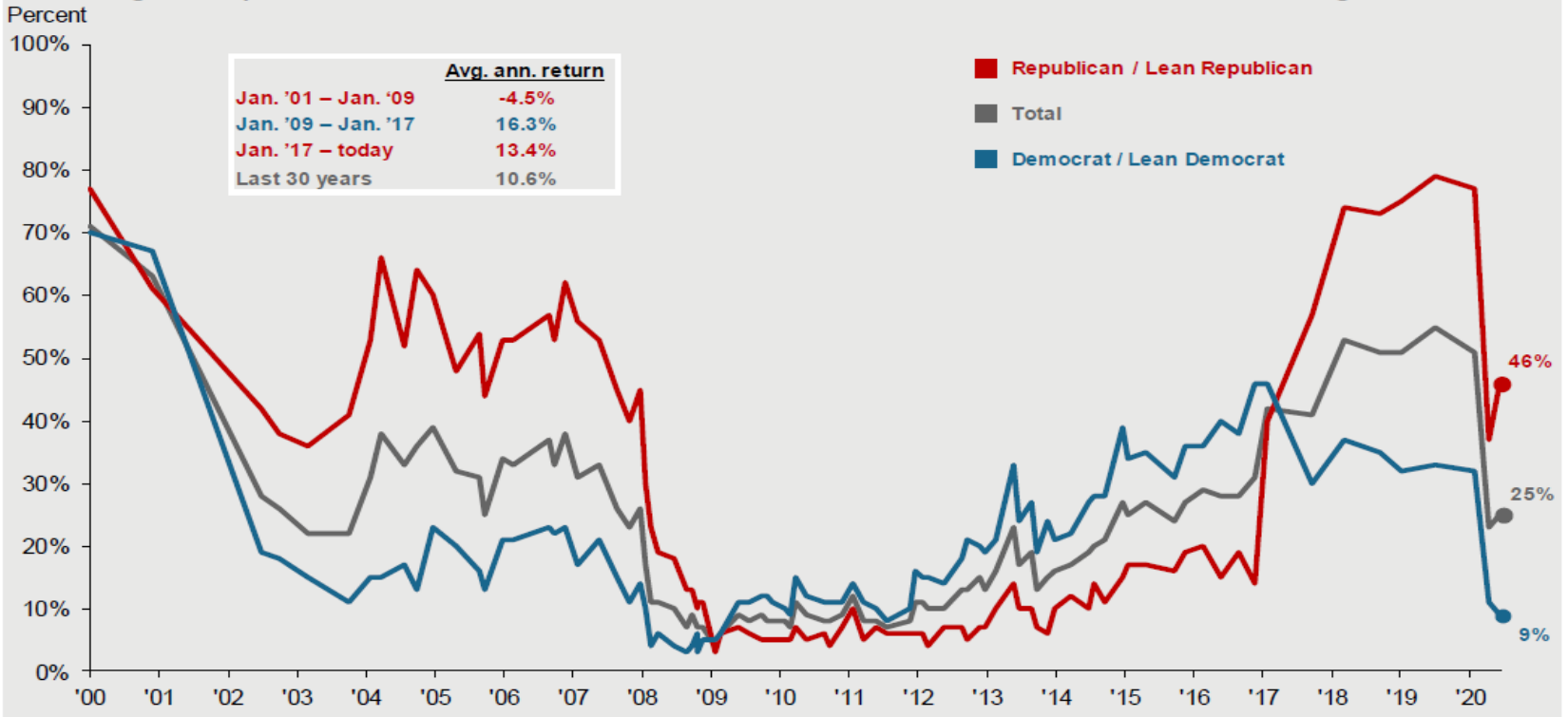


Source: FactSet, Office of the President, J.P. Morgan Asset Management; (Top) Standard & Poor's; (Bottom) Bureau of Economic Analysis. Top chart shows S&P 500 price returns. Guide to the Markets – U.S. Data are as of September 30, 2020.

Consumer confidence by political affiliation

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Percentage of Republicans and Democrats who rate national economic conditions as excellent or good



Source: Pew Research Center, J.P. Morgan Asset Management. Pew Research Center, June 2020, "Republicans, Democrats Move Even Further Apart in Coronavirus Concerns" Question: Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor? Guide to the Markets - U.S. Data are as of September 30, 2020.

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Federal Finances

Composition and Expansion of Federal Spending

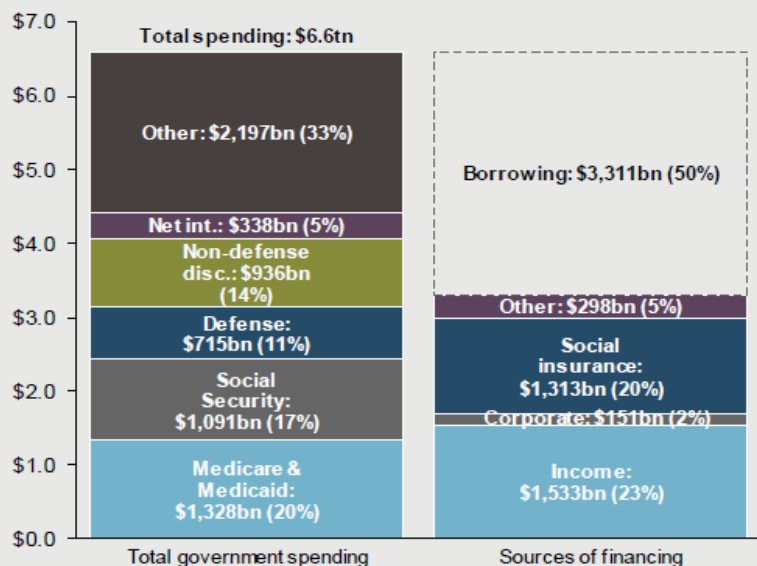
1. Coronavirus stimulus increased the rate of growth of Federal spending
2. Debt/GDP ratio is accelerating
 - a) Growth and Inflation remain important issues
3. Third Rail – Defense, Social Security, Medicare & Medicaid

Federal finances

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The 2020 federal budget

CBO Baseline forecast, USD trillions

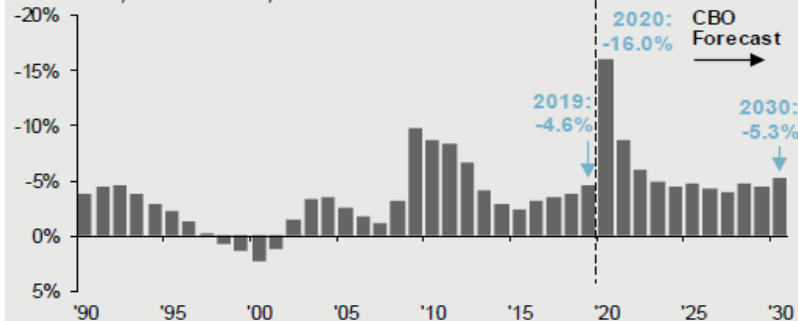


CBO's Baseline economic assumptions

	2020	'21-'22	'23-'24	'25-'30
Real GDP growth	-3.8%	2.4%	2.2%	2.2%
10-year Treasury	1.1%	0.9%	1.4%	2.6%
Headline inflation (CPI)	1.4%	1.3%	2.2%	2.2%
Unemployment	8.8%	8.2%	6.4%	4.9%

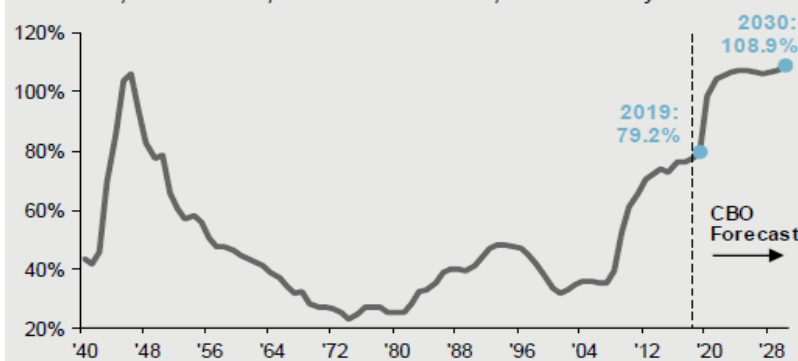
Federal budget surplus/deficit

% of GDP, 1990 – 2030, 2020 CBO Baseline



Federal net debt (accumulated deficits)

% of GDP, 1940 – 2030, 2020 CBO Baseline, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.

2020 Federal Budget is based on the Congressional Budget Office (CBO) September 2020 Baseline Budget Forecast. CBO Baseline economic assumptions are based on the Congressional Budget Office (CBO) July 2020 Update to Economic Outlook. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Note: Years shown are fiscal years (Oct. 1 through Sep. 30).

Guide to the Markets – U.S. Data are as of September 30, 2020.

REDW Wealth LLC Biden Tax Proposal

- Social Security Payroll Tax (12.4%) on incomes over 400,000
- Capital gains and qualified dividends treated as regular income for those earning \$1MM
- Top income tax bracket moved back to 39.6% from 37%
- Ending step-up basis at death
- Raising corporate tax rate to 28% from 21%
- Establish corporate minimum tax
- Changes in itemized deductions
- Changes in business income deduction
- Changes in some tax credits

Proposal	GDP Growth Impact	Commentary
Apply Social Security Tax	Negative	Disincentive for high income workers – unlikely to pass
Tax Capital Gains and Income as regular income	Negative	Disincentive for investors, raises issue of double taxation – unlikely to pass
Top Income Bracket moved back to 39.6%	Negligible	39.6% was the rate under Presidents Clinton and Obama and we still had growth
Ending Step up in basis	Negligible	Administrative nightmare – unlikely to pass, more likely a negotiating point to lower the estate exemption
Corporate Tax Rate to 28%	Slightly Negative	Previous rate of 35% in place from 1990-2017, 28% better than 35%
Corporate Minimum Tax	Negative	Will likely incentivize companies to come up with new accounting measures

- Tax law changes are hard to get passed
- Not all of Biden's proposals can be done under special budget rules
- Even if Democratic party wins control of White House and Congress – economic growth will slow not go negative
- Depending on the changes, plans will need to adjust
- Mid-term elections in 2022



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