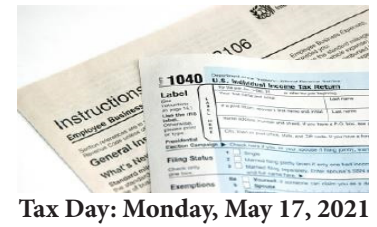




Forward Focus

April 2021



Quarterly Market Review

Stock market indices added to their gains in the first quarter, although most of the gains were modest. Japan gained 1.4%, Spain rose 1.3%, Europe added 5.3%, Emerging markets were up 3.2% and the MSCI EAFE index increased by 4.0%.

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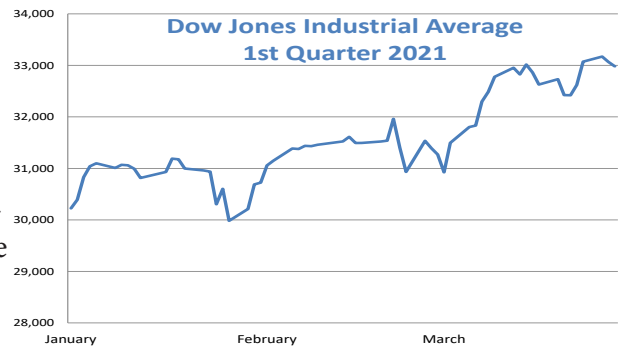
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-IRS Extends Tax Filing Deadline

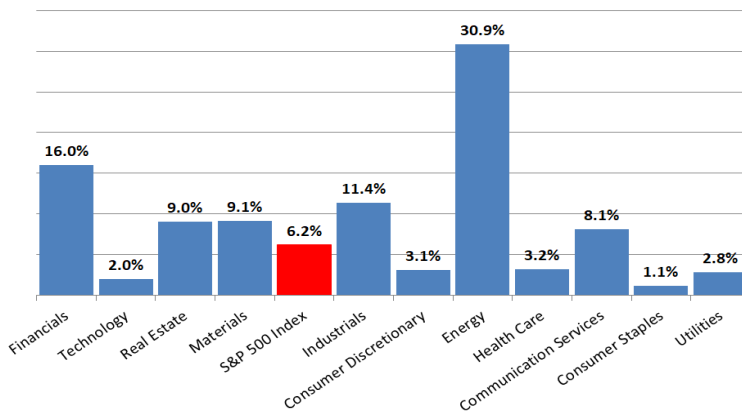
-Saving for Retirement

According to Reuters; The U.S. has administered 168,592,075 doses of Covid-19 vaccines as of this writing. Worldwide, more than 693 million doses have been administered thus far.

After a dip into negative territory in late January, the Dow Jones Industrial Average rebounded and surpassed 33,000 for the first time in March. Optimism about vaccinations, economic reopening and more government spending brightened the economic outlook.



Sector Performance
First Quarter 2021



For the quarter, the best performing sectors were Energy, Financials, and Industrials while the worst performing sectors were Consumer Staples, Utilities and Technology. (See chart on left)

The Energy sector makes up only 2.8% of the S&P 500 Index. So its overall impact is quite small. Last year the sector was down 33.7%, so much of recent gain is just recovering from the depths of last year.

Oil prices began the quarter at \$47/bbl then rose to \$66/bbl in mid-March before ending the quarter below \$60/bbl.

The S&P 500 index has outperformed the rest of the world for the past 13 years. The reason for this outperformance: Technology. Tech accounts for 27% of the S&P 500 index. Since the S&P 500 is a cap weighted index (The larger the company size the bigger its weight in the index), the large tech companies dominate the index. The weightings of Apple, Microsoft, and Amazon in the S&P 500 index are 6.0%, 5.5%, and 4.1%, respectively.

In fact, the market capitalization of the top 10 stocks in the S&P 500 now account for 27.4% of the index. By every measure, the U.S. stock market is overvalued. Therefore, we are looking overseas and to other sectors besides Technology for future gains. That is not to say the U.S. stock market won't go higher. We actually think it will. It will simply be spurred higher by different catalysts. See the sector chart above for proof. Financials, Health Care, Utilities all have further room to run before they are overvalued.

First Quarter 2021

Dow Jones Industrial Average 8.5% ● S&P 500 6.4% ● MSCI EAFE (International) 4.0%
Russell 2000 (Small Cap) 12.9% ● MSCI EMI (Emerging) 3.2% ● Barclays Capital Aggregate Bond -3.4%

IRS extends federal tax filing deadline to May 17th

Individual taxpayers now have until Monday, May 17th to file FEDERAL income taxes, without penalties and/or interest. No action or special forms are required to qualify. Note: Estimated taxes are still due on April 15th.

The IRS tax filing postponement only applies to Federal Income Tax Returns. STATE filing deadlines may differ. FYI, Wisconsin has extended their filing to May 17, 2021.

The deadline to make 2020 contributions to Traditional IRA, Roth IRA, Health Savings Accounts (HSAs), and Coverdell Education Savings Accounts (ESAs) has also been extended until May 17th. Please take advantage of it.

Saving for Retirement in 2021

A company 401k is not the only way to save for retirement. In fact, investing solely in a workplace 401k may not be the best option anymore. Tax law changes in 2017 altered some of the benefits and current taxes being proposed may further impact savings strategies. Therefore, **Forward** put together these helpful charts for you.

Roth IRA	\$6,000 : Under Age 50 \$7,000 : Age 50 and above
Married, Filing Jointly	\$198,000 - \$208,000 MAGI
Married, Filing Separately	\$0 - \$10,000 MAGI
Single or Head of Household	\$125,000 - \$140,000 MAGI

A **Roth IRA** allows for tax-FREE growth and tax-FREE withdrawals during retirement. However, the contribution is not tax deductible.

In order to qualify you simply need to have taxable income below the highest amount listed on the left. Ex: If you are married, filing jointly and make less than \$198,000, you can contribute \$6,000/person into a Roth IRA (\$7,000 if you are age 50+). People with incomes

within the phase-out range can make reduced contributions, and no contribution is allowed above the phase-out range.

A **Traditional IRA** allows for tax-DEFERRED contributions and tax-DEFERRED growth. However, withdrawals during retirement are taxed at ordinary income tax rates. This is similar to a traditional 401k. The chart on the right shows the phase-out ranges and income limitations. If you are not covered by a retirement plan at work, you can make a contribution regardless of how high your income level. You simply need to have taxable income.

Traditional IRA	\$6,000 : Under Age 50 \$7,000 : Age 50 and above
Married, Filing Jointly	\$105,000 - \$125,000 MAGI
Married, Filing Separately	\$0 - \$10,000 MAGI
Single or Head of Household	\$66,000 - \$76,000 MAGI

Why invest outside your company 401k? Recent tax law changes drastically impact beneficiaries. In the past, non-spouse beneficiaries (such as children, grandchildren, siblings, etc.) could spread out inherited distributions over their lifetime. Known as a STRETCH IRA. That is now gone. Starting in January 2020, non-spouse beneficiaries have just 10 years to completely deplete inherited IRAs and 401k's. If all of your wealth is tied up in 401ks, that provides no shelter from income tax.

Assume you had a \$500,000 401k or IRA upon death. A non-spouse beneficiary may have to add \$50,000 a year to their taxable income [for 10 straight years!] at a time where they are likely in their highest earning years and highest tax bracket. If that same money was in a Roth IRA, 100% of it would go tax-free to your heirs.

Definitely invest in a 401k up to the company match. That is 'free-money'. However, after that, let's discuss your options. By investing in various retirement vehicles, you can manage your current AND future tax bracket, and that of your beneficiaries.

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