



Possible Tax Changes on the Horizon

By Beau Carpenter, CPA

As new leadership comes into office in our nation's capital, it often follows that new tax law is just around the corner. On September 13, The House Ways and Means Committee released legislative text for **proposed** tax changes that could be incorporated into a bill known as the "Build America Back Better" act. Below are key points of some of the **proposed** changes for individuals as well as corporations and business.

Individuals

Tax Rates: Under the proposed new act, the top marginal income tax rate increases from 37% to 39.6%. This tax rate would apply to those individuals with taxable income in excess of \$450,000 when filing jointly; taxable income over \$425,000 when filing as head of household; and when taxable income is over \$400,000 for single filers.

Capital Gains: The act calls for an increase to the top capital gains rate of 20% to 25%, and adjusts the top capital gains tax bracket to \$400,000 for single filers; \$425,000 for head of household, and \$450,000 for joint filers.

Estate Taxes: The proposal reduces the estate tax exemption beginning in 2022 to \$6,020,000 and makes related changes to the unified estate tax credit. Under current law, this reduction from \$11,580,000 was not planned until 2026.

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Estate Planning Essentials for Those Nearing Retirement

By Aaron Bates, CFP® and Tim Hilterman, CFP®, CAP®

While most people nearing retirement spend time on Retirement Planning, they may be missing key pieces of their Estate Plan. In the event of a medical emergency or a sudden death, their loved ones can be left with a confusing mess. It's important to make sure all the vital pieces of your Estate Plan are complete, so you can have peace of mind while enjoying your retirement years.

A comprehensive financial plan is a good place to start your estate planning. This can illustrate both your current financial picture as well as how your assets should be distributed after your passing. Working through your financial plan can show you things you may not have considered. Maybe you need life insurance to provide for loved ones after you're gone. Maybe your beneficiaries will be adversely affected by taxes on their inheritance, but there are steps you could take now to alleviate that burden.

Remember to complete your estate planning by creating these essential documents.

1. **Personal Financial Statement:** this lists each asset and liability, how they are titled, the beneficiary (if applicable), and who to contact in the event of your passing.
2. **Last Will and Testament:** provides direction on how your assets are to be distributed at the time of your death (if they don't pass by registration or contract first).
3. **Financial Power of Attorney:** this gives an individual of your choice the ability to make transactions and distributions on your behalf for accounts that you own. This could be necessary if you're incapacitated or become mentally unable to care for yourself or your finances.
4. **Health Care Power of Attorney:** gives an individual of your choice permission to make health care decisions for you when you cannot make them yourself.

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Third Quarter Market Recap

By Ryan Gilmer, CFA®, CMT®

We're coming down the home stretch of 2021. With three-quarters of the year now history, how does this year's market compare to prior years? Despite the continued chaos in many aspects of life, from the perspective of the S&P 500, it's been one of the calmest years on record.

In the chart to the right, the gray bars show the annual price return of the market for each calendar year back to 1980. The red dots show the maximum drawdown (or loss) during the same year. For example, in 2020, the market returned 16% while losing 34% during the onset of the pandemic.

So far this year, the largest loss on the S&P 500 is just 4%. Only 1995 and 2017 experienced less decline. What can investors learn from this?

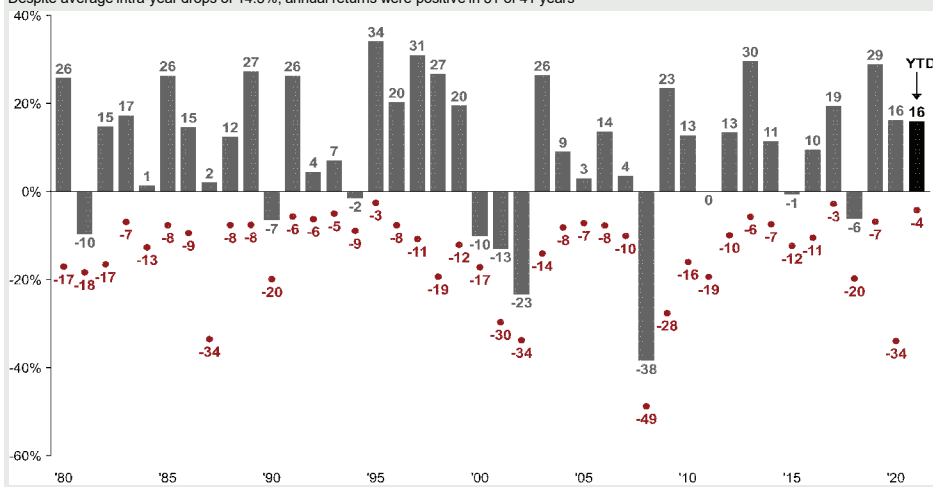
- **Every year is unique** – Future market performance has a wide range of outcomes – it's hard to know what may happen. While "normal" volatility may mean losses in the 8-12% range most years, investors should be prepared for anything. Last year, markets crashed, while this year they have been more stable. It's best to stay open-minded about the future.
- **Volatility comes and goes** – The chart clearly shows, that over the past 40 years, markets frequently decline, even though in the long run they increase. While the perceived reasons for losses change over time, it's important not to be caught off-guard when scarier markets inevitably come back.

Annual returns and intra-year declines

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S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 31 of 41 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%. Guide to the Markets – U.S. Data are as of September 21, 2021.

J.P.Morgan
Asset Management

- **Stay emotionally balanced** – It's important to pay attention to how markets make you feel, especially at extremes. We've seen investors sell everything and go to cash, and we've also seen them invest large sums in speculative or risky endeavors. Many times, in either case, these extreme actions don't work out the way they were intended. Often times, a trusted advisor can help process these emotions and the impact they can have on financial decision-making.

If you would like to discuss your personal portfolio, let's talk.



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MARKET UPDATE as of 9/30/21	3RD QTR	2021 YTD	5 YR AVG	10 YR AVG
DOW JONES IND AVG	-4.20%	12.12%	15.68%	14.72%
S & P 500 COMP	-4.65%	15.92%	16.90%	16.63%
RUSSELL 2000	-2.95%	12.41%	13.45%	14.63%
MSCI WORLD ex US	-2.87%	9.19%	8.88%	7.88%
BARCLAYS US AGG BOND	-0.87%	-1.55%	2.94%	3.01%

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End-of-Year Reminders for Your Retirement Accounts

By Matthew Lefelhoc & Tracy Wells

Some retirement account reminders and tips for the end of the year!

Remember to take your Required Minimum Distribution!

After being waived in 2020, Required Minimum Distributions (RMDs) are back for 2021. IRA owners aged 72+ must take their RMD by December 31. If you turned 72 this year, you have until April 1, 2022. Remember that the amount of your RMD will be taxed as ordinary income.

Have you considered a Qualified Charitable Distribution (QCD)?

Qualified Charitable Distribution (QCD) is a way to satisfy all, or part, of your RMD by transferring the amount directly to a qualified charity of your choice. To make this option even better, the total amount of the QCD is tax-free! This can be a tax-efficient solution if you don't have a current need for the RMD proceeds, or are already giving regularly to a 501(c)(3) organization.

Have you fully-funded your retirement plan?

2021 IRA contributions are due by April 15, 2022. Here are the contribution limits for 2021:

Retirement Plan Type	Under Age 50	Age 50 +
Traditional and Roth IRAs	\$6,000	\$7,000
SIMPLE IRA	\$13,500	\$16,500
Traditional & Roth 401(k)s	\$19,500	\$26,000
SEP IRA or Solo 401(k)	\$58,000	–

We know that planning for the end of the year can often be stressful, but we're happy to help in any way possible. If you would like to discuss how any of the information above impacts your situation, contact your financial advisor today.



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Corporations and Pass-Through Business Entities

Tax Rates: The proposal replaces the current flat rate of 21% to a graduated rate, which starts at 18% for the first \$400,000 of income; then 21% for income up to \$5 million; and 26.5% on income above \$5 million. The graduated rate phases out on corporations making more than \$10 million.

Qualified Business Income Deduction (QBI): The proposal sets a maximum allowable deduction under Section 199A at \$500,000 for jointly filed returns, and \$400,000 for single returns. The QBI deduction is a 20% deduction available to taxpayers with an eligible pass-through business entity.

Net Investment Income Tax: The proposal expands the 3.8% tax to cover net investment income derived in the ordinary course of a trade or business for single taxpayers with greater than \$400,000 in taxable income, and joint filers in excess of \$500,000.

As with any new legislative proposal, much debate is yet to be had and changes will be made before the act is passed into law. If you have any questions about how these proposed changes could effect your tax situation, please feel free to give us a call.



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Change is Good!

If you have investments with us, you may notice your October quarterly statement looks pretty different! Because we are always looking for ways to improve the services that we provide, we have invested in technology that will help us make information about your investment portfolio more readable and easier for you to access. Your statements should be clear, concise, and easy to understand. For a quick video tutorial on the new format, scan this QR code with your smart phone!



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5. Living Will: this spells out medical treatments you would and would not want to be used to keep you alive, as well as preferences for medical decisions such as pain medication and organ donation.

If your situation is more complex, you may consider a trust to provide greater customization on how your assets are distributed. For example, a trust can give special directions to provide for your spouse, and distribute your assets to your children, grandchildren, and a favorite non-profit. A trust can also detail a gradual distribution to your children, if you and your spouse were to die at the same time.

We understand that estate planning can seem intimidating, but creating these documents can provide crucial direction to your loved ones during one of the most difficult times. If we can help with your estate plan, please don't hesitate to reach out to us.



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Meet the Accountant Night

By Jordan Kvochick

For the last few years, W&H has attended Ashland University's Meet the Accountant Night. This year we sent CPAs **Teri Yoder** and **Jessica Roth** (both AU grads!) to represent the firm. We have found several quality interns from this program in the past, many of whom have gone on to become full-time staff! We have several other AU alumni on our team as well: Ryan Gilmer, Beau Carpenter, Tiana Repp, Tammy Higgins, and Scott Saner.

