VIEW CAPITAL
ADVISORS, LLC

Panorama

January 2021 ISSUE 38

2020—Investment Lessons Remembered

In this Issue:

2020—Investment Lessons Remembered

President Biden's Social Security and Medicare Plans

Taxpayer Identity Protection PINs

Like most Americans, we were happy to turn the page on 2020. Economically, the year started off strong – strong GDP, low inflation and unemployment and low interest rates. Coming off an S&P 500 total return of 33% for 2019, the stage was set for a repeat, or at least a continuation of the strong markets. But by mid-March, COVID brought panic to world markets. Amazingly, despite the horrific effects of the pandemic, the S&P 500 total return for 2020 ended up over 18%!

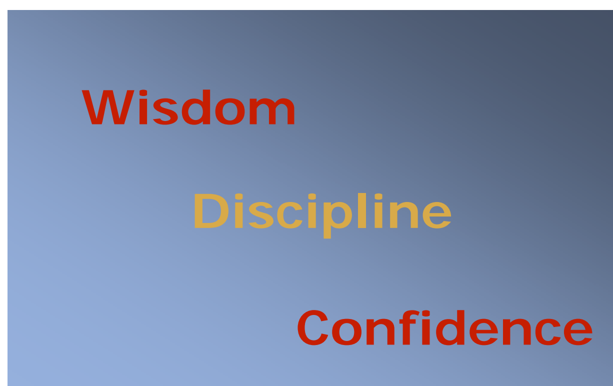
Depending on your age, you may have lived through the major recessions of 1987, 2000 and 2009. And we will all undoubtedly see more in the future as an anticipated consequence of economic cycles in the U.S. and around the globe. What did investors who survived these and the 2020 recessions relatively unscathed have in common? Sure, they felt the same fear we all did, but they didn't panic and followed these rules.

1. Stay invested. The stock market can be volatile in the short term. It can decline substantially in a single day, creating fear amongst investors. But if you stay calm, you'll find that the likelihood of a positive return grows higher the longer you stay invested. Importantly, these investors also planned for a source of liquidity other than having to sell their investments when the market was down.

2. Diversify. A well-diversified portfolio is designed to help you achieve your long-term goals as well as limit your portfolio's downs (and ups). But it doesn't always feel good. You may get upset when you inevitably lose money during certain periods (though your loss is likely less than that of the S&P 500 Index). You may also be disappointed during up markets when you see how well the S&P 500 Index performed, and you didn't do as well. The good news: A diversified portfolio may produce a better outcome for you when measured over the long-term.

3. Reduce portfolio volatility. If you invested $100,000 in the S&P 500 Index before the tech bubble burst in early 2000, your portfolio would be worth roughly $310,570 on December 31, 2019. If you invested differently over that same period such that you received about 50% of the returns in bull markets and 50% of the losses in bear markets, your portfolio would be worth slightly more—roughly $311,560. It is possible for a portfolio to capture the same return, but with about half the volatility. Those investors whose portfolio allocations and investment selections weathered storms well reduced their volatility and recovered more quickly.

The older we get, the less time there is to recover and time is your friend in investing. So make sure your plan incorporates these concepts.



President Biden's Social Security and Medicare Plans

Projections show that Social Security continues to face a long-term solvency problem. Before the pandemic, Social Security's actuary projected that the combined retirement and disability trust funds would be depleted in 2035. After that, the program would only have sufficient income from current tax payments to meet roughly 80 percent of promised benefits.

Due to the economic downturn and accompanying decline in payroll tax receipts the projected insolvency date now is 2034. That could change further depending on how quickly the economy rebounds from the pandemic-induced recession. President Biden campaigned on a detailed plan for Social Security that addresses the solvency problem by adding a new tier of payroll tax contributions for high earners. Currently, workers and employers split a 12.4% tax on income in 2021 up to $142,800. President Biden would continue to exempt incomes from $142,800 but would reinstate the payroll tax for wage incomes over $400,000. That way, he can keep his campaign promise that he is not raising taxes on individuals under $400,000. But unfortunately, this action will only extend solvency until 2040.

Biden's plan also finances a series of moderate benefit expansions, which could be helpful to retirees affected by the pandemic. One change would replace the current yardstick used for determining Social Security's annual cost-of-living adjustment (COLA) with an alternate measure geared to the types of inflation typically experienced by seniors, including healthcare. The CPI-E would replace the CPI-W and is projected to boost the COLA by two percentage points annually.

Benefits for some surviving spouses also would be increased under Biden's plan. Currently, a surviving spouse is entitled to 100 percent of the deceased spouse's benefit if it is larger than his or her own. But if the two spouses earned similar benefit amounts, the survivor still faces a cut in household benefit in the neighborhood of 50%.

Biden's plan would also give survivors the option of receiving 75% of the original household benefit, so long as the new payment does not exceed the benefit received by a two-earner couple with average career earnings. The idea here is to cap the benefit to exclude very high income beneficiaries. To help address longevity concerns, the president's plan would also provide a bonus equal to 5% of the average benefit to beneficiaries who had collected payments for 20 years.

President Biden also campaigned on providing Medicare for all. The Congressional Budget Office projects that this fund will be depleted in 2024. Before the pandemic, Medicare's trustees projected that the fund would be exhausted in 2026.

Medicare has several different parts, and they are not all financed in the same way. The immediate solvency issue pertains to Part A, which finances hospitalization and is funded mainly by a 2.9% payroll tax split between workers and employers on all wage income. The hospital fund always has a projected insolvency date, as it balances payroll tax receipts against hospital costs. The insolvency date fluctuates a great deal. Since 1970, it has been as close as two years away to as far as 28 years into the future.

If the trust fund is drained, Medicare would have resources to pay just 90% of expected costs. Congress will need to make decisions soon to fix the problem. Past legislative fixes have relied on reductions in payment rates to health care providers or by increasing payroll tax rates.

Medicare's outpatient (Part B) and prescription drug (Part D) programs are financed by general government revenue and beneficiary premiums. Since both are adjusted annually to meet program costs, neither face solvency problems.

Biden has called for expansion of Medicare by reducing the eligibility age from 65 to 60. But a study last year by the National Academy of Social Insurance found that while lowering the age to 62 would add 10.1 million to the Medicare rolls, only 670,000 would be added to the Medicare rolls because this older age group already has a comparatively low uninsured rate.

Reducing the Medicare age to 50 would add 57.3 million new enrollees, 4.6 million of whom would have been uninsured, the study found. A lower Medicare age would also come with some complications, such as how to finance the Part A expansion. Biden has proposed to protect the Part A trust fund by financing the expense of serving new, younger enrollees from general revenue, rather than the payroll tax.

Perspective

Strength

Taxpayer Identity Protection PINs

There seems to be no limit to the ingenuity of hackers who steal individuals' personally identifiable information to make an illicit profit. Over the past few years, hackers have stolen individual taxpayer information from millions of Americans in order to file income tax returns falsely claiming tax refunds. On average, it takes the average affected taxpayer over six months to get the issue resolved with the IRS.

The IRS launched the IP PIN program nearly a decade ago to protect confirmed identity theft victims from ongoing tax-related fraud. In recent years, the IRS expanded the program to specific states where taxpayers could voluntarily opt into the IP PIN program. Now, the voluntary program is going nationwide.

The Internal Revenue Service has now expanded the Identity Protection PIN Opt-In Program to all taxpayers who can verify their identities. The Identity Protection PIN (IP PIN) is a six-digit code known only to the taxpayer and to the IRS. It helps prevent identity thieves from filing fraudulent tax returns by using a taxpayers' personally identifiable information.

In effect, this locks the taxpayer's tax account, and the IP PIN serves as the key to opening that account. Electronic returns that do not contain the correct IP PIN will be rejected, and paper returns will go through additional scrutiny for fraud.

The IRS identifies a few key things to know about the IP PIN Opt-In program:

- This is a voluntary program.
- You must pass a rigorous identity verification process.
- Spouses and dependents are eligible for an IP PIN if they can verify their identities.
- An IP PIN is valid for one calendar year.
- You must obtain a new IP PIN each filing season.
- The online IP PIN tool is offline between November and mid-January each year.
- Correct IP PINs must be entered on electronic and paper tax returns to avoid rejections and delays.
- Never share your IP PIN with anyone but your trusted tax provider. The IRS will never call, text or email requesting your IP PIN. Beware of scams to steal your IP PIN.
- There currently is no opt-out option but the IRS is working on one for 2022.

Taxpayers who want an IP PIN for 2021 should go to IRS.gov/IPPIN and use the Get an IP PIN tool. This online process will require taxpayers to verify their identities using the Secure Access authentication process if they do not already have an IRS account. Once taxpayers have authenticated their identities, their 2021 IP PIN immediately will be revealed to them. Once in the program, this PIN must be used when prompted by electronic tax returns or entered by hand near the signature line on paper tax returns.

All taxpayers are encouraged to first use the online IP PIN tool to obtain their IP PIN. Taxpayers who cannot verify their identities online do have options. Taxpayers whose adjusted gross income is $72,000 or less may complete Form 15227, Application for an Identity Protection Personal Identification Number, and mail or fax it to the IRS. An IRS customer service representative will contact the taxpayer and verify their identities by phone.

For security reasons, taxpayers who verify their identities through this process will have an IP PIN mailed to them the following tax year. Once in the program, the IP PIN will be mailed to these taxpayers each year. Taxpayers who cannot verify their identities online or by phone and who are ineligible for filing Form 15227 can contact the IRS and make an appointment at a Taxpayer Assistance Center to verify their identities in person. Taxpayers should bring two forms of identification, including one government-issued picture identification.

Taxpayers who verify their identities through the in-person process will have an IP PIN mailed to them within three weeks. Once in the program, the IP PIN will be mailed to these taxpayers each year. Taxpayers who are confirmed identity theft victims or who have filed an identity theft affidavit because of suspected stolen identity refund fraud will automatically receive an IP PIN via mail once their cases are resolved. Current tax-related identity theft victims who have been receiving IP PINs via mail will experience no change.

View Capital Advisors, LLC was founded in 2004 by its principals with the mission of providing sophisticated investment asset management and financial and estate planning to our U.S. and Non-U.S. clients.

We seek to bring wealth planning best practices and a wide range of non-proprietary solutions to our clients. We also conduct our own research and diligence on world markets and investment alternatives.

For further information, please contact your investment representative or one of our wealth planning specialists:

R. Craig Brubaker 214-855-2556
cbrubaker@view-cap.com

Contributing to this issue:

R. Craig Brubaker

2727 N Harwood, Suite 225

Dallas, TX 75201

214-855-2550

www.view-cap.com

To ensure compliance with requirements imposed by U.S. Treasury Regulations, View Capital Advisors, LLC, and its affiliates, informs you that any U.S. tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

View Capital Advisors, LLC provides asset allocation and investment advisory services through its affiliated registered investment advisor, View Capital RIA, LP.