



Q4news

Financial Moves for 2021

The year 2020 presented us with unique challenges in our daily routines and with our finances. Most of us are hopeful as we begin 2021 and one positive exercise is a review of this list of financial moves to consider in the new year.

- **Track expenses.** You might be surprised how much you spend on various items and you may find ways to reduce some expenditures. Also review online spending. The ease of shopping online can save plenty of time but can also lead to hasty purchases.
- **Continue saving in 2021.** Many of us are saving due to the pandemic. We miss restaurants, concerts, movies and sporting events and many of us have shifted to working from home. When things get back to normal, decide to ease spending back into your budget carefully so you can keep your savings rate going strong.
- **Establish an emergency fund.** Start with the stimulus money Congress gifted you, and gradually save until you have at least three months you can set aside in the event of an emergency. Six months is optimal.
- **Start or increase saving for retirement.** Those saving for retirement now have until age 72 for assets to accumulate tax deferred before being required to take distributions. The maximum employee deferral for 401(k), 403(b), and most 457 plans is \$19,500. Catch-up contributions for those 50 or older is \$6,500. Annual contribution limits for IRAs are \$6,000, with the catch-up contributions limit at \$1,000.

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Index	4 th Quarter Total Return	2020 Total Return
S&P 500	12.15%	18.40%
Russell Mid Cap	19.91%	17.10%
Russell 2000	31.37%	19.96%
MSCI EAFE	16.05%	7.82%
Bloomberg Barclays US Aggregate Bond	0.67%	7.51%
Bloomberg Barclays Muni Bond Index	1.82%	5.21%
Dow Jones Industrial Average	10.73%	9.72%

*Index return data as of 12/31/2020 provided by Morningstar DirectSM

Quarterly Market Review

2020 was defined by the severe toll in human suffering and economic damage wrought by the COVID-19 pandemic which precipitated one of the most abrupt bear market declines in history beginning in late February. While this tested the resolve of all investors, 2020 also served as an example of the importance of maintaining a long-term perspective and a disciplined process as investors were rewarded with an exceptionally strong market rally that began in April and continued through year-end as investors “looked through the valley” towards an anticipated recovery aided by unprecedented levels of fiscal and monetary stimulus.

- Global stock markets rallied to all-time highs in November and December in response to the successful COVID-19 vaccine trials from Pfizer/BioNTech, Moderna and AstraZeneca, fueling expectations for a robust economic rebound in 2021.
- Stocks in the value category closed the gap with growth stocks in the 4th quarter, but for the full year “growth” outperformed “value” by the largest margin on record as many technology and e-commerce companies thrived in the “stay at home” environment.
- While market interest rates rebounded in the wake of the vaccine news, the 10-year Treasury yield closed the year at .93%, substantially below the 1.92% level at the end of 2019. Bond market investors enjoyed total returns for the year well in excess of the return from yield alone.
- The U.S. dollar continued its weakening trend in the 4th quarter and concluded the year with a notable decline of more than 6% versus a basket of global currencies. A narrowing of the previously wide differential between U.S. interest rates and those in foreign markets coupled with burgeoning federal debt levels have factored into this decline. ▲

News and Notes

- In December, the United Kingdom and the European Union reached a new post-Brexit trade deal more than four years after the historic Brexit vote in June 2016 that set the U.K. on a path as the first country to ever leave the European Union.
- The unprecedented stimulus measures employed in response to the pandemic have contributed to the largest U.S. budget deficit since WWII. The high and rising level of federal debt may depress future economic growth and has historically been a cause of concern for investors.
- Joe Biden’s victory in the 2020 presidential election along with a Democratic majority in the U.S. House of Representatives and an evenly split Senate represents a major shift in the balance of power in Washington with important implications for government policy.
- 2020 began amid the longest-ever U.S. economic expansion with the unemployment rate at a 50-year low of 3.5%. The onset of the pandemic abruptly ended the record expansion as the economy contracted in the 1st and 2nd quarters of the year with unemployment reaching double digits. However, a strong rebound in economic activity in the 2nd half of 2020 is expected to carry over into 2021 as pent-up demand is unleashed in the aftermath of the pandemic. ▲





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Financial Moves for 2021 continued

- **Review and adjust your tax withholdings for 2021.** 2020 may not have been a good year to base your estimated taxes for 2021, especially if your job was impacted by the pandemic or if you chose to waive taking a required minimum distribution (RMD). Keep in mind, there is no waiver of RMD's for 2021.
- **Pay down and pay off debt.** Negotiate more flexible terms and put away your credit cards until they are paid off. Pay more than the minimum balance and focus on high-cost debt first.
- **Review the interest rate on your home mortgage.** The average mortgage rates today are below 3%, representing historic lows. Refinancing could result in significant savings. The downward trend becomes more evident when you look at rates from six months or a year ago.

Mortgage Type	Average Rate Today	Average Rate 6 Months Ago	Average Rate 1 Year Ago
30 Year Fixed	2.67%	3.07%	3.72%
15 Year Fixed	2.17%	2.56%	3.06%
5/1 ARM	2.71%	3.00%	3.46%

Rates from the Federal Reserve Bank of St. Louis on January 5, 2021

- **Contribute to a cause near and dear to your heart.** Consider incorporating regular financial gifts toward your favorite charity or charities. For the 2021 tax year, people who take the standard deduction can take an additional deduction of up to \$300 of cash donations to charity. (\$600 for a married couple) Or, you may choose to volunteer your time instead.
- **Get your affairs in order.** Finish setting up a will or trust, and review and update your designated beneficiaries for life insurance and retirement accounts. Consider a living will for end-of-life decisions and a durable power of attorney, which allow someone to make financial and medical decisions for you if you are incapable of doing it yourself. Most importantly, be sure your family knows the location of these important documents.

We are here to assist you, encourage you and point you in the right direction. If you have questions, we are no further away than a phone call or email. ▲

8 Things to Remember When Going Through Tough Times

1. Everything can – and will – change.
2. You have overcome challenges before.
3. It is a learning experience.
4. Not getting what you want can be a blessing.
5. Allow yourself to have some fun.
6. Being kind to yourself is the best medicine.
7. Other people's negativity is not worth worrying about.
8. And there is always, always, always, something to be thankful for.

Author: Unknown. ▲

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