

# Q3 2021 News

October 20, 2021

## Expanded Tax Benefits For 2021 Charitable Gifts

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted last December, extends through the end of 2021 temporary changes originally enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

### Deduction for individuals who don't itemize; cash donations up to \$600 qualify.

Individuals who elect to take the standard deduction can claim an additional deduction of up to \$600 for married couples filing jointly or \$300 for individuals on their 2021 federal income tax returns for cash contributions made to certain qualifying charitable organizations.

### 100% limit on eligible cash contributions made by itemizers in 2021.

Individuals who itemize may claim a deduction for charitable contributions made to qualifying organizations subject to limits typically ranging from 20% to 60% of adjusted gross income (AGI) depending upon the type of contribution and type of charitable organization. Excess contributions may be carried forward for up to five tax years. For qualifying cash gifts made during calendar 2021, the individual limit has been increased up to 100% of AGI.

Index	3rd Quarter Total Return	YTD Total Return
S&P 500	0.58%	15.92%
Russell Mid Cap	-0.93	15.17
Russell 2000	-4.36	12.41
MSCI EAFE	-0.45	8.35
Bloomberg Barclays US Aggregate Bond	0.05	-1.55
Bloomberg Barclays Muni Bond Index	-0.27	0.79
Dow Jones Industrial Average	-1.46	12.12

\*Index return data as of 9/30/2021 provided by Morningstar Direct<sup>SM</sup>

## Quarterly Market Review

The surge in COVID-19 cases over the summer related to the highly contagious Delta variant has reshaped expectations for the timeline of a full economic “reopening” and raised concerns about near-term economic growth as investors also contemplate the implications of recent high inflation data, U.S. political gridlock and a tense geopolitical environment.

- The S&P 500 eked out an overall gain in the 3rd quarter despite a sharp pullback in September that was the worst month for U.S. stocks since March 2020. The summer surge in COVID-19 cases dampened investor’s post-vaccine enthusiasm, especially for cyclical stocks in the Consumer Discretionary and Industrials sectors that are highly sensitive to changes in the economic outlook.
- Growth stocks re-established momentum over Value stocks during the quarter as many large technology and e-commerce stocks that have benefitted from the “stay at home” environment during the pandemic led the overall market, like what was observed in the summer of 2020.
- The 10-year Treasury yield ended the quarter at 1.52%, slightly above the level where it began in early July. This despite falling as low as 1.17% in August as concerns emerged about the state of the pandemic and its potential to continue to disrupt the global economy. The 10-year Treasury yield began the year below 1%.

## News & Notes

- Political “brinkmanship” related to the U.S. debt limit serves as a painful reminder of the similar episode in 2011 that was a catalyst for a downgrade of the United States sovereign debt rating and elevated stock market volatility.
- After its September meeting, the Federal Reserve’s statement on interest rate policy suggested that a gradual wind-down of the Fed’s bond-buying initiative, known as quantitative easing, “may soon be warranted”. This “tapering” process is generally viewed as a potential catalyst for higher U.S. interest rates.
- The apparent financial collapse of one of China’s largest property developers, Evergrande, brings scrutiny to China’s overall financial system, which is considered opaque compared to major developed countries and raises investor concerns about excessive debt in the Chinese economy.
- Strong U.S. economic growth during the 1st half of the year is expected to moderate in the 2nd half as companies grapple with continued pandemic-related disruptions. “The path of the economy continues to depend on the course of the virus”, according to the Federal Reserve.



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## Expanded Tax Benefits For 2021 Charitable Gifts (continued)

### Consider a Gift of appreciated non-cash assets instead of cash.

One of the most powerful tax-smart strategies is donating appreciated non-cash assets held more than one year. Those who use this strategy can generally eliminate the capital gains tax they would otherwise incur if they sold the assets first and then donated the proceeds, potentially increasing the amount available for the charity by up to 20%.

### Individuals 70 ½ and older, consider making a Qualified Charitable Distribution (QCD) of Individual Retirement Account (IRA) assets.

Whether itemizing deductions or claiming the standard deduction, individuals 70 ½ and older can direct up to \$100,000 per year tax-free from their IRAs to charities through QCDs. By reducing the IRA balance, a QCD may also reduce taxable income in future years, lower your taxable estate and limit IRA beneficiaries’ tax liability.

Those seeking a 2021 tax deduction must have their gift received and processed by December 31, 2021, and some non-cash assets require additional processing time.

(Note that QCDs and the CARES Act incentives are not applicable for contributions to donor-advised funds, supporting organizations, or private foundations.)

## Medicare’s Open Enrollment starts Oct 15 – Dec 7

Check your mail for important notices from Medicare or Social Security. If you’re in a Medicare plan, you’ll get an Annual Notice of Changes (ANOC) telling you of any changes in coverage, costs, or service area. Carefully review your current coverage and any upcoming changes to your costs or benefits. If you like your current coverage, and it’s still available for 2022, you don’t need to take any action to keep it.

You may also get brochures and other marketing materials from insurance companies that offer Medicare health and prescription drug plans. Remember — plans aren’t allowed to call or come to your home without an invitation from you.

Protect yourself from Medicare fraud. Guard your Medicare card like it’s a credit card. Remember:

- Medicare will never contact you for your Medicare Number or other personal information unless you’ve given them permission in advance.
- Medicare will never call you to sell you anything.
- You may get calls from people promising you things if you give them a Medicare Number. Don’t do it.
- Medicare will never visit you at your home.
- Medicare can’t enroll you over the phone unless you called first.

Check regularly for Medicare billing fraud. Review your Medicare claims and Medicare Summary Notices for any services billed to your Medicare Number you don’t recognize.

Report anything suspicious to Medicare. If you suspect fraud, call 1-800-MEDICARE.

Get help from health insurance counselors in your area by phone through your State Health Insurance Assistance Program. <https://www.shiphelp.org/>

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