



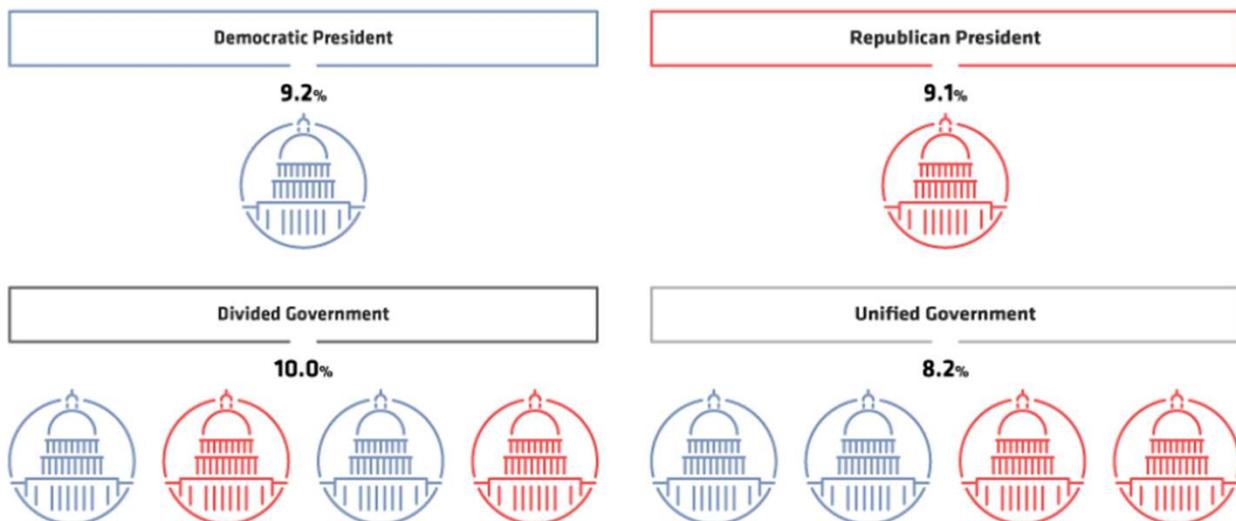
# The 2020 Election and Your Financial Plan

Among the many surprises that have popped up in 2020, the election was not one of them. Regardless of your feeling on the outcome, one thing is certain: political results are not a financial plan. We will discuss:

- The impact of political party in the White House on market returns
- Expectations with the election results, both short and long-term
- How it impacts financial planning

While each party has their own agenda for the economy, taxes, and spending, the market has continued having it's own agenda. Regardless of the political party that leads the country from the White House, the market has continued to push forward. As the graphic below shows, regardless of party, average market returns have been virtually the same. If anything, there's a larger disparity in market returns when the government is fully opposed to a partisan split between the White House and Congress. As polarizing as the election has been for many, it's important to remember these facts and be mindful of those that would say differently. As recently as four years ago, many assumed wide variations in market returns after the 2016 election. While the S&P 500 futures dropped 5% in the late hours of election night, the market fully rebounded the next day and followed it up with further gains the following year. While future market returns are never guaranteed, history has shown us that the better decision is to stay invested and focus on what you can control, being your long term financial goals.

## Election Results Don't Dictate Market Outcomes



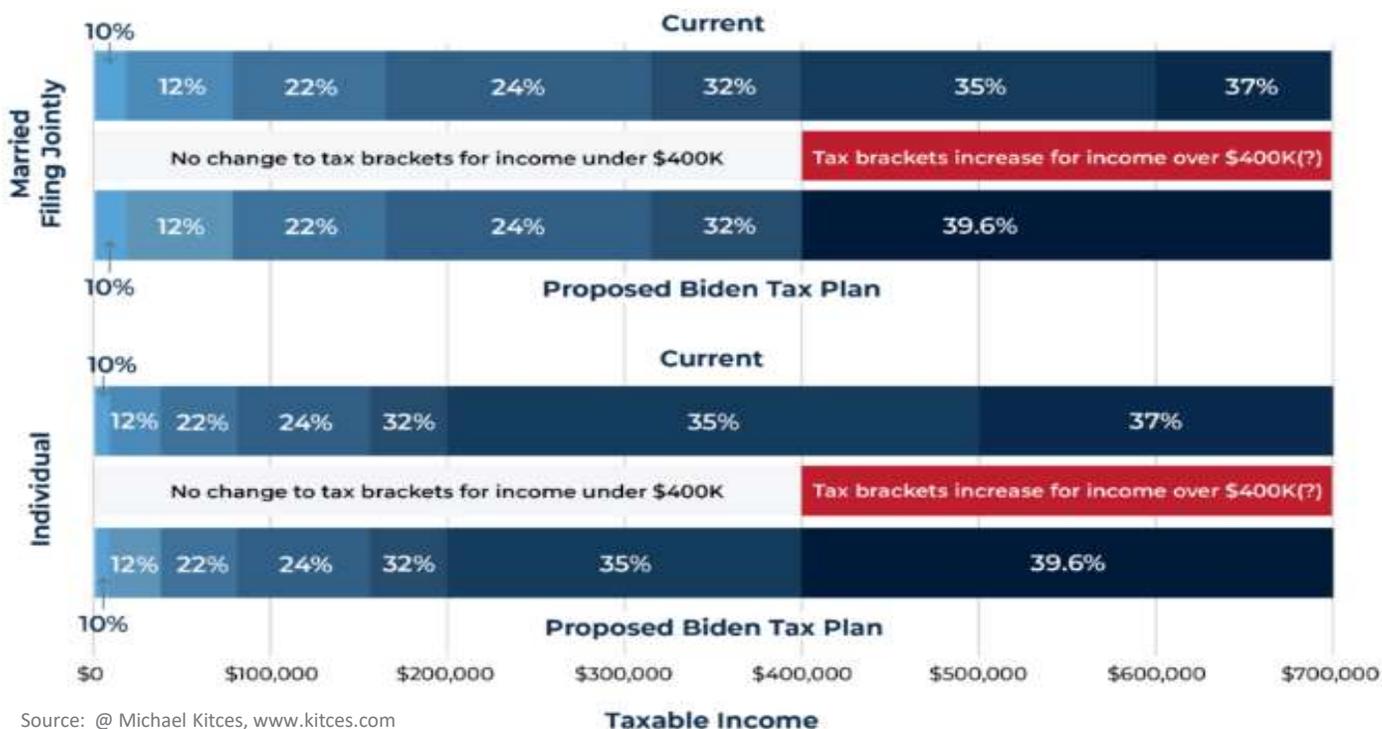
Past performance does not guarantee future results  
Returns reflect annualized returns for each Presidential term dating back to 1937, based off the Dow Jones Industrial Average  
As of December 31, 2019  
Source: Bloomberg & Alliance Bernstein (AB)



Depending on the final results that are still to be determined, the 2020 election could still bring some possible changes to other areas of a full financial plan. While history shows that the market is typically indifferent toward election results, there still are other areas of planning that could be impacted. The first key consideration is unique to 2020 being the continued management of the COVID-19 pandemic. Specifically whether there will be further stimulus relief implemented for individuals, cities and municipalities, and specific industries. Stimulus talks have largely been at a stalemate, and could stay that way until the newly elected officials are inaugurated. Assuming a Democrat Presidency and divided Congress, many believe there will be lower spending on relief, closer to \$1 trillion or less.

In addition to the stimulus discussion, arguably the largest point of contention for many is the potential changes in tax policy. Many advisors and investment firms around the industry are making a point to highlight the potential ramifications in a change to tax policy. President-elect Biden has proposed a pretty progressive tax plan as part of his campaign. Included in these possible changes are fewer deductions for those earning over \$400,000 annually, a 50% reduction in the exclusion amount for estate and gift taxes, possible elimination in the step up in cost basis for inherited assets, higher capital gain rates for top income earners, and replacement of a full deduction of retirement contributions with a tax credit estimated at 26%. All of these changes, plus the marginal tax bracket changes shown below, have brought some potential concern to many in the top brackets. Unfortunately, due to the unfinished results in the Senate, it's difficult to decide what the best course of action could be for many individuals in terms of planning. It makes it more important to discuss with a financial and tax professional about the possible impacts of doing certain maneuvers, such as making gifts to leverage the current lifetime exemption rules versus waiting and potentially losing out on part of that exemption due to tax law changes.

### Comparison of Individual & MFJ Tax Brackets: Current vs Proposed Biden Tax Plan





## The Bottom Line

Election results matter and can bring change in many ways, but don't let proposed policy changes force the wrong decision in your financial plan. As discussed, a common misconception is that a specific party will swing investment markets in a positive or negative way specifically. While the future is undetermined, history would show that the best course of action is to remain invested because the market doesn't care about the polls and continues to base returns on consistent investment fundamentals and not change of the administration. That said, that doesn't mean there are areas in your financial plan that should be disregarded. Possible changes in tax policy could impact not just your tax bill, but other areas like retirement and estate planning. That all said, even with the new administration's proposed progressive tax plans, it's important to remember that we are a long ways from implementation of these exact changes. As with most proposed law changes, it's more difficult, even with a partisan majority, to pass the original proposals when it comes to major pieces of legislation. Because of that, it's more important than ever to speak with a financial professional who understands what's on the table currently so that you can choose the best course of action for your situation, even given the uncertain nature to the final results. Talk with one of our professionals at Prime Capital Wealth Management to help with those decisions.



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