

The Archvest Advantage Q4 2020 Newsletter

January, 2021

2020 Yelp® Review

1 Star 

Remember Billy Joel's 1989, "We Didn't Start the Fire?" Play that song in your head as you read the following summary of 2020:

Escalation in Iran, wildfires in Australia, COVID 19 comes to America, impeachment, acquittal, business shutdown, stock market crash, everyone work from home, civil unrest, decimation of commercial real estate...

Stimulus package 1, stimulus package 2, Federal Reserve reduce interest rates to zero, Fed starts buying corporate bonds, then high yield bonds, Beirut explosion, West Coast fire, stock market rally, technology stocks leading the way to new market highs, Eddie Van Halen, US elections, stimulus package 3...

*We didn't start the fire,
It was always burning, since the world's been turning,
We didn't start the fire,
No, we didn't light it, but we tried to fight it.*

We would not recommend 2020 and would give the year a zero-star review if we could.

Looking Ahead

There are two vaccines on the market with more on the way. There appears to be a light at the end of the tunnel and it's not a train. With the new administration taking power on January 20th, we anticipate further stimulus from the Federal government and further extension of unemployment benefits. In our view, this is necessary to keep the economy on life support as we begin to solve the ongoing health crisis. Congress and the Federal Reserve can only buy the economy time.

We are cautiously optimistic about economic growth, but the reality is that top 20% of wage earners have become more wealthy last year while the remaining 80%, particularly those making less than \$60k per year, have fallen behind. As the US economy is 70% consumer based, we need everyone to be moving ahead to achieve sustainable economic growth.

There are currently 30 million adults living in households without enough food. Yet stocks are at all-time highs. The DOW, S&P, and tech-heavy NASDAQ ended the year up 9.7%, 18.4%, and a

whopping 48.9% respectively. Something is very wrong with this picture.

Our goal in 2021 is to continue managing risk, we are willing to give up a dollar in return to avoid a dollar in loss. When measuring risk, the upside vs. downside potential is not symmetrical. Markets can go down A LOT faster than the market can go up; the downside is exponentially higher than the upside.

The Rise of Crypto Part Deux

In a way it feels we've jumped back in time to Q4 of 2017 when we spoke about cryptocurrency in that newsletter. The major cryptocurrency Bitcoin (BTC) was coming off its high on December 18 of almost \$19k. In the subsequent quarter, BTC fell to \$6.7k and by early 2019 down to \$3.5k. At that point it seemed most investors shrugged of the crypto-space has highly speculative and something akin to the tulip bulb mania that occurred in the 1600's.

Well, it seems there might be some value in cryptocurrencies after all. BTC has made more than a comeback hitting just over \$41k USD in early January 2021 and increasing at a breathtaking pace, up almost 4x in Q4 2020 alone! In a recent Arcane Research study of whale size wallets (1,000 or more BTC), it looks like institutional speculation is driving the recent price movement. To us this appears to be momentum-based speculation vs. institutions placing of a real value on BTC itself. Time will tell if the value of crypto currency can withstand government unrest and the expansion of sovereign debt.

From the Tax Desk

With all the changes by Congress last year, we thought we would share a few important updates. As you know, Required Minimum Distributions (RMD) were suspended for 2020. As of now, RMDs are to resume for 2021, unless Congress changes the law again. For those charitably inclined, you may satisfy your RMD through Qualified Charitable Contributions and avoid the income taxes associated with RMD. We are happy to discuss this further with you if you have questions.

The IRS has pushed back accepting e-filings to February 17th from February 1st. This means as things stand, this tax filing season will be exceptionally short. Things are further compounded by all of the sweeping legislative changes last year. We hope that the filing deadline will be extended so everyone's return can be filed accurately. Again, don't be afraid to go on extension if you need to.

If you received a stimulus check, you'll need to check your records and confirm how much. It looks like 2020 returns will have a place to note how much you received as part of the reconciliation to confirm the payments that were made. If you didn't receive stimulus and you were entitled, the amount due to you will show up as a credit on your tax return.

A Personal Message from John & Eric

2020 was a year of so much drastic change for us all. As we embark on this new year and the road ahead, I (John) was recently reminded of a poem written by Jason Lehman, a then 14-year-old boy, in 1989 from a Dear Abby column published in the Chicago Tribune. The poem reads:

It was spring, But it was summer I wanted, The warm days, And the great outdoors. It was summer, But it was fall I wanted, The colorful leaves, And the cool, dry air. It was fall, But it was winter I wanted, The beautiful snow, And the joy of the holiday season. It was winter, But it was spring I wanted, The warmth, And the blossoming of nature. I was a child, But it was adulthood I wanted, The freedom, And the respect. I was 20, But it was 30 I wanted, To be mature, And sophisticated. I was middle-aged, But it was 20 I wanted, The youth, And the free spirit. I was retired, But it was middle age I wanted, The presence of mind, Without limitations. My life was over. But I never got what I wanted.

While it is important to look forward with anticipation of the road and opportunities ahead, may we also not forget to reflect and enjoy the current season of life we are in. We know each season does have enough troubles of its own, but there is also joy and we hope we can share in that joy with you.

Since we're on the topic of music on this newsletter, I (Eric) will share my latest musical discovery. Over Christmas, I listened to the newly released *Jimi Hendrix Experience Live in Maui* record. This was one of Jimi's last taped performances. As I've shared, I am a classic rock fan and I found this record to be really worthwhile. I will never have the opportunity to enjoy these acts live so I'm glad to experience them through these live recordings. Check out the Jimi's wonderful performance of "Voodoo Child (Slight Return)" on this record or on YouTube. If you view it on YouTube, you'll have to ignore the psychedelic camera work. Things are different right now, but we can still find joy in things we love.

We look forward to the road ahead as well as forward to the opportunity to see you in person again soon! As always, we greatly appreciate the confidence you have placed in us to work alongside you regarding your planning needs. Be sure to follow us on Facebook, LinkedIn and Twitter as well as our RSS feed to stay up to date on what we're reading and thinking.

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Archvest Team