

How A Biden Presidency Could Impact Your Financial Planning

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Keep Goals In
Sight




**Financial planning
is like trying to hit a
moving target in
the wind.**



Emotions

- **Fear**
(can drive our decisions)
- **Uncertainty**
(can create hesitation)
- **Pain and Loss**
(we tend to want to avoid)

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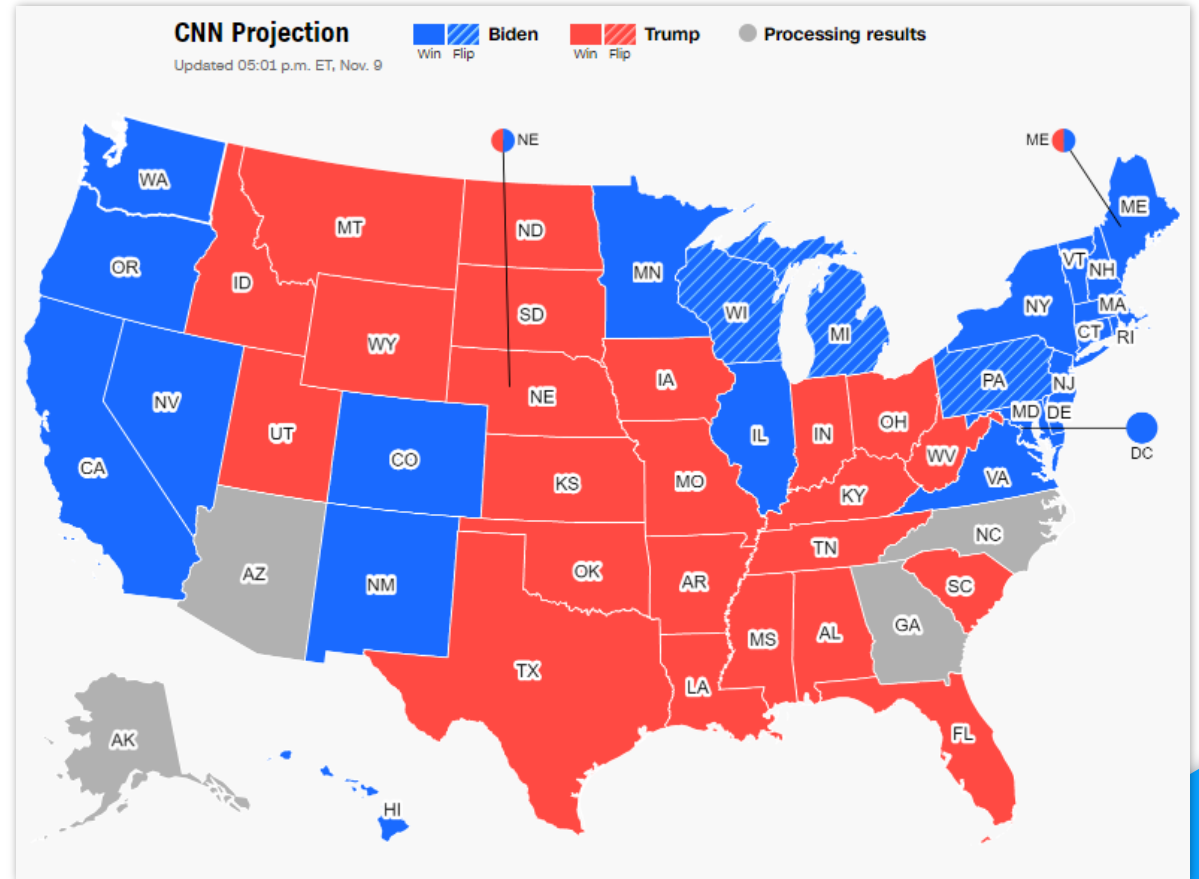
Goal Based Planning Process

1. Start with your goals
2. Determine where you are today
3. Lay out a plan for where you want to go
4. Execute the Plan
5. Review it over time

How Have Elections and Political Parties Impacted Markets

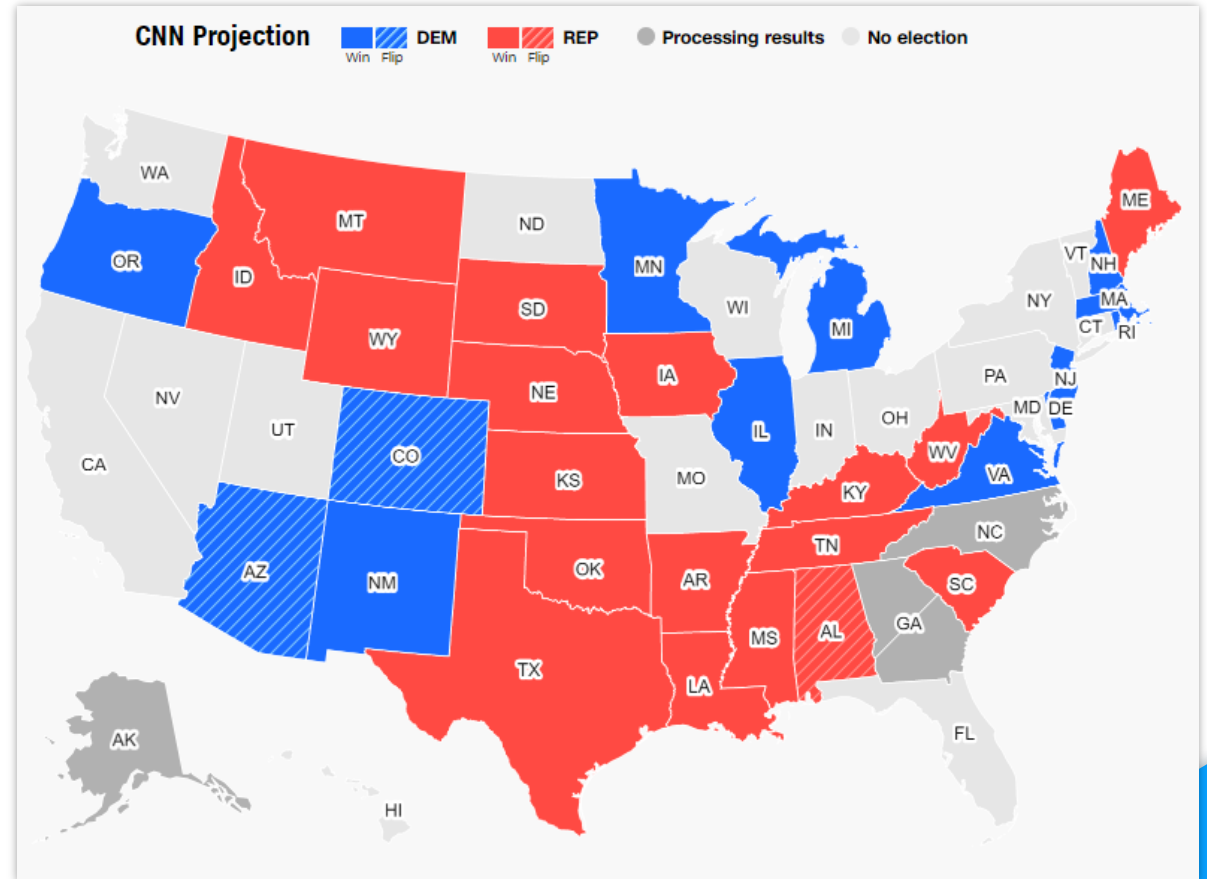
Election

- Election was closer than expected
- Evenly divided populous
- A few states still counting
- Trump will have more electoral votes than Clinton did in 2016 if he holds North Carolina and Alaska
- That was a very close election as well



Election

- Republicans did much better in House and Senate than expected
- No blue wave – but possible Senate majority
- Republicans are likely rewarded for Supreme Court actions before elections
- Republicans expected to pick up around 10 House seats
- 225-210 majority

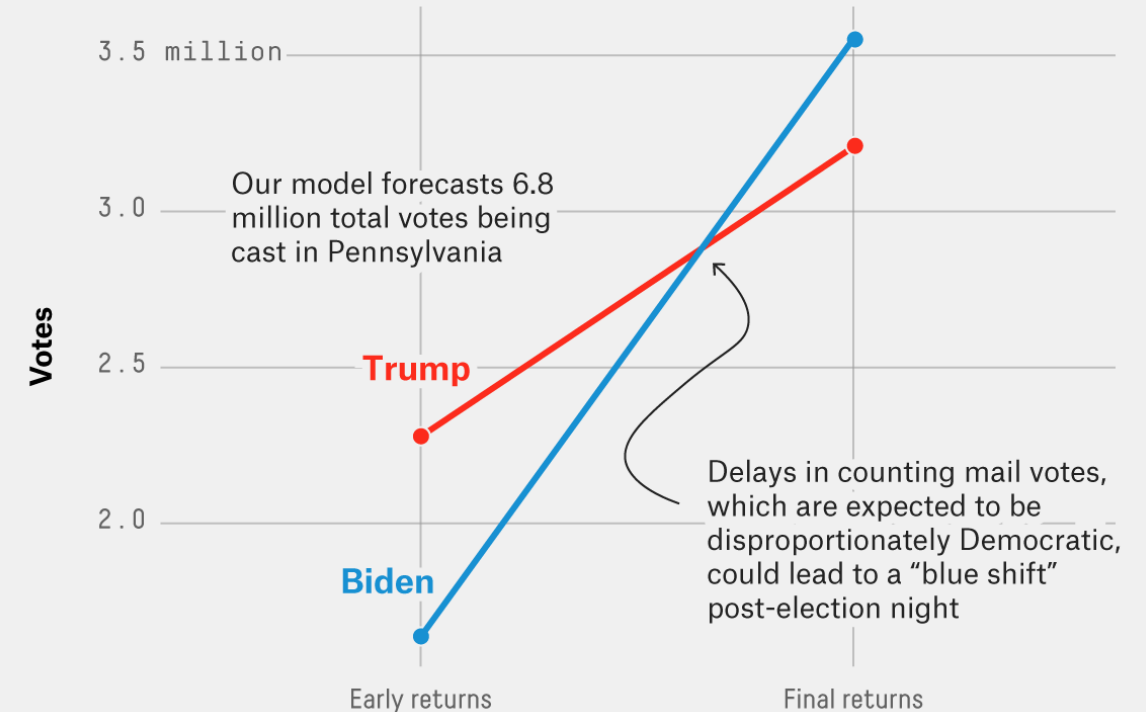


Election

- Lawsuits, recounts and election challenges
- Lots of people (that supported Biden) want the race to be over
- More mail in ballots make it harder for supporters of the losing candidate
- This process needs to get better if we want better closure
- If not, then there will be more challenges and it will drag on

There could be a big blue shift in Pennsylvania's vote

How the votes reported on election night could differ from the final tally, based on the FiveThirtyEight presidential forecast as of Oct. 28

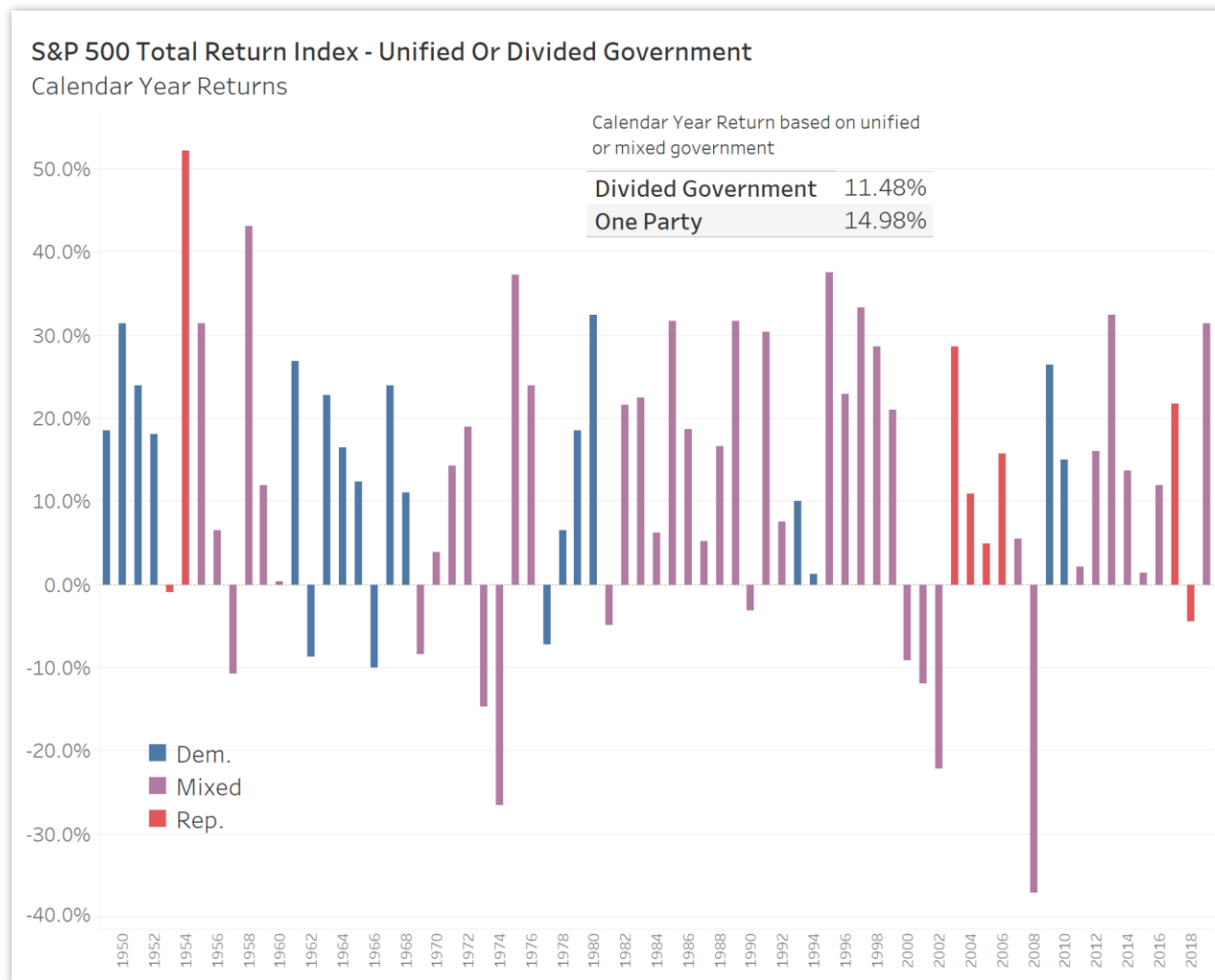


FiveThirtyEight

SOURCE: ABC NEWS, PENNSYLVANIA DEPT. OF STATE

Markets

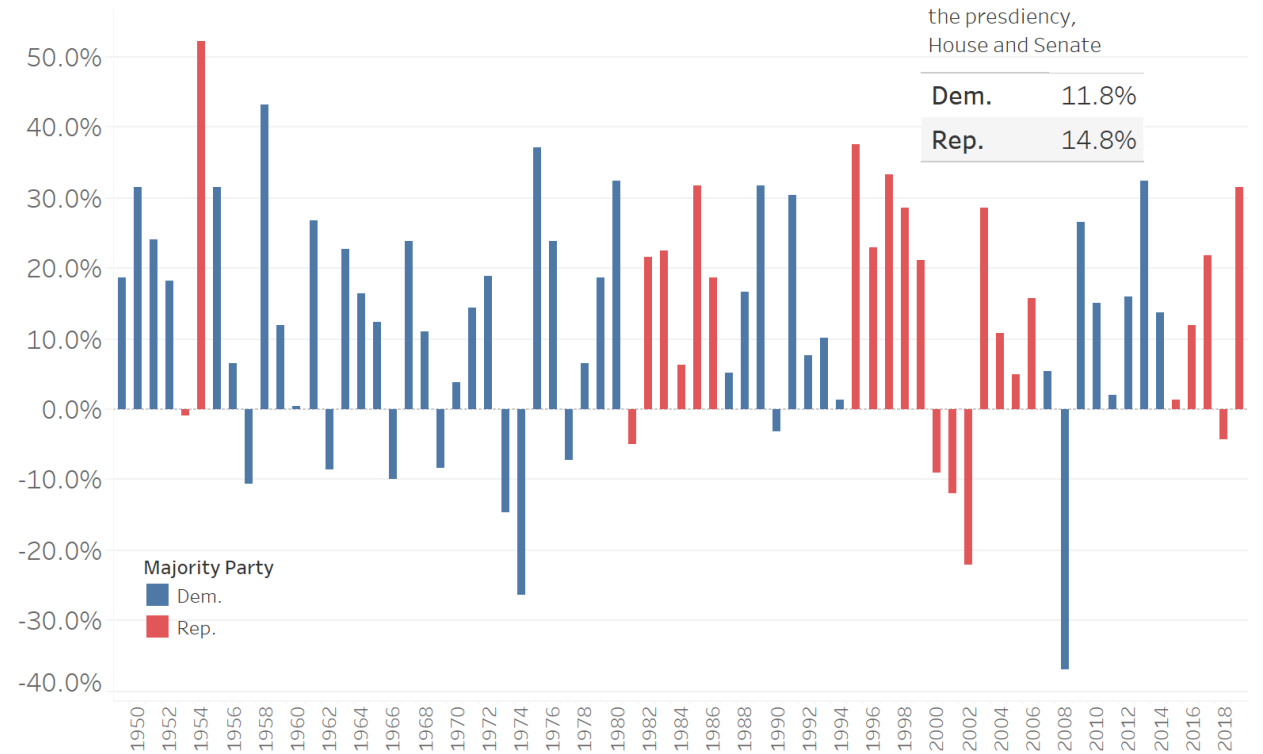
- Since 1948, only four years with a Democratic President and Democrats controlling one half of Congress
- 2011-2014 – The middle years of the Obama administration where Republicans controlled the House
- Divided government was a popular narrative after the first Clinton term



Markets

- Most important lesson: Returns have been good during periods of Republican and Democratic control
- Slight lean towards Republicans – the party friendlier to business
- Not a large enough sample size to make a firm opinion on statistics alone
- The Republicans and Democrats have changed over the last 70 years

S&P 500 Total Return Index - Presidency, House and Senate
Calendar Year Returns



Source: Morningstar Direct, Carson Group

Potential President Biden Initiatives



Possible President Biden Initiatives

- Covid-19 (2nd Relief Bill)
- Tax Changes
- Health Care
- Retirement Planning
- Estate Planning

Reality Check On Initiatives



Split Congress Impact

1. Republican Control of the Senate will severely limit potential “radical” or otherwise fully democratic agendas
2. Will likely need compromise on tax planning bill that garners some bi-partisan support
3. Presidents can have bigger impact on regulatory aspects like Department of Labor rules on fiduciary standards or ESG investing
4. Interesting to watch out for elections in 2 years when 34 seats up for election (22 are Republican and 13 are Democrat)

Stimulus Bill

Election

- Expect an aid bill to be passed for \$1T – probably in the lame-duck session
- Larger aid bills unlikely unless Democrats gain a Senate majority
- Positive vaccine news likely changes the emphasis of the bills
- Focus will be on paying for and distributing vaccine
- Less emphasis on challenged industries





2nd Covid-19 Stimulus Bill

1. Cases and hospitalizations are rising
2. Unemployment continues to improve
3. Markets have been strong
4. House Democrats and Senate Republicans remain far apart on several key issues



Election Impact

1. Election could impact willingness to meet in the middle a bit more
2. However, with Senate being held Republican (most likely) not as much pressure to cave on current demands
3. Rising Cases and hospitalizations and any impact on state shutdowns would be likely bigger impact to get a bill done



2nd Covid-19 Stimulus Bill

1. Expanded unemployment
2. Health Care funding
3. Another round of direct rebate checks
4. Perhaps funding for certain heavily impacted sectors
5. Range could be in \$1 Trillion to \$3 Trillion*

* House passed HEALS Bill close to \$3 Trillion - <https://www.bloomberg.com/news/articles/2020-05-13/massive-house-bill-has-seeds-for-compromise-on-next-stimulus>

Vice President Joe Biden's Proposed Tax Policy

Biden Tax Plan Impacts

1. Generally speaking you would see a minimal impact on taxes on those below \$400,000 – University of Wharton analysis saying less than 1% impact on after-tax income
2. For those above \$400,000 (top 1.5% of wage earners) would see a 17.7% decrease in after-tax income - again most of this being SS 12.4%
 - a) SS TAX (12.4%)
 - b) Repeal some tax benefits of TCJA
 - c) Raising top rate on ordinary income
 - d) Eliminate Stepped Up Basis (definitely on table for either party)
 - e) Taxing Capital gains and Dividends at Ordinary Rates (Could be as high as 39.6)
 - f) Limiting Itemized Deductions
 - g) Raising Corporate Rates (21% to 28% - was 35% before TCJA 2017)
 - h) Install a minimum corporate tax rate for larger companies of 15 percent

<https://www.cnn.com/2020/09/08/op-ed-here-are-some-smart-tax-moves-to-make-in-a-biden-presidency.html>



Student Loans

1. Growing noise about a tax plan or loan forgiveness plan
2. Biden's official plan and website didn't forgive student loans – but would lower down cost of community college and expand higher education funding
3. Kamala Harris did run on a partial expanded loan forgiveness program
4. But, recently Biden called on a \$10,000 loan forgiveness program due to Covid-19**

**<https://www.forbes.com/sites/zackfriedman/2020/03/23/student-loans-forgiveness-biden/?sh=797299fa72b2>
<https://www.forbes.com/advisor/personal-finance/joe-biden-is-president-of-the-us-here-are-5-ways-hell-affect-your-finances/>

Vice President Joe Biden's Estate Tax Possible Changes



Estate Tax Changes

1. Would Biden try to repeal the expanded estate tax exemption amounts?
2. Could revert to \$3.5 million in 2021 – compared to the \$11.7 projected now
3. Could this be a good way to drive tax revenue?
4. What about loss of step up in basis rules? Was Republican support for this back in 2017 with TCJA
5. Could develop end of year planning opportunities

<https://www.reinhartlaw.com/knowledge/impact-of-potential-biden-administration-on-estate-and-wealth-transfer-planning/>



HNW Individuals – Maximize Expanded Exemption

1. TCJA doubling of the lifetime exemption goes away at end of 2025
2. This means, without any changes it still should be maximized
3. Use up during life for ultra high net worth
4. However, most people won't likely have to deal with federal estate and gift tax issues

<https://www.reinhartlaw.com/knowledge/impact-of-potential-biden-administration-on-estate-and-wealth-transfer-planning/>

Vice President Joe Biden's Retirement Policy Changes



Retirement Policies (Biden)

1. Reduce prescription drug costs for Older Americans on Medicare
2. Protect ACA & Medicare (covers 60 million older Americans)
3. Increase at home Medicaid coverage for long-term care (points out that 6/10 in nursing homes are on Medicaid)
4. Create \$5,000 tax credit for informal LTC caregivers ([AARP supported policy](#))
5. Preserve & Strengthen Social Security (look at more on another slide)
6. Equalize Saving Incentives for 401(k) Plans
7. Encourage continued work for older Americans

<https://joebiden.com/older-americans/>



Biden 401k Plan

1. Levelize 401k Tax Benefits
2. Instead of a deduction based on contribution essentially pulling down your top marginal rate you would receive a flat % based credit for contributions
3. Tax deferral does benefit highest earners the most – a 20-26% based credit would be less of a benefit but still a benefit
4. Allow Catch up contributions for those not in the formal labor market (similar to spousal IRA contributions)
5. Give more tax benefits for starting plans (was some in TCJA)



Biden 401k Plan Questions

1. What behavior will this cause?
2. Will this send more people to Roth IRAs?
3. Will we have a 20% credit going in and ordinary rate coming out?
4. If below the credit for income would you then consider getting higher rate 20% credit and then immediately convert at lower rate?
5. What would happen with conversions in general or Roth?
6. Business owners might redo plans?

Concluding Thoughts & Takeaway



Moving Forward

1. Could be tax-loss harvesting planning opportunities
2. Roth conversions and savings opportunities
3. Gifting and estate planning opportunities
4. Non-qualified stock options and other ordinary income options might want to realize in 2020 prior to 2021 if Democrats win election as could signal higher taxes coming
5. Stay Current!



2021 and Beyond

1. Split Congress means some need for bi-partisan bills
2. Limits ability to pass groundbreaking legislation
3. Expect more Executive orders and work in the regulatory side



Keep Focused On Your Goals

1. Identify and Prioritize Goals
2. Review your current situation
3. Developed a plan
4. Execute plan
5. Review Plan Over time



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