NELSONCORPNEWS

APRIL
2021

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IT'S SPRINGTIME!

For some time now, I've been sending you content that I hope is both interesting and entertaining. To me some of the most interesting topics are those that touch my heart. As you well know, I can be sentimental at times, and this season is one that makes me want to be sentimental!

This season is amazing! We see leaves on the trees, baby animals, flowers in full splendor, the grass turning green, and too many other wonderful things to mention. Regardless of your particular beliefs, there's one thing we can all agree on: Spring brings hope and joy to us all!

As you ponder what this season means to you, remember that hope and peace are available to all of us, we just need to know where to look. I suggest simply looking outside your window. I know it works for me!

Have a wonderful month, and let the spirit of the season stay with you the year 'round!

David Nelson

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TAX SEASON 2021 CHANGES TO REMEMBER

The IRS extended the deadline for all federal tax returns and payments to May 17th, 2021, though estimated tax payments for Q1 are still due April 15th.

The contribution deadline for IRAs and HSAs has also been moved back to May 17th.

The state of Iowa has extended the filing and payment deadline to June 1st, 2021. This June 1st deadline also applies to Q1 estimated tax payments.

The state of Illinois has extended the income tax filing deadline to May 17th, 2021. Quarterly estimated tax payments are still due April 15th.

NelsonCorp Nuggets

Student loan debt in the US was 90% larger than credit card debt nationwide as of 12/31/20, i.e., $1.56 trillion vs. $820 billion

Source:
Federal Reserve Bank of New York

Read NelsonCorp Nuggets every Tuesday and Saturday on the front page of the Clinton Herald.

INTEREST RATES

One year. It seems incredible, but it has been one year since COVID-19 struck our shores. One year since the World Health Organization declared a pandemic. One year since the markets crashed and the schools closed, and we realized just how much we take toilet paper for granted.

Since then, the markets have recovered and risen to new heights. The economy, meanwhile, has recovered more slowly. Now, a quarter of the way through 2021, we have a new president, several new vaccines, and a completely different world than the one we knew before all this started. We have also seen some renewed volatility in recent weeks. This has many of my clients asking, "Where are the markets going next? What should we expect for the rest of 2021?"

We'll address those questions in this letter.

As you know, there are two types of long-term market situations: Bull markets and bear markets. But the whole "bull vs bear" concept can also be used to describe two types of investor sentiment. Bulls are investors who have a positive, or "bullish", view of where the markets are headed. Bears, meanwhile, generally have negative, or "bearish" expectations. So, in this letter, I'm going to let both animals debate each other, each presenting their case for why the markets will have a positive year or a negative one. We'll start with the Bull, move onto the Bear, and then give the Bull a chance for a short rebuttal. Finally, as your financial advisors, We'll give you our view.

THE BULLISH VIEW

Last year's market crash was sudden, swift, and deep. But in the grand scheme of things, it didn't last very long. In fact, it took only six months for the markets to recover. (By contrast, it took the markets almost six years to recover after the Great Recession.) Since then, the markets have risen to new highs.

Three things propelled the markets to this remarkable turnaround: Low interest rates, federal stimulus, and the expectation of a major economic recovery. Let's start with the first one. To help juice up the economy, the Federal Reserve lowered interest rates to a historic degree. Low interest rates promote more borrowing and spending, two pillars our economy is based on. They also help people buy homes and encourage businesses to invest more in themselves. (Including hiring more workers.)

Congress, meanwhile, has passed three major stimulus packages in the last year. The most recent bill was signed by President Biden on March 11. The America Rescue Plan Act of 2021, as it's called, provides $1.9 trillion in aid for both businesses and consumers. Among other things, the Act extends COVID unemployment benefits through Labor Day, provides $1,400 direct payments to individuals, expands certain tax credits, and grants billions to small businesses to help meet payroll and retain workers. The first two stimulus packages had a positive impact on things like retail sales and consumer spending, and it's widely expected that this one will, too.

This combination of low interest rates and government stimulus have helped the economy tread water while we deal with the virus. But much of the market's rise is due to something else: Expectation. Specifically, expectation that the pandemic will end, and the economy will hit the accelerator. As more people are vaccinated and case numbers fall, the thinking goes, more and more of society will re-open, releasing a flood of pent-up demand. Demand to travel, to eat out, to catch a movie in theaters, you name it. Add the latest round of stimulus to the mix, and suddenly Americans have both extra money in their pocket and the means to spend it. In other words, all the ingredients are there for a major economic comeback, the likes of which we haven't seen in decades.

Now, we seem closer than ever to that expectation becoming reality. As of this writing, there are three approved vaccines in the U.S., with more than 115 million doses administered (40 million people are currently considered fully vaccinated, approximately 12.3% of the total population.) Currently, our nation is averaging over 2 million shots each day. It's no surprise, then, that cases in the U.S. have been falling for weeks. In fact, as of March 19, cases are down over 14% over the last two weeks.

We're not out of the woods yet, not by a long shot. Masks and social distancing will continue to be a part of our lives for some time yet, and of course there are relatively new variants of the coronavirus to deal with. But if we can maintain this trajectory, increasing the number of people vaccinated and reducing the number of people sick, that could do wonders for our economy. It could lead to more of society reopening, leading in turn to more jobs, more consumer spending, and greater company earnings. Greater earnings, of course, usually lead to higher stock prices.

THE BEARISH VIEW

So, in light of all this, how can anyone have a negative view of where the markets are headed? It all comes down to a single word: Inflation.

Inflation. It's a scary-sounding word that conjures up images of German children stacking useless money in the 1920s, or gas rationing in the 1970s. For decades, economists have monitored it relentlessly. The Federal Reserve considers managing inflation to be a core aspect of its mission. That's partly why our nation's inflation rate has been relatively stable over the last twenty years.

But recently, some analysts and investors have begun stressing over inflation again. They don't deny that the economy is poised to grow. They just worry that it will grow too much, too fast. There's a word for this, too. Economists call it overheating.

When an economy overheats, it essentially no longer has the capacity to meet all the demand it faces from consumers. Some producers will simply not be able to supply all the goods their customers want. Other producers, to keep up with that demand, will be forced to raise prices. It's a classic example of the Law of Supply and Demand. (When the demand for something outpaces its supply, the price goes up.) For example, if everyone suddenly decides to fly to that vacation spot they've been putting off for a year, the cost of air travel would skyrocket.

If the economy were to grow too quickly, prices would rise across the board – and the value of our currency would drop. This, essentially, is inflation: When the general price level rises, a dollar simply pays for less than it used to. That makes it much harder for people to buy the goods and services they need. Or to pay off their debts. It makes it harder for businesses to hire new workers or pay the workers they already have. The upshot? When inflation gets too high, consumer spending plummets, unemployment jumps, and economic booms turn into economic busts.

Some experts worry this is what's in store in 2021. They see the economy as a garden hose that's been tied up into a knot. Untie the knot – or re-open the economy too quickly – and the water will burst out with sudden, savage force.

So, here's what this has to do with the stock market. Normally, the Federal Reserve combats inflation by raising interest rates. Higher interest rates tend to cool off the economy, because they prompt people to save their money instead of spending or borrowing it. A cooler economy decreases inflation, and gradually things go back to normal. The problem is the stock market has become accustomed to the Fed's low interest, "easy money" policies. Low interest rates mean that many types of investments, most notably bonds, simply don't provide the same return on investment as they would in a high-interest rate environment. That drives more and more investors into the stock market to get the returns they need. But what happens when interest rates go up? Consumers and businesses could cut back on spending, which in turn could cause earnings to fall and stock prices to drop.

Fear of inflation, and fear of higher interest rates. That's the bearish view in a nutshell.

REBUTTAL

I promised the Bull would have the opportunity for a short rebuttal, so here it is. There are two main reasons for thinking this fear of high interest rates are overblown. The first is that, even if inflation does go up – which it likely will – we have a lot of room to work with before it becomes a problem. In 2020, the inflation rate was only 1.2%. That's well below the 2% mark the Fed generally aims for, and nowhere close to the mindboggling numbers we saw in the late 70s and early 80s. (In 1979, for example, the inflation rate was 13.3%.)

The other reason is that there's no reason to assume the Federal Reserve will automatically raise interest rates just because inflation goes up. Why? Because the Fed itself has said that it won't! 5 Currently, the Fed sees stimulating the economy and boosting employment to be far bigger priorities than tamping down on inflation, and recently, the Fed Chairman suggested interest rates would remain low at least until 2022.

OUR VIEW

We've told you what the Bulls and Bears think. So, here's what we think. Go watch a video on YouTube and then read the comments. Ever notice how many people like to say "First"? In my experience, a lot of investors – be they Bulls or Bears – are like that. They stress over "getting ahead" or "being first", and as a result, they overreact to the slightest provocations.

Here at NelsonCorp, we don't focus on guessing what the Fed will do, or anyone else. We don't have a crystal ball. No one does! That is why we base our strategy on dynamic risk management. We analyze – and take advantage – of market trends, relying on the Law of Supply and Demand rather than fighting it.

Historically, an improving economy leads to a stronger stock market. If that happens in 2021, wonderful! But if interest rate fears worsen and volatility goes up, we are ready to play defense and move to cash. Remember, we don't need to "buy and hold" even when there's a Bear roaring in our face. If there's a general rise in prices and inflation skyrockets above what the Fed can handle, we don't have to ride out another market crash like so many investors do. We'll obey the rules of our strategy and do what the trend dictates. If our technical signals indicate major volatility on the horizon, we'll be prepared.

It's been a year since the pandemic began. A year since some of the worst market turmoil in a long time. We got through that by being flexible, disciplined, and diligent, and we've been rewarded. So, that's what we'll continue to do.

FINANCIAL SPRING CLEANING

What do finances and spring cleaning have to do with each other? If you're preparing for retirement, the answer is "A lot!"

Spring is in the air, and that means it's time for spring cleaning. But wait! Before you pick up that dust pan, give a thought to your financial spring cleaning first.

What do finances and spring cleaning have to do with each other? If you're preparing for retirement, the answer is "A lot!"

These days, the term spring cleaning is often used as a metaphor for getting your affairs in order. As you can imagine, getting your retirement affairs in order is critical if you intend to actually retire when and how you want. There are many things to keep track of, many tasks that need doing, many decisions to make.

So how do you begin? Well, when many people do their actual spring cleaning, they make a checklist. What supplies they'll need, what rooms need to be cleaned, what needs to be mopped, vacuumed, dusted, or organized … it's the most efficient way to clean. I suggest doing the same for your finances.

So without further ado, here is a sample Spring Cleaning Checklist to help you better prepare for retirement.

PRE-RETIREMENT SPRING CLEANING CHECKLIST

- Contribute the maximum amount to your IRA if you have one. Remember, an IRA is a valuable way to save for retirement in a simple, tax-advantaged way. Currently, the annual IRA contribution limit is $6,500 for those 50 and older.
- Review your 401(k) and increase your contributions if necessary. How has your 401(k) been performing? Do you understand how your money is being invested, and why? Are you contributing enough to take advantage of any employer matching?
- Start looking at your existing expenses. Which are likely to continue after retirement? What expenses can you remove right now? This is a good way to find

extra ways to save for retirement, and it will make your life a lot simpler once retirement comes.

- Make sure you know where all of your estate planning documents are. You should have a copy of your will, power of attorney, advance medical directives, letter of instructions, and other documents in a secure but easily accessible place. Make sure your spouse (or other loved ones) knows where these documents are kept.

- Review your current insurance policies. Are there any potential gaps you can see? (For example, Critical Illness and Long-Term Care insurance are two types of policies many people don't have but are often extremely valuable for retirees.)

But most of all …

- Make a list of your top retirement concerns. Is there anything you are confused or nervous about? If so, start getting the answers you need now instead of waiting till you're already retired. Remember, you want to enjoy your golden years, not stress over them.

- Similarly, make a list of any new goals or dreams you have for retirement. What will it take to achieve or afford them? Are you on track? If you're not sure, it's time to start planning.

Spring cleaning is never the most fun thing in the world, but it's often one of the most beneficial. Just as you probably enjoy living in a clean, organized home, you'll enjoy the peace of mind that comes with getting your finances in order. Trust me: if there's one thing I've learned in all my years of helping people plan

You should have a copy of your will, power of attorney, advance medical directives, letter of instructions, and other documents in a secure but easily accessible place.

for retirement, it's that a little organization today can make for a much happier retirement tomorrow.

Of course, if you need help with any of the items on this checklist, please let me know. For example, if you don't have an IRA, I can help you set one up. If you aren't sure how your 401(k) is doing, I'd be happy to help you analyze it. And if you have any questions or concerns about retirement, the chances are good that I have the answers.

In the meantime, I wish you and yours a happy spring—and a happy spring cleaning!

NelsonCorp Nuggets

US consumer spending dropped 3% during calendar year 2020, a combination of spending on "goods" increasing while spending on "services" fell.

Source: Federal Reserve Bank of New York

Read NelsonCorp Nuggets every Tuesday and Saturday on the front page of the Clinton Herald.

NELSONCORP MEDIA APPEARANCES

Make sure to catch our weekly educational content featured on television, radio, and the local paper. If you missed any of it, it is availalbe on our website at www.nelsoncorp.com.

On 4 Your Money in March we covered many topics. John Nelson discussed indications of frothiness in the market and what we are watching there. On another segment he discuued inflation and the role that the US dollar plays in the pricing of goods. James Nelson discussed how rising interest rates help explain the performance differential seen in growth and value stocks recently. David Nelson talked about the difference between historical and implied volatility and how that can be used to assess risk. He also discussed the unusual performance dynamics we have see in growth and value stocks.

4 Your Money airs Tuesdays at 6:08 am on WHBF CBS Local 4 News, Fox 18 News at 8:00 am, and WHBF CBS Local News at 6 pm.

On Financial Focus, Nate Kreinbrink and James Nelson discussed the role that investment decisions have in the retirement planning process. On another show, Nate discussed the importance of looking at both your expenses and the cash flow that can be created from your assets during the planning process. Then Nate and James discussed how interest rates have been behaving so far this year and how that effects financial markets. And on the last show for the month, Nate and James discussed tax planning and different types of retirement accounts.

NelsonCorp Wealth Management
FINANCIAL FOCUS
EVERY WEDNESDAY AT 9:00 A.M.
KROS

Financial Focus airs every Wednesday at 9:00 am on KROS FM 105.9 and AM 1340.

In the Clinton Herald this month, David Nelson wrote about the complexity of investments and financial planning as well as the latest on Federal stimulus and how that could potentially impact investors saving for retirement.

CLINTON HERALD

David Nelson is a guest columnist every 1st and 3rd Saturday in the Clinton Herald.

THIS MONTH'S FEATURED CHARITY IS MAKE-A-WISH IN CLINTON

Make A Wish

At Make-A-Wish, the goal is to make every child's wish come true. Wishes provides a vital reprieve to these amazing kids and their families, giving them precious time together away from the hospitals and doctors that are all too families for so many of them as they fight their illnesses. The Clinton committee has granted wishes in Clinton, Camanche, Low Moor, Maquoketa, Preston, and Goose Lake, just to name a few. Their organization depends on a host of volunteers and generous donors to make the wishes a life-affirming reality and a one-of-a-kind memory.

If you would like to donate, please make your check payable to: Make A Wish, Iowa.

Mail to:
Barb Jacobsen
1507 Honey Lane
Clinton, IA 52732

JEANS FOR CHARITY

Every Friday, the team at NelsonCorp Wealth Management wears "Jeans for Charity". In exchange for getting to wear jeans to work, we each pay a $5 weekly fine. At the end of the month, the fines are donated to a charity. NelsonCorp will match the fines that are collected, up to $250.

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