

August 2021

A Review & Update

LEGISLATIVE UPDATE



WEALTH TRANSFER UNDER THE BIDEN TAX PLAN

BY ANDREW H. FRIEDMAN & JEFFREY B. BUSH

President Joe Biden is proposing to eliminate “stepped-up basis” on property transferred at death. Under his plan, transfer of an asset by gift or bequest would subject unrealized gain to capital gains tax at the time of transfer. This change, which reverses a century of tax law, would have far-reaching ramifications for advisors and their clients.

This paper delves into the implications of a repeal of stepped-up basis, and sets out strategies advisors may consider to mitigate the effect of this potential change. The paper also considers other changes Congress might make to the gift and estate tax regime, and how advisors might mitigate those effects as well.



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PARTICIPANT PERSPECTIVES

FINANCIAL SAFETY TIPS FOR SUMMER TRAVEL

Waiting in a winding airport security line is just one of many potential headaches today's travelers experience. Worrying about what to pack, what kind of identification is required, and how much cash to bring are others. To help ease the stress level before and during your next trip, it might help to review some guidance from the officials who oversee our nation's travel rules and regulations.

What Do the Experts Recommend?

The Transportation Security Administration (TSA) keeps up-to-date information on all rules and regulations concerning travel by air, rail, and sea. At the organization's website, vacationers and business travelers alike can review rules and get tips to help make their trips as hassle-free as possible.

For example, the "3-1-1 liquids" rule states that passengers boarding an aircraft are allowed to carry bottles containing up to 3.4 ounces (100 milliliters) of liquid or gels in a single one-quart clear plastic zip-top bag. Note that this rule does not apply to prescription or

over-the-counter medications, or baby food, baby formula, and breast milk if an infant is present. Such liquids are subject to physical inspection.

Other recommendations from the TSA and the U.S. State Department include:

- Don't carry large amounts of cash. Consider using credit cards instead, but leave unnecessary cards at home. Record the information on the cards you bring with you and keep it separate in case of an emergency.
- Try not to look like a tourist and minimize the appearance of affluence. Dress conservatively and avoid wearing expensive-looking jewelry. Travel light so you can get around with little encumbrance, and don't pack many valuables. Lock what you do bring in the hotel safe.
- Carry cash and valuables in several places on your person, rather than in one purse or wallet. A money belt is probably the most secure place for cash and

Q2 2021

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX		PERIOD ENDING JUNE 30, 2021				
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	8.55	15.25	40.79	18.67	17.65	14.84
Russell 3000 TR USD	8.24	15.11	44.16	18.73	17.89	14.70
Russell 3000 Value TR USD	5.16	17.67	45.40	12.23	11.99	11.54
Russell 3000 Growth TR USD	11.38	12.71	42.99	24.47	23.31	17.54
Russell 2000 TR USD	4.29	17.54	62.03	13.52	16.47	12.34
Russell 1000 TR USD	8.54	14.95	43.07	19.16	17.99	14.90
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	5.48	9.16	35.72	9.38	11.08	5.45
MSCI EM NR USD	5.05	7.45	40.90	11.27	13.03	4.28
Fixed Income						
BBgBarc US Agg Bond TR USD	1.83	-1.60	-0.33	5.34	3.03	3.39
BBgBarc US Treasury US TIPS TR USD	3.25	1.73	6.51	6.53	4.17	3.40
Real Assets/Natural Resources						
DJ US Select REIT TR USD	11.76	22.94	39.98	8.13	5.16	8.67
S&P North American Natural Resources TR	11.12	32.73	45.92	-1.77	2.03	-0.58

Past performance is not a guarantee of future results.



**GDP (LAGGING
INDICATOR)**

Q1 2021 (Third Estimate)

Increased at annual rate
of 6.4%



**EXISTING
HOME SALES**

Through May 2021

Decreased by 0.9%



**UNEMPLOYMENT
RATE**

Through June 2021

Decreased to 5.9%
(seasonally adjusted).



**CONSUMER
PRICE INDEX**

May 2021

Increased by 0.6%
(seasonally adjusted).

M WEALTH PERSPECTIVE

DECEMBER 2020

INSIGHTS IN WEALTH MANAGEMENT

LEARNING FROM HISTORY

It's understandable to want to invest in what has succeeded, but the recent past can be misleading.

GROWTH VS. VALUE STOCKS

Broadly speaking, a stock can be separated into one of two categories — growth or value — based on its valuation relative to fundamental financial information. For example, a stock that is valued at 30 times its annual earnings and 10 times its book value would be classified as a growth stock, whereas a stock valued at 15 times its annual earnings and 1.5 times its book value would be classified as a value stock.

You may be asking why growth stocks are valued at several times that of value stocks. It is primarily due to expectations of better financial performance. In the case of all stocks, it's the exceeding or falling short of those expectations that drives much of investment returns. More on that in a moment.

The stock price performance of growth stocks and value stocks occurs in cycles, but these cycles are very difficult

to predict. Whereas more often than not value stocks have outperformed growth stocks, that has not been the case over the last decade, and in particular over the past three years, where growth stocks have experienced unprecedented returns.

Why the outperformance in growth stocks? This comes back to expectations, and in the case of many growth stocks, exceeding those expectations has increased investment returns. The rise of COVID-19 into our daily lives, sometimes tragically, is a real example of a disruption that has changed the financial performance of certain companies well beyond what any investor could have imagined a year ago.

The key is to understand that investment returns have two components — an expected return and an unexpected return. The expected return is the best guess of what will happen based on all the information currently available. The unexpected return is the surprise, the difference between what does happen and what was expected. Investors should base their portfolio decisions on expected future returns, not recent realized returns, and the two can differ by a lot.

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