



Qtr Notes

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Key 2021 Reminders

- 2020 RMD Repayments: if you took a required IRA distribution in 2020 and then redeposited the money into your IRA, you will need to review this with your accountant so that your taxes report the transactions correctly.
- The filing deadline for regular income tax returns has been extended to May 17, 2021. Estimated tax payments are still due on April 15th.
- Contributions to traditional, Roth, and SEP IRAs, solo 401(k) plans, and HSAs are also extended to May 17th.
- If you took a COVID-related withdrawal from your 401(k) or IRA in 2020, that taxable income can be spread over a three-year period. You may also redeposit the funds within three years and file amended tax returns to avoid paying taxes on the distribution.

Form ADV Annual Offer

Each year, the SEC requires that we notify clients when we have updated our disclosure brochure, known as the Form ADV Part II. You can download the updated document from our website by typing the following URL into any browser: firestonecapital.com/fcm-form-adv-2021

If you would like a copy sent to you directly, please call our office. We will be happy to mail or email you one.

Economic Recovery Sparks Inflation Concerns

Stock markets around the world are off to a strong start this year. With the economy growing and vaccine distribution in full gear, the light at the end of the tunnel comes closer. Hopes for recovery and confidence about the future are rising.

Inevitably, different concerns emerge. Should we be worried about inflation? Recovering from the aftermath of the pandemic continues to require additional government spending, increasing our already large deficit. Could this be a trigger for higher bouts of inflation in the future? We suspect inflation will be a little higher than it otherwise would have been without such deficit spending, but the US inflation rate may stay fairly low.

Chairman Powell of the Federal Reserve suggests that we are seeing temporary price pressures that won't last. Over the last year, the pandemic caused business interruptions worldwide, which led to bottlenecks in the supply chain. As the economy began to reopen, manufacturing supplies couldn't keep up with demand and prices started to go up. From the Federal Reserve's perspective, inflation is likely to calm down in the years ahead as an improving economy allows demand and supply to normalize and interest rates to stabilize.

The US inflation rate peaked in the 1970s and has been falling fairly consistently since. There are two primary reasons why inflation has been low: manufacturing has moved overseas, providing low-cost labor to make products more cheaply, and technology has risen as the central influence in much of our lives. Technology tends to push prices down, as new products are made more efficiently, and more of our experiences get compressed into digital format on a screen.

Going forward, foreign manufacturing won't play as central a role in suppressing inflation, but it will remain an important consideration. Technology is almost certain to remain the biggest factor

Index	3/31/2021	YTD
Dow Industrials	33,153.21	8.3%
S&P 500	4,019.87	7.0%
S&P Small-Cap	1,340.30	19.8%
MSCI EAFE	2,208.32	2.8%
Bloomberg US Bond	2,311.35	-3.4%
US Treas 10-yr yld	1.7%	

countering inflation. The Federal Reserve maintains that while inflation may be heating up now because of economic reopening, technology is likely to keep it from getting out of hand.

Investors and consumers today may wonder which inflation metric matters to them. The government measures inflation through changes in the Consumer Price Index (CPI), an average measure of goods and services in the country. The CPI assumes that consumers always buy the cheapest available product in each category: for groceries and clothing, for example, think Walmart rather than Whole Foods. For most of our clients, actual inflation has consistently been higher than official numbers.

For investors in stocks, bonds, and real estate, everything seems to cost more today. For anyone who has bought or sold a home recently, inflation has hit real estate in particular. Demand for new home construction rose last year at the same time as lumber mill operations slowed, causing new home prices to rise dramatically. Further compounding the situation, mortgage rates fell over the past year, making existing home purchases more affordable and driving prices up in that sector. As the economy normalizes and mortgage rates stabilize, home prices will lose one of the engines that caused prices to accelerate.

The inflation metric that matters to you will be unique. Whatever your expectations are for future inflation, it's important to invest with a long

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Fed Up with Robo-Calls?

They've been trying to reach you about your extended warranty . . . and they're driving everyone nuts. But you don't have to smash your phone to stop them. There are some practical solutions to the ever-increasing tsunami of spam and robocalls.

Paid services are available, typically costing about \$25 a year: RoboKiller, Nomorobo, and Hiya Span Call Blocker are the best-known. In addition, most cell phone provider offer free or paid call screening services.

Newer iPhones offer a drastic but effective method: under Settings > Phone, you can activate **Silence Unknown Callers**. Any call from a number that isn't in your contacts is sent directly to voice mail. You'll need to check your list of Recent Calls regularly, and return any call that's actually legitimate.

For most Android phones, open your phone app and check under More Settings > Caller ID & Spam. Caller ID is usually turned on by default. You can also activate **Filter Suspected Spam Calls**, which uses a Google data service to identify likely spam and robocallers. These calls are sent to voicemail and can be reviewed under Recent Calls. Google also offers a special Call Screen service on its own Pixel phones.

Do you still have a landline? Physical call blocking devices are easy to install, compatible with most phone services, and allow you to add new numbers to the blacklist.

Inflation Concerns

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time horizon. Whether inflation is high or low, cash and risk-free treasury bonds are unlikely to help investors preserve their wealth. Short-term risk-taking today will help with long-term wealth preservation in the decades ahead.

Blockchain and Bitcoin

The growing profile of Bitcoin, Ethereum, and other "digital currencies" has attracted the attention of news outlets and investors alike. With all the buzz and discussion, people have many questions.

The first question is almost always – what is Bitcoin?

It's a form of currency based on a system known as "blockchain". In a blockchain system, transactions are recorded in linked blocks of data, in a manner which verifies each transaction and stores it permanently. Blockchain is a new technology with potential that has barely begun to be tapped.

The original purpose of Bitcoin, the first digital currency to be launched, was to be a decentralized monetary network open to the public, independent of corporate or political control, which would allow people to store, transfer, and receive its own proprietary currency.

Digital currencies have no physical form and no specific location: the blockchain data is supported on its own encrypted decentralized network (hence the term "cryptocurrency"). Each network is owned and maintained by the individual owners, who make decisions about the system by majority vote.

Blockchain technology has potential applications ranging from contract validation to voting systems, with digital currencies being only the first mainstream application. Various online platforms now allow direct investment in digital currencies, and the investment industry is currently developing products to allow more investors to access this new type of asset.

Risks remain elevated and the future unknown, but today digital currencies are experiencing a new round of investor interest. If you have any questions about this, please reach out to us.

Key Economic Legislation in 2021

Congress is currently negotiating a massive infrastructure bill for critical long-term investment in the country's future. The final shape of this bill is still in flux, but it may represent a key component in the ongoing recovery after the pandemic.

As a precursor, the \$1.9 trillion American Rescue Plan (ARP) was passed in early March. The bill was designed to provide relief at multiple levels from some of the economic hardships inflicted by COVID-19. In addition to direct stimulus payments for individuals up to certain income limits (\$80K for individuals and \$160K for joint filers), the ARP increased the Child Tax Credit and expanded it to cover children up to 17 years of age.

The ARP extended unemployment benefits for 11 million Americans and made significant changes to subsidies for the Affordable Care Act Marketplace plans. The new subsidies reduce out-of-pocket costs across the board and remove the "subsidy cliff" that penalized higher-income policyholders. A new Special Enrollment Period has opened for those needing to change their plans or apply for Marketplace coverage.

In addition, the bill offers federal subsidies for those who lost their employer-provided health insurance from job loss or reduced hours in the pandemic. The new federal subsidies, available from April to September 2021, cover up to 100 percent of COBRA premiums. This program is available even if an individual did not enroll in COBRA when they lost their job, or if they enrolled but subsequently had to drop the coverage.

For businesses, the Paycheck Protection Program was reinstated, and revised to target the companies most in need of assistance. State and local governments were allocated \$350 billion to replenish their coffers and retain essential services. K-12 Schools are set to receive \$130 billion, and colleges and universities will get \$40 billion.

The bill also provides funds for COVID testing and vaccination, as well as a four-year exemption from cancelled student loans being taxed as income. Outright student loan forgiveness continues to be debated and discussed.