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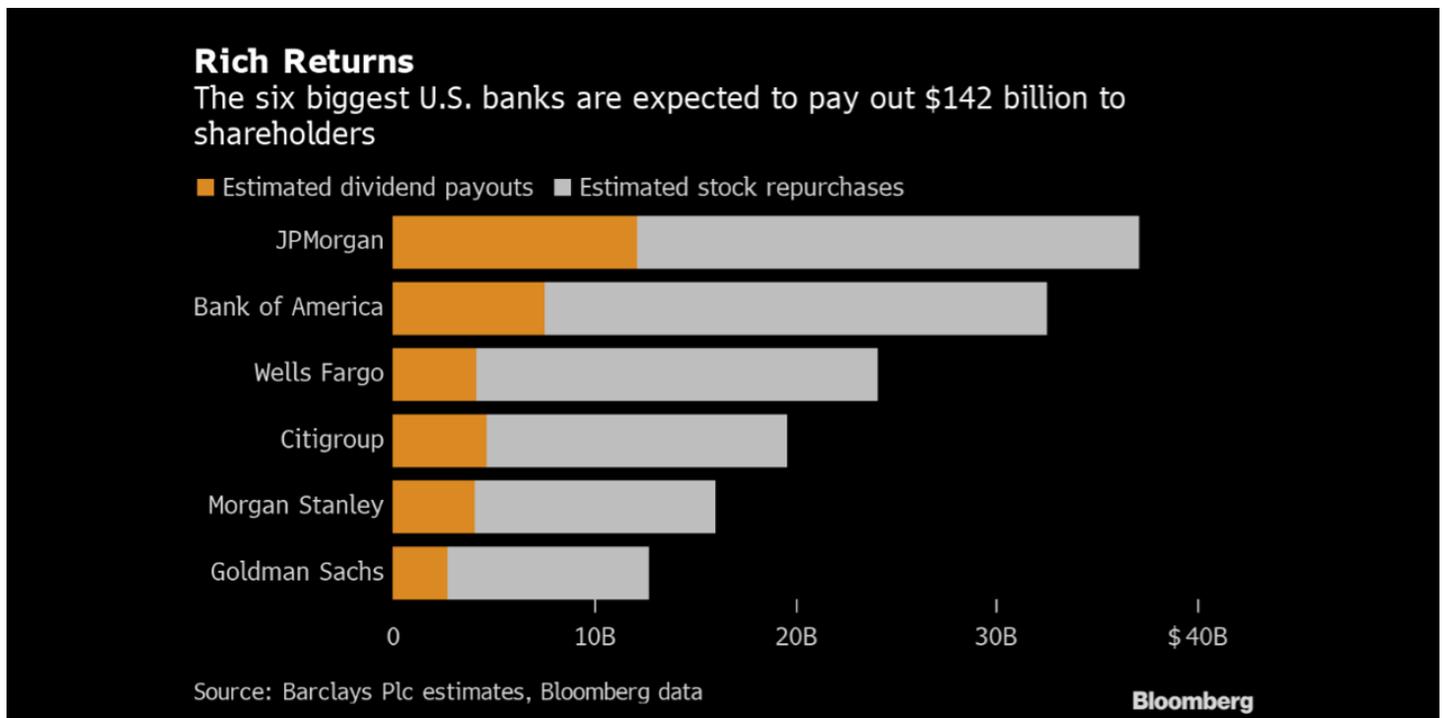
DIVIDEND STRATEGY

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“Casual Friday” Commentary

Casual Friday: Bank Divs? + Go On Offense – June 25th, 2021

Bank stock prices plunged during Covid. Heading into the crisis we felt banks were in good shape, but the Fed clamped down on dividends and buy backs. Credit losses were not nearly as bad as feared, and the economy has recovered. Now they have emerged even stronger, with more excess capital than before the pandemic. Thursday brought the results of the stress tests, which sets the tone for buybacks and dividend increases. The Fed is anticipating most banks to wait until Monday's (June 28th) to officially announce capital plans. Bloomberg Intelligence estimates that capital increases could be as high as 40% and since about 70% is usually buy back, we are estimating our bank dividends could grow by 12% on average.



Source: Bloomberg

Go On Offense -- Taxes

Tax proposals on wealthy Americans are creating client anxiety. The next 6 months could be difficult for advisors to navigate. Clients want advice and action steps in advance, yet changes are not yet in effect.

Tax Proposal Recap on Individuals:

- "Increase the top marginal individual income tax rate to 39.6 percent."
- "Long-term capital gains and qualified dividends of taxpayers with adjusted gross income of more than \$1 million would be taxed at ordinary income tax rates."
 - "This proposal would be effective for gains required to be recognized after the date of announcement." -- An attempt to make cap gains retroactive back to date of proposal.
- "Ensure that all pass-through business income of high-income taxpayers is subject to either the NIIT or SECA tax." (Page 72 for explanation)
- "Treat transfers of appreciated property by gift or on death as realization events." -- For capital gains purposes.

Source: <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>

We believe it's mission critical to start ramping / begin discussing now if you haven't already. Wealthy clients are asking how they can prepare if these proposals come to pass:

- Should we take gains now?
- What if this ends up being retro-active?
- Should the portfolio be positioned differently / focus on low turnover?
- How does it impact my current estate plan? Trusts? FLP? ILIT? Gifting?

This creates a perfect opportunity to serve your top clients in a very thoughtful and proactive way -- Don't miss out on it. One effective approach? -- "I've been studying the proposed tax changes and how it may impact your financial plan." It's a simple PROACTIVE conversation, yet will likely be very effective in letting the client know you are considering the implications specific to them. There are a handful of planning efforts to be considering at the moment: <https://www.financial-planning.com/news/the-many-question-marks-around-tax-planning>

Summer Travel?

Business Insider put out the guide for everything you need to know about cruises.

<https://www.insider.com/what-to-know-about-vaccinated-cruises-requirement-2021-6>

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