FALL 2021

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management

INSIDE THIS ISSUE

Act Before December 31 to Increase Your Tax Breaks

Whether you are having a good year or are still rebounding from COVID-19-induced economic losses, you may have an opportunity to save on your income taxes if you make the right moves before the end of the year. We recommend coordinating with your tax professional prior to implementing any tax strategy.

1. Consider deferring income if possible.
It's tough for employees to postpone wage and salary income, but you may be able to defer a year-end bonus until next year—if it is standard practice at your company to pay year-end bonuses. Whether you are employed or self-employed, you can also defer income by taking capital gains in 2022 instead of in 2021.

2. Take some last-minute tax deductions if itemizing.
Contributing to charity is a great way to get a tax deduction if you itemize your deductions instead of taking the standard deduction. And you control the timing. You can supercharge the tax benefits of your generosity by donating appreciated stock or property rather than cash.

3. Sell investments that are down to offset gains.
A key year-end strategy is called tax-loss harvesting: selling investments such as stocks and mutual funds to realize losses. You can then use those losses to help offset taxable gains you realized during the year. If your losses are more than your gains, you can use up to $3,000 of the excess loss to offset other income.

In addition to the tax strategies mentioned, one of the easiest ways to save tax is to avoid unnecessary taxes and penalties. Remember to take required minimum distributions (RMDs) from your qualified retirement accounts by April 1 of the year after you reach age 72 (70.5 if you reached 70.5 prior to January 1, 2020). Failing to take out enough to fulfill your RMD triggers a 50% excise tax on the amount you should have withdrawn.

When you make withdrawals, consider asking your qualified retirement account custodian to withhold federal and state income tax from your distribution. Having tax withheld is voluntary, and you set the amount. However, opting to have tax withheld may allow you to avoid the hassle of making quarterly estimated tax payments.

The Jentner Report is published periodically by Jentner Wealth Management.
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THE PRESIDENT'S WORD

How to Get the Most from Credit-Card Reward Programs

It may be the right time to adjust how you utilize credit-card reward programs.

Bruce Jentner, CFP®, Chairman

For many people, the COVID-19 pandemic changed spending habits, including how they use rewards earned from credit cards and travel reward programs. Credit-card companies and airlines have recognized this change and have made significant changes to their customer loyalty programs in response. Assessing now how you use your credit cards and what your existing credit-card programs offer can help you get more from what you want and need from your credit-card spending.

The response to COVID-19 resulted in a significant limit on the ability and willingness to travel. This has left many airline credit cardholders with points they have not been able to use for travel. Although travel is opening again, many people are still hesitant and are traveling less than they were pre-pandemic. The following are four options to consider for using credit-card travel points:

- Use points for essential everyday items like groceries, meal deliveries, restaurants, home improvements, and video streaming. Many credit-card companies are giving cardholders the same value if they redeem rewards for these items as they would have received if they were redeemed for travel.
- Do nothing now, and keep your points until you are ready to travel again. You typically get the greatest value for travel points when you use them for travel, so this is the best option if you are still able and willing to travel and do not need to use the points now for other items.
- Buy gift cards. This option typically provides a better redemption rate than you would receive for getting cash back but does not usually provide the maximum value for your travel points.
- Get cash back. This option tends to provide the least amount of value when redeeming travel points and can be less than a penny per point, so this is probably not the best choice if you have other options.

Credit-card companies and airlines are changing their reward programs and offering different options to participants for their loyalty. Some of them are limited-time offerings, so you should check often with the issuer of your credit cards. There are also websites and publications that monitor credit-card rewards, including thepointsguy.com, thrifytraveler.com, and creditcards.com, among others. Here are some common recent changes to reward programs in response to the pandemic:

- Extensions of reward expiration dates, including airline frequent-flyer status and vouchers for free flights.
- Offering bonus points and multiplied points for limited time periods by using airline or hotel co-branded credit cards at supermarkets and gas stations. Purchases may also qualify for travel points.
- Online perks and shopping benefits like free memberships to websites, free shipping, and free returns on online purchases.

As a result of the pandemic, credit-card companies have been more concerned about cardholders' income and potential for defaults. More attractive offers may be offered to financially secure credit cardholders who meet income and credit-score criteria.

Some cards are offering high bonus-point rewards to qualified applicants for opening new accounts if defined amounts are spent on the card within a few months, and the points may be used for purchases and not only for travel. It might be the right time to sign up for a new credit card to take advantage of these bonuses. However, it is not advisable to apply for multiple cards in a short period of time as this can negatively impact your credit rating. It also could be beneficial to choose a card that offers points that can be redeemed with more than one reward program or airline to avoid the risk of an airline having financial problems and changing or discontinuing its rewards program.

JENTNER WEALTH MANAGEMENT is grateful to be recently recognized as a top financial and investment advisor by Financial Advisor magazine, Crain's Cleveland Business, Expertise.com, and SmartAsset™.

Wharton Professor Says Stocks Are His Preferred Inflation Hedge

Jeremy Siegel recommends stocks and real estate as preferred investment vehicles during inflationary times.

Wharton professor Jeremy Siegel recently offered investors some financial advice for handling an inflationary environment: invest in stocks. "Stocks are ultimate real assets. There's going to be bumps along the way—what I call taper tremors—but 'there ain't no alternative' reigns more now than it ever did before."

The renowned author of the investment book *Stocks for the Long Run* said timing the market can be difficult but pointed to its cyclical nature. "It's like people say, 'Is there going to be a bear market in the next five years?' And I say, yes. 'Should I get out now?' No, because it could go up 50% before it goes down 20% or 10%."

He added how market corrections are inevitable but not before the stock market goes up "much more," which, he said, happens often. He also emphasized that since money supplies increased last year by more than any other year in the last one and a half centuries, inflation will have to follow. Siegel goes on to say he thinks prices of goods will be 20% higher than they were prior to the pandemic.

"That's still nothing like the '70s and no double-digit, no hyperinflation, but it is going to be something that is a lot more," he said. But, "You don't want to be in cash." Still, some bearish investors are concerned. Pressures are mounting for the Federal Reserve to begin tapering sooner than the previously widely expected range of late 2022 to early 2023. Siegel shrugs off the risk and said he will keep his equity investments.

"Maybe they're going to start raising in 2022. But still, who is afraid of a 1% fed funds rate when inflation is 7%?" Siegel again tells CNBC. "I want real assets. I want land. I want property."

We agree with Dr. Siegel. In addition to broad stock holding, a well-diversified portfolio should include real estate. Real Estate Investment Trusts (REITs) are one way of owning a diversified basket of real estate. We recommend looking for funds that offer broad, market-cap weighted exposure to the U.S. real-estate market with low management fees. Additionally, you want to make sure the managers hold the assets for significant periods of time to lower turnover costs and capital gains.

In conclusion, holding stocks and real-estate securities have historically shown to be a good defense against inflation. Wise investors should be more concerned with the long-term effects of inflation than short-term market ups and downs.

Seth Jentner, CFP®
Vice President and COO

Study Shows Investors Using Index Fund Saved Billions of Dollars

Investors who passively track the stock market haven't just outperformed most active fund managers, they've also saved $357 billion dollars in fees while doing it.

There are no shortages of active fund managers aiming to beat the returns of funds that track indexes like the S&P 500. Because these fund managers are much more hands-on, closely monitoring activity and trading often, they come with higher costs. Over the past 25 years, the average active equity fund had an expense ratio of 0.95%, according to ICI data. In other words, they charged $0.95 per every $100 invested.

During that same period, index funds carried an average expense ratio of just 0.17% or $0.17 per $100 invested. From 1996 to 2020, the amount of money invested in index funds tracking the S&P 400, 500, and 600 soared to an eye-catching $5.72 trillion, up from $595 billion. Had those dollars been invested in actively managed funds, S&P Dow Jones Indices analysts estimate those investors would've paid an extra $357 billion in fund expenses.

"Lower cost is one of the simplest explanations for the success of passive management," says Anu Ganti, senior director of Index Investment Strategy at S&P Dow Jones Indices. The bottom line is that lower-cost funds have significant advantages over higher-cost active-management funds due to their lower drag on returns. Investors should look closely at the internal cost structures of their funds.

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How Long Will the Good Times Roll for Stocks?

As we head into fall, markets continue to show robust resilience to bad news. As the Delta variant of COVID-19 continues to spread and inflationary pressure mounts, all the major indexes push into record territory. The S&P 500 rung up 50 record highs through August. This has only happened seven times previously. The average return of the index in those seven years was 23%. However, before investors get too excited, the following 12 months saw significant weakness with several data sets having double-digit declines.

Besides the usual caveat that past performance does not indicate future results, it must be noted that we are experiencing unprecedented fiscal and monetary intervention. With two stimulus bills behind us and an infrastructure bill in the works, investors are swimming in uncharted waters. The federal government is injecting massive amounts of cash into our economy. When you have nearly unlimited dollars chasing a fixed amount of goods or services, prices go higher.

Some are seeing inflation ahead and sounding the alarm. Perhaps the Federal Reserve has heeded the call as they are signaling an end to easy money and looking to raise interest rates. Add this to COVID-19 fears, and dark clouds can be seen on the horizon.

Will investors continue to shrug off bad news and keep buying? Only time will tell. Our counsel is to maintain diversification and enjoy the ride in equities, and we will continue to rebalance our client portfolios to help mitigate risk when appropriate. When the music stops, it will help you be firmly seated.

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The Jentner Report is published quarterly by Jentner Wealth Management, 3677 Embassy Parkway, Akron, Ohio 44333, 330-668-1000.

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