



# JGC Wealth Management, LLC

Fee-Only Financial Planning and Asset Management

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## Second Quarter Update June 30, 2021

### THE QUARTER IN REVIEW

The second quarter treated those of us invested in the market rather well. Small and value stocks were back in favor for the first half of 2021 following an extended period of low performance. We do not believe that the economy can be consistently forecast, nor the market consistently timed. However, we are convinced that a more reliable way to capture long-term returns in equities is by riding out the frequent temporary declines in the market. We believe that diversification and acting continuously on a rational plan rather than reacting to current events offers a better chance for long-term investment success.

## Quarterly Market Summary






Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>2Q 2021</b>	<b>STOCKS</b>				<b>BONDS</b>	
	8.24%	5.65%	5.05%	10.17%	1.83%	0.35%
<b>Since Jan. 2001</b>						
Avg. Quarterly Return	2.4%	1.7%	3.1%	2.6%	1.2%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2001 Q3</b>	<b>2008 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-3.4%	-2.7%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2021 Q1</b>	<b>2015 Q2</b>

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2021, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

# Long-Term Market Summary

Index Returns as of June 30, 2021

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>1 Year</b>	STOCKS				BONDS	
	44.16%	33.60%	40.90%	34.83%	-0.33%	0.05%
						
<b>5 Years</b>						
	17.89%	10.36%	13.03%	4.62%	3.03%	2.80%
						
<b>10 Years</b>						
	14.70%	5.70%	4.28%	6.85%	3.39%	4.12%
						

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## **Tax updates:**

The filing season for 2021 is winding down, but there is plenty to be aware of:

The IRS and Oregon have had delays in processing returns and issuing refunds. This has held up refunds for some folks for a couple of months. As our taxing agencies slowly get back to work there are still areas which will require our patience.

The first round of the advanced childcare credit is being paid through direct deposit and checks in the mail. If you have had a change in dependents from 2020 or have not received an expected payment, you should visit <https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>.

The Oregon legislature has now adjourned. They passed a number of tax-related laws, most of which affect business taxpayers. Those, along with new taxes in the Portland metro area this year to support housing and preschool services, will be something that we are tracking as we enter the second half of the year.

Another development to be aware of is the Consolidated Appropriations Act of 2021 making several tax and non-tax adjustments related to education. These changes are aimed at simplifying the FAFSA and expanding education credits and provisions that are already in place. Here are some specifics:

1. In an effort to make the FAFSA a less grueling process, it is being simplified by reducing the number of questions, increasing the income protection allowance, and using more straight-forward terminology. These changes will result in more students being eligible for a Pell Grant. Following this bill, we will most likely see a reduction in the amount of financial aid offered to middle/ high income families, since the FAFSA will no longer take into account the number of children that a parent has in college at the same time.
2. This new legislation will also increase the income threshold to qualify for the Lifetime Learning Credit ("LLC"). Taxpayers with AGI under \$80,000 (\$160,000 if filing jointly) will be eligible for the full \$2,000 credit. Taxpayers often use this credit in conjunction with the tuition and fees deduction by taking the LLC on their federal return and tuition and fees deduction on their state return. Unfortunately, with the expansion of the LLC, Congress has decided to phase out the tuition and fees deduction starting in 2021. Many Oregon taxpayers with college expense had used this deduction to reduce their tax bills by up to \$400 in the past, but it will not be available for this year.
3. The final notable change presented in the bill is an extension that allows employers to pay up to \$5,250 of their employees' student loans, tax free for an additional five years. Prior to this extension, this provision was set to expire in December 2020.

### **LOOKING AHEAD BY LOOKING BACK**

This fall, our firm will be moving to a new building on Madrona Avenue. While our location change is a big move, our commitment to serving our clients will be the first thing we unload from the truck.

Settling into the new offices will require short term adjustments – remembering to take the proper turn on the way in to work, learning the quickest way to the coffee pot. It's easy to get caught up in short-term thinking with investments as well - worrying that what happens in "the markets" in the next 50 trading days will be of utmost significance to long term financial health. We wanted to share with you part of a letter penned by the founder of Dimensional, David Booth, reflecting on the 50-year evolution of investment philosophy that has a significant impact on the portfolios that we recommend to our clients.

David reminds us that our job as advisors is to improve our clients' lives by helping them define their goals and implement practical, evidence-based methods to help achieve them. It's truly exciting work, and we are honored to have your trust.

*When we started Dimensional in 1981, indexing was beginning to catch on. But the primary index used was the S&P 500, made up of 500 of the largest companies in America. My colleague Rex Siquefield and I thought investors could be better served by adding small capitalization stocks to the mix, since they were underrepresented in portfolios and offered diversification and expected return benefits. We were the first to treat small cap companies as a separate asset category. It was an exciting idea, but it made many people nervous. An academic paper circulated that said the performance of small cap stocks couldn't be captured because of trading costs. Many academics, even those who worked with us, were skeptical that we could deliver on our big idea of creating a small cap strategy. (After 40 years of results, the skepticism about our ability to deliver has subsided.)*

*There was perceived risk in trading against professional investors who might take advantage of us with all their knowledge and experience. But we found a way to turn trading to our advantage: flexibility.*

*Flexibility is one of the key differences between index investing and Dimensional Investing and where so much of our innovation has taken place. Because we weren't beholden to tracking any particular index, we could harness the power of markets, even beat the indices. The protocols, systems, and teams we've developed—as well as the experience we've accumulated—have shown to be applicable to a wide range of strategies, from fixed income to value to international investing.*

*So what happens next? Where will we be in 50 years? I've built a career in finance without making predictions, but I do believe that technological innovation is lowering barriers to entry for everyday investors and enabling greater personalization. In 1971, there was one index fund. In 1981, there was one small cap strategy. Today, investors have more access to customized portfolios than ever before.*

*Sitting down with a trusted advisor, investors can develop a plan and build a portfolio solution that gives them the best chance of having a good investment experience. For example, many people are interested in environmental, social, and governance (ESG) strategies, but ESG can mean different things to different people. So rather than choosing from what exists, new technology allows you to get exactly what you want.*

*For me, working in finance has always been about improving people's lives. We created indexing to improve upon stock picking. We created Dimensional to improve upon indexing. Each day we strive to help our clients in new and better ways. That's why I thought 1971 was the most exciting time to be in this business. Then, I thought 1981 was the most exciting time to be in this business. But the truth is, it's every day, as long as we're able to keep helping people in innovative ways.*

### **Live Updates via Web Event**

We are continuing to have virtual “market updates” on a monthly basis. Our next update will be August 12<sup>th</sup> at 7:00 p.m. We plan on addressing some of the most common questions we are receiving from clients and giving some updates on tax and other changes as well. Please register by sending an email to [info@jgcwealth.com](mailto:info@jgcwealth.com), along with any questions you might have.

### **Quarterly Reports**

Enclosed are the reports on your portfolio for the quarter ending June 30, 2021. If you want to discuss your portfolio, have had changes in your financial situation, or have any other financial concerns or questions, please call us.

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