



Majestic Oak Financial
A Registered Investment Advisor

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Happy 2021! And that's all I'm going to say. **backs away slowly and quietly**

Consolidated Appropriations Act of 2021

Of course, 2020 couldn't exit stage left without a bunch of hullabaloo. Most of that hullabaloo was political staging and nasty games of chicken in the midst of a very weary-inducing health crisis that only served to create a lot of stress and anxiety for regular ole you and me. What came out of it was the 5,593 page Consolidated Appropriations Act of 2021 (CAA 2021) containing Stimulus 2.0. Clearly, I cannot summarize 5,593 pages of "you scratch my back, I'll scratch yours" but I can break down the parts that actually pertain to us normal people.

First, let's start with the most anticipated news – an additional \$600 stimulus payment to those who qualify. The rules for qualification are pretty much the same as those in the spring of 2020 – oversights and all. If you received funds then, you *should* be getting them now and they should be coming much more quickly. Again, dependents age 17 and over do not qualify. The income level for phase-out will still be coming from 2019 returns but the phase out rate has changed. If your 2019 income is too high to qualify but you would based on 2020 income, the payment will be a tax credit on your 2020 return instead. Oddly, if you would qualify based on 2019 income, receive a payment and then it turns out you would not based on 2020 income, you get to keep it free and clear. Yes, it's convoluted.

For those who are collecting unemployment benefits, regular federally subsidized unemployment compensation has been extended by 11 weeks – through mid-March 2021. Additionally, the federally funded increase has been reinstated through April 5, 2021 but only \$300 per week instead of the original \$600. Again, these benefits and extensions also apply to those who, prior to covid, would not normally receive unemployment insurance such as self-employed/contract workers who were receiving assistance through the Pandemic Unemployment Assistance program.

Another provision that affects many Americans is an extension on the time to spend funds accumulated in Dependent Care and Health Flexible Spending accounts. Under normal circumstances, these accounts are "use it or lose it" with any balance remaining at year-end being forfeited. For 2020 funds, an employer *has the choice* (not a mandate) to allow employees to either roll over up to \$550 of their remaining Health FSA balance to 2021 or use prior year funds during the first 2 ½ months of 2021. Additionally, employers, if they so choose, can allow a rollover of 2021 fund to 2022 as well.

Back in August, President Trump signed an executive order allowing employees to defer payroll taxes for the period of 9/1 – 12/31/20. Very few private employers offered employees this option due to the lack of clarity on repayment method. However, federal government employees were forced to defer. In this act, Congress clarified that employees will repay the amount deferred ratably over the entire 2021 period. It is still unclear what happens if an employee only works for part of 2021.

In other tax deduction clarifications and changes:

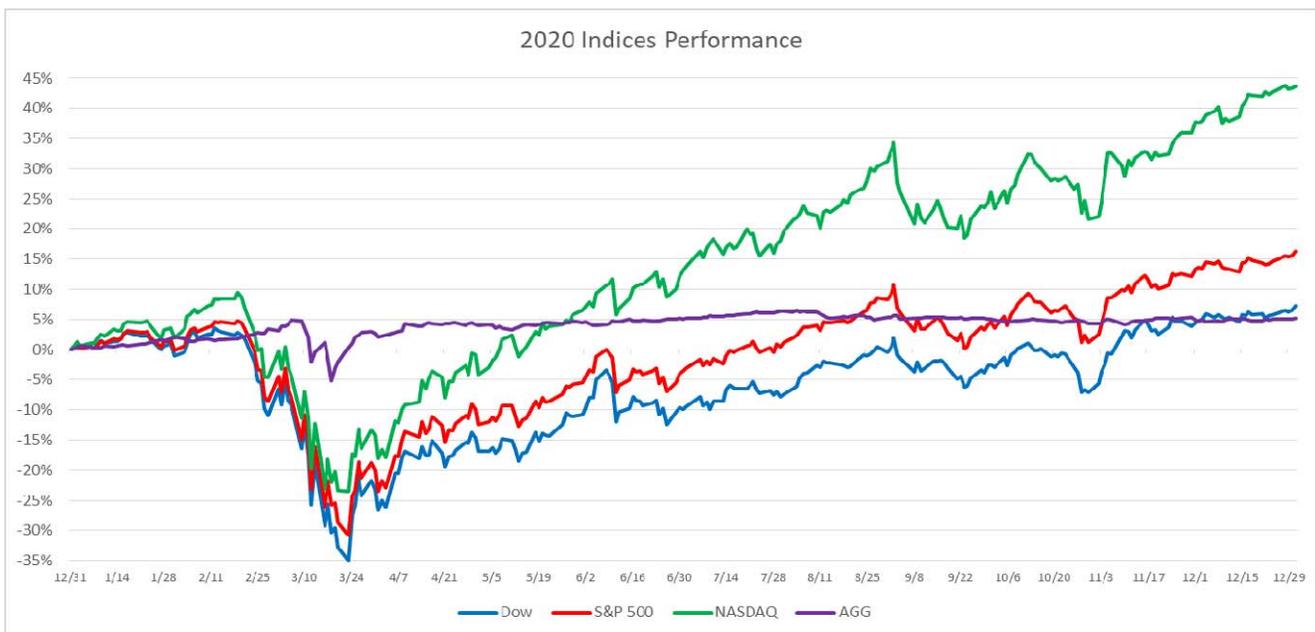
- This act “permanently” sets the hurdle for medical expense itemized deductions at 7.5% of AGI rather than 10% or the moving target based upon taxpayer’s age - “permanent” because we all know that tax law is only permanent until Congress changes its mind again.
- 2020 will be the final year to claim the Tuition and Related Expenses deduction for expenses related to higher education expenses. Instead, the Lifetime Learning Credit and American Opportunity Tax Credit phase out will be increased and aligned, providing better write-off opportunities.
- If debt is forgiven due to short-sale of a primary residence, the forgiven debt will be excluded from taxable income through 2025, subject to a limit of \$750k for joint filers, \$375k for single filers.

There are several other provisions that only affect small businesses like the comeback of the Paycheck Protection Program – with even more confusion. For those of you that have a small business, I’ll reach out with a separate summary itemizing the changes to the initial program and details of PPP 2.0, along with information regarding the extension of the Employee Retention Credit, the new Meals & Entertainment tax deductibility rules, and exclusions for employer payments of student loans.

Just as interesting, there are two items of note that are NOT in CAA 2021. At this time, there are no waivers of 2021 Required Minimum Distributions from IRA accounts for those age 72 and better. Additionally, there is no mention of student loan relief to extend the suspension of payments past 1/31/2021. However, the pandemic is clearly not over and neither is the penchant for Congress to throw ideas against the wall to see what sticks – including additional stimulus payments and changes to anything you’ve just read. All I can say is stay safe and stay sane.

4th Quarter & Calendar Year 2020 Market Performance

<i>Index</i>	<i>12/31/2020 Ending Value</i>	<i>4Q 2020 Performance</i>	<i>Calendar Year 2020 Performance</i>
Dow Jones	30,606.48	10.17%	7.25%
S&P 500	3,756.07	11.69%	16.26%
NASDAQ	12,888.28	15.41%	43.64%
Lehman Aggregate Bond	118.19	0.10%	5.18%



Your Individual Investment Reports

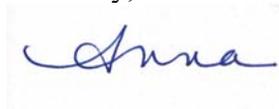
The following reports for Calendar Year 2020 are provided for your review:

- ✦ **4th Quarter and Calendar Year 2020 Portfolio Performance** – Compares the 4th Quarter and year-end 2020 percentage performances of the S&P 500* & Lehman Aggregate Bond Index* with your portfolio performance.
- ✦ **2020 Portfolio Performance vs. Inflation** – Performance of your investment portfolio compared to the rate of inflation as measured by the Consumer Price Index (CPI) for both the since inception period of your accounts and each quarter of 2020.
- ✦ **Account Summary** – Current market value of each asset within your accounts as of 12/31/2020
- ✦ **Investment Billing Statement** for the 1st Quarter 2021**: Investment advisory fees for the period of 01/01/21 through 03/31/21 (based on 12/31/20 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from TD Ameritrade Institutional.

If you happen to know anyone who might benefit from the services I provide in assisting you in managing your investment portfolio and reaching your financial goals, I would enjoy speaking with them. Don't keep me a secret! ☺ And as always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,



Anna M. Popke, CFP[®], RICP[®]

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by TD Ameritrade and while deemed reliable, are not guaranteed.