

### Where is My Passport?? by Sandy

Traveling the world is my passion. I have been blessed to visit all 7 continents, 57 countries and all 50 states, so looking forward to travel in 2021 makes me happy and excited. I have real joy when I sign up for a new group travel trip and start to search for the shortest international airline routes. I know many clients have questions about traveling to countries that are currently still shut down due to Covid so we are hosting a Zoom with travel experts. I have traveled with both of the small group travel companies and can highly recommend them both. Join us on our travel zoom and if you have specific questions, let us know and we will get the answers. See the flyer in our quarterly packet and look for the email with sign up instructions.

I hope everyone can get back to the things they enjoy most as our economy, sporting events, concerts, and gathering with friends are allowed to take place again.

*“Fill your life with experiences, not things. Have stories to tell, not stuff to show.” – Anonymous*

### Will the SALT Deduction be Repealed?

The governors from California, Connecticut, Hawaii, Illinois, New Jersey, New York, and Oregon have banned together to ask President Biden roll back the 2017 Tax Cuts & Jobs Act.

The governors are well aware they are dealing with an exodus of high earners from their states and Congress needs to restore full deductibility of state and local taxes from their taxable income. California and New York, the two states with the highest state taxes, are leading the charge. High-tax states, on average, contribute more to the federal coffers than they get in return.

### Real Estate Market by Erin

In our 2nd quarter newsletter last year, I forecasted that home prices would likely climb in 2020 as the pandemic ushered in a demand for homes, as well as a decline in supply. Quarantine and record low mortgage rates helped drive demand for homes. Many of us desired to have more space and nicer homes as we were confined to them 24/7. I certainly struggled living in my small home with a family of six. Thank goodness we had a nice backyard and pool to seek refuge. If we had been in an apartment last year, I would have paid just about anything to get a house with a yard! As it seems, many were willing to do just that as home prices across the US rose 15.6% since last March. Austin Texas saw the largest gains, while Miami, Denver, and Memphis experienced slight declines. Single family homes in Orange County now have a median home price of \$910,000. Sharp declines in housing supply are further driving prices up as many do not want to list homes during the pandemic and new construction has been set back due to shortages and covid-19 restrictions. I expect we will see some slowing in the price gains as interest rates rise, the virus slows, and supply increases.

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### Market Review by Carol

The first quarter of 2021 ended on a positive note but there were moments of volatility – January was down, February was positive and March was neutral to positive. The optimism for accelerated economic growth is continuing. The decline in coronavirus cases, getting the vaccine distributed in record numbers along with unemployment decreasing to 6% (vs. 15% a year ago) is keeping the market on-track. The volatility was mostly due to an increase in interest rates. The 10-year Treasury yield surged to a one-year high. The increase in interest rates is seen a headwind to future economic growth as higher borrowing costs will reduce profits. Interest rates are under 2%, which is still historically low.

Value stocks outperformed growth and the tech sector. Investors rebalanced their portfolios and rotated out of (or decreased) tech holdings into value. Apple, Amazon, Costco and Gold currency stocks all had losses for the quarter but still have great gains over the past year.

The following are the market returns as of March 31, 2021 YTD. Please note, each client's portfolio is individually constructed and the benchmarks are presented as a comparison tool.

Portfolios that have higher weights in gold, tech and large cap growth will have a lower return this quarter (YTD) than a portfolio tilted to large cap value.

Benchmarks:	YTD March 2021
60% Equity/40% Fixed	2.99%
50% Equity/50% Fixed	2.23%
US Agg Bond	-3.69%
S&P	5.70%
DOW	7.70%
Nasdaq	2.80%
iShares (EFA)Foreign	4.00%

Benchmarks:	March 2020- March 2021
60% Equity/40% Fixed	33.30%
50% Equity/50% Fixed	30.70%

**Real Estate Market by Erin Continued...**

While the residential market has been on fire, commercial real estate has been a different story. Many apartment tenants lost jobs and struggled to pay rent over the last year. While most publicized figures are not showing declines in average rents, they have essentially dropped as landlords make concessions such as free x months' rent to keep occupancies up. On the plus side, tenants paying rent on time has increased this year as the economy reopens and more are reemployed.

Similarly, office space is facing raising vacancies and declining rents, especially in high density urban centers. However, the good news is many companies are reporting plans to return but not all will return. Retail space has been the hardest hit as rents declined 4% , vacancies are up 5%, and 30% of loans to malls are delinquent. Some malls are already being reimagined as partial retail/e-commerce fulfillment centers as demand for warehouse space is the bright spot in commercial real estate. Stand-alone retail is recovering faster as to-go food places are thriving as many desire to shop in less crowded areas.

Hotels are a mixed bag, as occupancies are increasing fast for leisure travel, especially drivable locations. However, business travel- the bread and butter of many hotels, may never return to pre-pandemic levels as many got comfortable using Zoom for meetings. From an investment standpoint, we are looking at REITS that focus on industrial, warehouse, data center storage, and stand-alone retail.

**Market Outlook by Carol**

Investor and consumer confidence are at all-time highs. The recent stimulus and the Fed promising to keep rates low are keeping the economy moving forward. Stock market prices seem high compared to their actual valuations and that is due to investors assuming everything will get back to normal soon. While we agree with this optimism, any misstep or "unexpected" outcome will mean a correction.

The Fed thinks any increase in inflation due to the stimulus will be temporary. That remains to be seen.

I am seeing higher prices everywhere. For example, rental cars are very expensive because their supply is low as they had to sell cars to stay in business.

We expect the next stock market quarter to act the same as this quarter - some volatility but overall positive.

**ADV (Advisor Disclosure Form) Notice & Updates by Carol**

The start of the year is always busy as we wrap up the year and update our SEC filing in March. There were no material changes to report on the ADV this year - our fees and business structure are staying the same. Please contact us if you would like a copy of the entire ADV mailed to you. You can also access our ADV on the internet via our website under resources or directly through the SEC: <http://www.adviserinfo.sec.gov/> Our SEC file number is 801-62993.

Our total assets under management as of December 31, 2020 were \$376,207,369, an increase of 16% due to increases in market value and new assets. We saw an increase in clients retiring this year, or planning to, in the next 1-5 years. We also saw a larger than normal increase in people under age 45 coming to us for financial planning and asset management.

We now have 314 client families – which is great, but with growth comes an increased workload. We are adding an investment analyst to our staff family this month.

This quarter we also had the pleasure of celebrating Erin's 14 Year Anniversary with Asset Planning!

**API Update by Melani**

As technology changes and updates, we too have decided to make an update. We are discontinuing the use of our fax line.

If you were one of our clients who sent us faxes, we have other options for you. You can either email one of us directly with the documents, upload documents to our private client portal or mail them through U.S. mail.

If you do not have a client portal set up, please email Melani at [melani@assetplanninginc.com](mailto:melani@assetplanninginc.com). She will be happy to set one up for you.

**Important Reminders by Akanksha**

The IRS has extended the tax deadline for individuals to Monday, May 17th. Even though the tax deadline has been extended for a second year in a row, it is still encouraged to file as soon as possible. Only 41 states have decided to move their deadline so make sure to check your state's tax administration to verify your state tax deadline. California is one of the states that extended their deadline to May 17th. Note, however, that estimated tax payments are still due on April 15th.

With the tax extension, the 2020 IRA contribution deadline has also been extended to May 17th. The annual contribution limits remain the same: \$6,000 for those under the age of 50 and \$7,000 if over the age of 50.