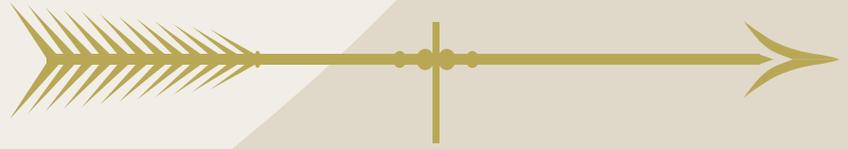




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MONTEITH WEALTH, LLC.

# HEADS OR TAILS

## TWO SIDES OF THE SAME COIN



*The topics discussed in this and future letters are for informational purposes only. We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine a knowledge of both can you be a successful investor.*

## Heads: Taxes

*It is uncertain that the proposed tax law changes will be passed as proposed, but with the current and proposed spending level it may be inevitable that Federal and local tax rates will increase substantially.*

There are many income, estate tax, and other revenue generating proposals in the works. The following are the ones most likely to impact some or all of our clients.

1. The top federal income tax rate would increase to 39.6%. Keep in mind that most states also have state and local income taxes. For example, Oregon's top income tax rate is 9.9%, and if you live in the city of Portland, the combined local income taxes can run over 2.8%. Certain Oregon residents could be facing a combined top income tax rate of 52.3%. This rate does not include the following proposed tax increases.

2. Self-employed individuals will pay a security tax of 12.4% on their first \$142,800 of income, and then at incomes above \$400,000 the 12.4% tax rate will resume.

3. A Medicare tax of 3.8% would be imposed on certain individuals with incomes over \$200,000 and for married couples over \$250,000.

4. Currently, federal estate assets totaling up to \$11.7 million and \$23.4 million for married couples are exempt from federal estate taxes. The current proposal is to drop the exemption for individuals down to \$1 million. A capital gains tax would be due on the difference between purchase price of assets and fair market value at time of death. For an individual with a home and modest retirement investment account, the heirs could possibly be forced to sell at fire-sale prices to pay the federal and state estate taxes.

5. As the complexity of current and future laws expand, expect to pay more for tax preparation legal services.

Most of these taxes will be paid by corporations, individuals, and estates. For the benefit of your investments and financial well-being, we will continuously monitor, suggest, and implement legal tax strategies as they relate to you.



## Did You Know?

The latest income and estate tax proposals are forecast to raise 3.8 trillion dollars over the next 10 years. To get a sense of how much money this is, it is estimated that if you stacked \$1,000 bills (discontinued in 1969) on top of each other, a total of one million dollars would be 4 inches high. A billion dollars would be 364 feet high. Finally, 3.8 trillion dollars would be 4.75 miles high.

## Tails: Investments

*Inflation is coming! You may have already noticed the first signs at the grocery stores and gas stations.*

Economists believe the worldwide Covid pandemic has created a huge pent-up demand for goods and services. Additionally, by many estimates over the last year the US money supply has increased by approximately 27%. Now that world economies are beginning to open again, the above-mentioned huge supply of money, coupled with manufacturing scrambling to try to catch up with demand, the result is likely to be inflation.

Think of it this way, if everyone wants to buy an apple, but the number of apples available has not changed, the price of apples will increase because of the increase in demand of a limited supply of apples. Our objective is to manage risk while providing our clients with the proper investment strategy to successfully achieve their goals. The following are some of the actions we are taking to help mitigate the risk of inflation:

1. Invest in stock funds: History teaches us that stocks can generally keep up with inflation, which also makes logical sense. During inflation, businesses can pass on the cost of inflation to the customer.

2. Diversify globally: Inflation of the US dollar does not dictate the inflation rate of all other currencies. Some countries may do better, some may do worse.

3. Invest in REIT's: Real estate tends to do well in inflationary periods.

4. Invest in TIPS: Treasury Inflation-Protected Securities are bonds that automatically adjust to inflation to maintain their real value.



**Practice Discipline:**  
Ignore The Noise



You'll be hearing more from the so-called experts that it's time to pull your money out of stocks and bonds and put it into gold. A disciplined investor knows to ignore this chatter and stick to their disciplined approach.



### MONTEITH WEALTH, LLC.

5 W MENDENHALL ST.  
SUITE 202  
BOZEMAN, MT 59715

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