



STRATEGIC CLIENT NEWSLETTER

FIRST QUARTER 2021

FIRST QUARTER 2021

Market Performance www.bloomberg.com

Dow Jones Industrial Average

This Quarter	7.76%
Year-to-Date	7.76%

S&P 500

This Quarter	5.77%
Year-to-Date	5.77%

Nasdaq Composite

This Quarter	2.78%
Year-to-Date	2.78%

*Indices are unmanaged and you
cannot invest directly in an
index*

CONTENTS

Market Overview	pg. 1
Market Overvaluation	pg. 2
Estate Planning Strategies	pg. 3
Recommendations	pg. 3
CHB Group News	pg. 4

Over-Valued Market Deepens In The First Quarter

One year into the Coronavirus pandemic, and the broad markets have not only recovered, but have been in an over-valued range for most of the first quarter of 2021. The DJIA (+7.76%, 32,981.55) and the S&P 500 (+5.77%; 3,972.89) both finished the quarter positive, and in record territory. We believe both the DJIA and S&P 500 will show some volatility throughout 2021, as broad market stocks shed some of their excess gains to be more in line with corporate earnings.

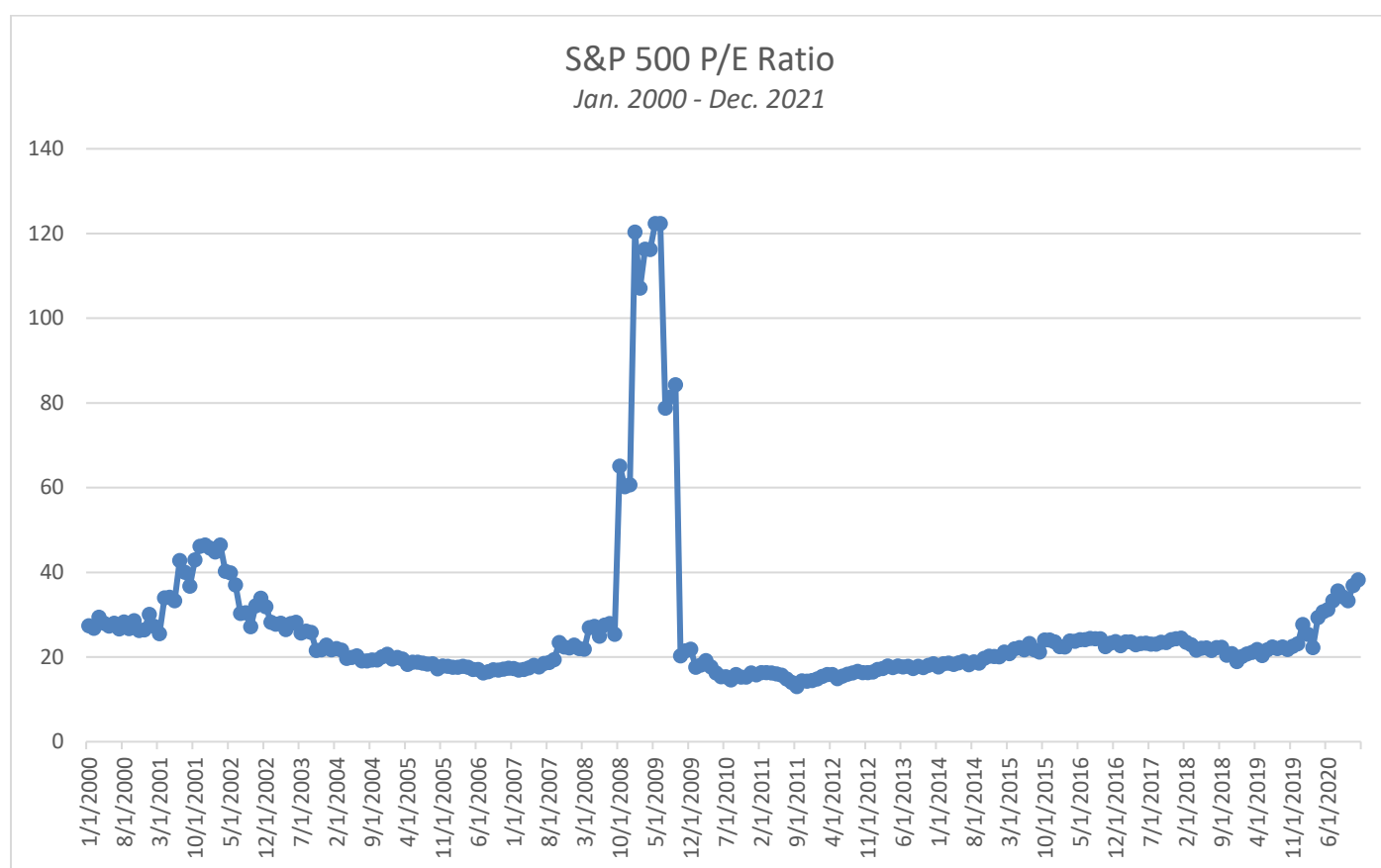
- Gross Domestic Product in 2020 finished the fourth quarter at an adjusted annual rate of 4.3%. The third quarter GDP was revised to also show an increase of 33.4%. (Source: www.bea.gov)
- The National unemployment rate remained at 6.7% for November and December of 2020, as additional jobs were added to the economy. The beginning of 2021 continued with lower unemployment rates of 6.3% for January and 6.2% for February. (Source: www.bls.gov)
- Nonfarm productivity increased at a rate of 4.2% in the third quarter of 2020 with a decrease of -4.2% in the fourth quarter of 2020. From the fourth quarter of 2019 to the fourth quarter of 2020, nonfarm productivity increased 2.4%. (Source: www.bls.gov)
- The Consumer Price Index (CPI), which measures changes in the price level (inflation) of consumer goods and services, was at 0.2% in December 2020, and increased in January 2021 to .3% and February 2021 to .4%. From February 2020 to February 2021, the unadjusted CPI was 1.7%. (Source: www.bls.gov)
- Personal Income increased in January 2021, at a rate of 10.1%, before falling in February 2021 at a rate of -7.1%. This was followed by a December 2020 increase of .5% and a decrease in November 2020 of -1.2% (Source: www.bea.gov)
- Corporate profits increased in the third quarter of 2020 by \$499.6 billion, following by a fourth quarter decrease of \$31.4 billion. (Source: www.bea.gov)

An Over-Valued Market and Forecasting 2021

When analyzing whether the broad market is over-valued, under-valued or fully-priced, a historical benchmark to use is the price-to-earnings ratio (P/E) of the S&P 500 Index.

The modern-era market average P/E for the S&P 500 is 19.6 (which would be considered a fully-priced market), and as of March 26, 2021, the P/E of the S&P 500 was 35.92; this is 83% above the long-term average. This represents a strongly overvalued stock market.

Looking at the P/E ratio since 2000, the three highest peaks have occurred with the internet bubble from 2000-2002, the 2009 Financial Crisis and today. We are concerned that stock prices in the broad market aren't sustainable based on current corporate earnings coupled with a sluggish economy that must still absorb the dislocations caused by the Covid-19 virus.



Source: www.macrotrends.net

We remain cautious of the growth we're seeing in stocks in an overvalued market, in addition to nearly \$4 trillion from Coronavirus rescue packages over the past year.

Please call our office to review any additional questions regarding current portfolio allocations. We are not currently recommending any additional portfolio changes, but will continue to monitor and advise if we see the need to make additional portfolio changes.

2021 Contribution Limits

The following are the contribution limits for tax year 2021 for retirement accounts and plans:

401(k), 403(b), 457, Roth 401(k) and Roth 403(b):

\$19,500

\$6,500 catch-up if over age 50

Traditional and Roth IRA:

\$6,000

\$1,000 catch-up if over age 50

Simple IRA, Simple 401(k):

\$13,500

\$3,000 catch-up if over age 50

Maximum SEP Contribution:

Lesser of \$58,000 or 25% of eligible income

Please keep in mind that Wells Fargo Advisors Financial Network is not a legal or tax advisor. If legal, accounting or tax assistance is required, the services of a competent professional should be sought.

Estate Planning Strategies for 2021

When reviewing your Will and Estate Planning, there are some important notes to take into consideration for 2021:

- The Unified Estate and Gift Tax Exclusion amount has increased to \$11,700,000 for 2021. This will continue to be indexed for inflation until 2026, when the exclusion is scheduled to revert back to inflation-adjusted 2006 exclusion levels (\$5 million).
- The annual gift tax exclusion for gifts made to any individual is \$15,000 in 2021
- Estate, Gift and GST tax rate: 40%

One of the changes that was included in the SECURE Act of 2019 included changes in inherited IRAs going to non-spousal beneficiaries. For IRA holders who pass away in 2020 and later, any non-spousal beneficiaries who are more than ten years younger than the IRA holder will be required to fully distribute the inherited IRA in ten years.

Other changes made by the Act include an increase to age 72 for IRA holders to begin taking Required Minimum Distributions (RMD), and IRA holders are able to also make contributions at any age, as long as they have earned income.

Please consult your estate planning professional for any additional questions, and to ensure that all your estate planning documents are up-to-date.

Please make sure to contact our office for any changes to beneficiary or transfer-on-death designations to ensure your investment accounts are in line with your Estate Plan.

We have mailed out Tax Planning Tables for tax year 2021 to all clients. If additional tables are needed, please contact our office.

CHB Investment Group Recommendations

Recommendations made by CHB Investment Group, LLC may not be suitable for all clients, and we suggest calling our office to review any recommendations that may meet clients' specific financial needs and risk tolerance.

We continue to recommend that client's maintain their long term investment plan, and proper asset allocation of their investment portfolios. We advise that clients review any changes in risk tolerance with us, so that we can continue investment strategies and retirement planning models that meet the needs of each client.

We will continue to meet to review client portfolios and cash flow models, and will reach out if there are any necessary changes that we recommend making.

CHB Investment Group News

For clients who are signed up to Wells Fargo Advisor's Access Online, you can suppress the quarterly performance reports and receive them paperless. Delivery preferences can only be updated by clients through the Access Online website.

- Updates to Wells Fargo privacy policies are being sent to clients currently, and we ask that you contact us *before* making any changes to your preferences, so we can explain the impact to you.
- Over the past few years, our clients and our office have seen an increase in phishing and scam e-mails, text messages and phone calls. Please **DO NOT** click on any suspicious links or give out any personal information to unverified sources. **Call our office if you're unsure of whether or not you're receiving scam or phishing notices and we will verify the validity of them.**
- Please take note of the changes to our website address and e-mail addresses to the right. Please make sure address books are updated to reflect the changes. Our office address and phone/fax numbers will remain the same.
- The IRS has extended the Federal tax filing deadline to **May 17, 2021**.

For clients who would like to receive non-confidential information regarding general market conditions and CHB Investment Group updates, please send your preferred e-mail address to chris.lindenthal@chbinvestmentgroup.com

Reminder: Emergency Order Placement Number – If there is ever a need to place an order during market hours, and we cannot be reached due to phone problems or weather issues, please call (877) 246-6976, option #2.

CHB Investment Group
A Limited Liability Corporation

Christopher H. Brashier
Managing Director
chb@chbinvestmentgroup.com

Debra T. Jones
Registered Associate
debra.jones@chbinvestmentgroup.com

Christopher Lindenthal
Portfolio Administrator
chris.lindenthal@chbinvestmentgroup.com

31 North Main Street
New Hope, PA 18938
Phone: 215-862-6900
Fax: 215-862-5700
Toll Free: 855-862-6900

www.chbinvestmentgroup.com

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN). CHB Investment Group, LLC is a separate entity from WFAFN.

Past performance is no guarantee of future results.

Indices are unmanaged and you cannot invest directly in an index.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

Generally, CDs may not be withdrawn prior to maturity. CDs are FDIC insured up to \$250,000 per depositor per insured depository institution for each account ownership category. CDs may be issued by out of state institutions.

Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. The prices of mid-cap company stocks are generally more volatile than large company stocks. The often involve higher risks because mid-cap companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment. All fixed income investments may be worth less than original cost upon redemption or maturity.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Diversification does not guarantee profit or protect against loss in declining markets.

This newsletter is designed to provide accurate, authoritative information. Wells Fargo Advisors Financial Network is not engaged in rendering legal, accounting or tax advice. If legal, accounting, or tax assistance is required, the services of a competent professional should be sought. The hiring of a professional is an important decision and should not be based on advertising. Ask for written information stating qualifications, experience and Firm association before making a decision.

This report is provided courtesy of your Financial Advisor, Christopher H. Brashier, who can be contacted at 215-862-6900. Wells Fargo Advisors Financial Network did not assist in the preparation of this report, and its accuracy and completeness are not guaranteed. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. The material has been prepared or is solely distributed for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Additional information is available upon request.