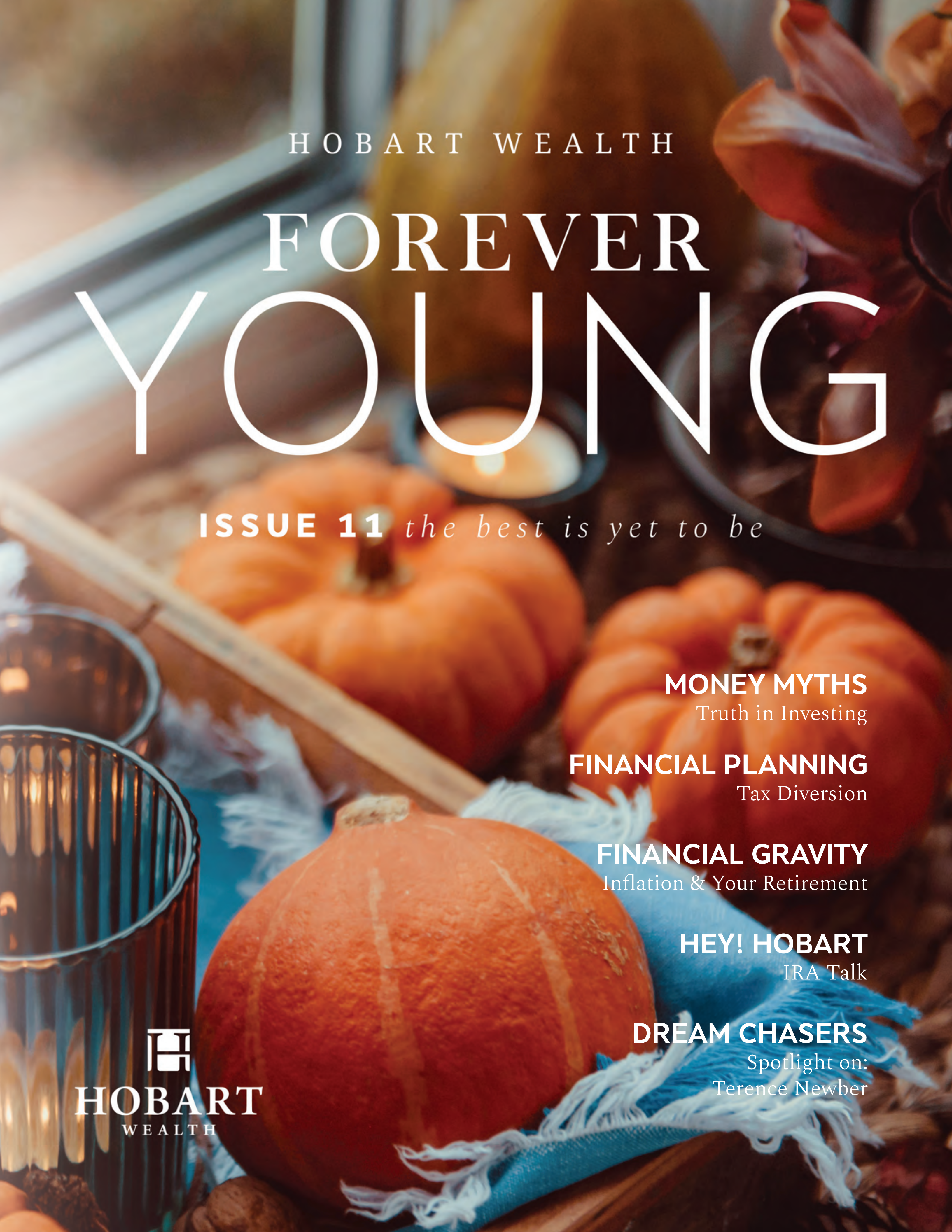

HOBART WEALTH

FOREVER YOUNG

ISSUE 11 *the best is yet to be*

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HOBART
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LETTER *from the* CEO

KICKING BAD HABITS AND BUILDING NEW ONES

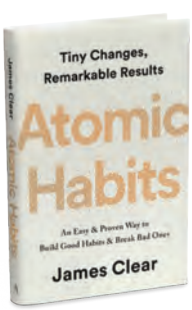
Enjoying family time! Renee, Sloane, Blythe and me with Renee's dad celebrating his 70th birthday!

Some of you may have picked up a useful new skill during COVID. Perhaps you learned to paint with watercolors or tried out a new language. Maybe you even brushed up on your cooking skills or started your own business.

Know what I did? I became an expert at snacking.

It's true. Did you know DoorDash will deliver anything your heart desires? Pizza. Burgers. And one of my favorites, ice cream. Yep, Golden Cow, Jeni's, and Ben & Jerry's came right to our house. Brilliant.

The result? I picked up a new not so good habit and packed on a few pounds. But over the past few months I've been working hard to replace that bad habit with new, more beneficial ones.



The change started when I read *Atomic Habits*. Author James Clear provides easy-to-understand explanations about how we establish habits, both good and bad. He also gives great suggestions for simple ways to build better habits in our lives.

Clear introduces the concept of "stacking" actions to turn them into habits, using cues. Say you're trying to add daily exercise to your life. You might start by laying your workout clothes the night before. Then your "cue" the next morning is seeing the clothes out, so you go ahead and put them on. That's the cue to exercise. Each step builds on the one before until it becomes an automatic routine that doesn't need a lot of thought. It's a process anyone can implement, no matter what new habit you're trying to establish.

And speaking of exercise, I've started working out. I barely have to leave my house; the gym comes to me. Terrance and his trailer-turned-mobile-gym pull up in my driveway at 6 a.m., five days a week. He holds me accountable and inspires me to get up and get it done, every single day.

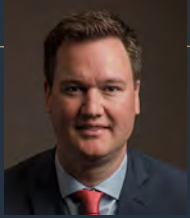
The best part is that Terrance has reminded me that anything is possible with a little creativity, drive and passion. When people stopped going to the gym due to COVID, he saw an opportunity to bring the gym to them. I'm excited for you to read his story in this newsletter.

Opportunity is all around, especially right now. Each of us has the chance to learn something new or decide what's next. We can pursue new dreams or realize new habits. We just have to dedicate the time (and a lot of patience) to building the right ones.

Just a word of advice: Don't choose snacking as your new habit. That's a hard one to break.

May you stay Forever Young,

Chris Hobart



FINANCIAL PLANNING

WILL PROPOSED CHANGES IMPACT YOUR TAX BILL?

ANDREW GREER, CFP®

The Biden administration has proposed diverting roughly $3.5 trillion over the next decade to expanding the social safety net of the country and also combating climate change. While this is not a forum to debate whether or not this is an appropriate use of tax dollars, it is a great place to shed light on how these changes could impact taxpayers.

As of this writing, the spending bill is widely expected to result in increased taxes for many high income-earners, both individuals and businesses. While there is still plenty of time for revisions to be made, we find it critical to provide timely and pertinent information about who will be affected by these changes and to what extent.

Corporate Taxes
The current corporate tax rate is 21%, set since the implementation of the Tax Cuts & Jobs Act of 2017. Under the new proposal, this rate would increase to 26.5%. (The Biden administration initially suggested raising it to 28%.) While a corporate tax rate increase won't directly impact your personal tax return, it is widely believed that the more favorable corporate tax structure businesses have enjoyed has been a catalyst for positive market returns via strong corporate earnings over the last few years. We can't predict the long-term impact an increase will have on investors, but it certainly has the ability to increase volatility within markets.

Personal Taxes
The proposed bill could impact five key areas of personal taxes:

- **Estate tax.** Over the last four years, the estate tax lifetime exemption has been $11.7 million per individual ($23.4 million for couples). Estates valued over these thresholds face the 40% flat tax on assets above these limits upon inheritance. The current proposal is to cut the limits in half, taking them back to where they were before the 2017 Tax Act. This shift could occur as soon as 2022, as opposed to the original plan calling for thresholds to reset at the end of 2025. The change certainly targets higher-net-worth individuals, placing estate planning at a premium.
- **Ordinary income tax.** Currently, the top marginal income bracket for taxpayers is 37% and would move to 39.6% for single tax filers generating greater than $400,000 in income and $450,000 for a married couple filing jointly. (These income thresholds are lower than initially proposed.) A savings and tax deferral strategy, during both working and retirement years, is paramount to combating these increases.
- **AGI.** For individuals with adjusted gross income (AGI) above $5 million, the proposal calls for an additional 3% surtax that would apply to individuals and married couples alike.
- **State and local tax deduction cap.** Starting in 2017, the state and local property tax deduction was capped at $10,000, causing a large number of Americans to utilize the standard deduction as opposed to itemizing. As a result, high-tax state property owners in New York and New Jersey ended up in a less favorable position. Raising or repealing the cap is a priority for Democrats.
- **Capital gains.** The highest tax bracket for capital gains is currently 20%. If passed, the bill would raise the top capital gains rate to 25%. When combined with an existing 3.8% investment-income tax and the surtax mentioned above, the new top rate on capital gains could be as high as 31.8%. This is a concern for anyone sitting on highly appreciated assets, both real estate- and investment-related. 2021 could be a good year to realize some gains by selling these holdings. Another popular tax strategy to consider is a tiered approach, staggering liquidation of these assets over two to three years to avoid the higher tax thresholds.

With the help of proper and proactive planning, you don't have to blindly subject yourself to higher taxes. Paying more than your fair share doesn't make you a stronger Patriot; it just means you haven't planned accordingly. We welcome the opportunity to discuss how these changes may impact you. Through proper planning, we can combat these tax changes now and in the future.

hey! HOBART

We love answering your questions about all things money, from retirement savings to how to save on taxes.
Do you have a question for us? Send an email to **heyhobart@hobartwealth.com** with the subject line “Hey Hobart!”
And feel free to yell a “Hey Hobart!” any time you see Chris around town.

Q: I turned 72 last year. I got a letter stating that I must start taking distributions from my IRA for the 2021 tax year. What is this and what do I need to do?

A: If you own a traditional IRA or employer-sponsored retirement account (such as a 401(k) or 403(b)), the IRS says you have to begin taking required minimum distributions (RMDs) for the tax year you reach age 72. (The age used to be 70 ½, until the SECURE Act of 2019 raised it to 72.)

RMDs exist because you haven’t paid taxes on the money yet – and the IRS wants their cut. The distribution is calculated by a formula using your age and amount of money in the account – and is 100% taxable to you. And if you neglect to take RMDs, you could face a tax penalty of 50% of the amount you were supposed to take.

For your first RMD, you have until April 15 of the following year calendar year to make the distribution. All subsequent distributions must be made by December 31.

To make matters even more complex, Congress waived RMDs for all retirement account owners for the 2020 tax year – so if you turned age 72 in 2020, you haven’t taken your first RMD yet. Since you’re still due for the first one, you’re required to take two RMDs by December 31, 2021. Anyone who turned 72 in 2021 (or turned 70 ½ prior to Jan. 1, 2020) must only take one RMD this year.

Totally confused? So were we. Here’s a handy chart to make things easier:[1]

IF YOU TURNED...70 ½ before Jan. 1, 2019
AND YOU... Already started RMDs
YOU MUST... Take RMDs for the 2021 tax year by Dec. 31, 2021

IF YOU TURNED...70 ½ in 2019
AND YOU... Already took 1st RMD for 2020
YOU MUST... Take RMDs for the 2021 tax year by Dec. 31, 2021

IF YOU TURNED...70 ½ in 2019
AND YOU... Did not take 1st RMD by April 1, 2020
YOU MUST... Take RMDs for both 2020 and 2021 tax years by Dec. 31, 2021

IF YOU TURNED...72 in 2020
AND YOU... Already took 1st RMD for 2020
YOU MUST... Take RMDs for the 2021 tax year by Dec. 31, 2021

IF YOU TURNED...72 in 2020
AND YOU... Did not take 1st RMD by April 1, 2021
YOU MUST... Take RMDs for the 2021 tax year by April 1, 2022

IF YOU TURNED...72 in 2021
AND YOU... Have not started RMDs
YOU MUST... Take RMDs for the 2021 tax year by April 1, 2022

If you haven’t already set up your distributions, we recommend submitting the paperwork no later than Dec. 1 to make sure your 2021 distribution is completed by the deadline. Contact our office today to discuss your RMDs and make sure they’re handled for 2021.

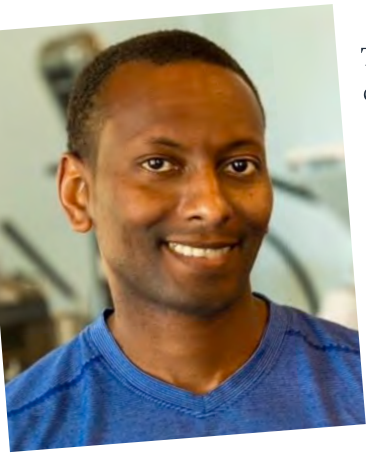
[1] Source: IRS. May 3, 2021. “Retirement Topics – Required Minimum Distributions (RMDs).” https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds. Accessed Sep. 20, 2021.

dream chasers

SHINING A LIGHT ON CHARLOTTE AREA RESIDENTS
WHO ARE CHASING THEIR DREAMS IN BUSINESS & IN LIFE

SPOTLIGHT ON

TERENCE NEWBER: Owner, Unimpossible Fitness



Terence Newber can be best described in one word: Active. He's into weightlifting and martial arts. You can often find him tackling an extreme wilderness hike or running trails. So it seemed only fitting for him to pursue a career as a Certified Exercise Physiologist.

That career seemed to be on track – and then COVID-19 hit the fitness industry hard. "Gyms started closing down," Terence said. "I tried to keep going by training some of my current clients at their homes. Or I'd do mini sessions or fitness classes at the park."

But Terence quickly decided he needed to make some changes. "I looked around at trying to find a job I could do working from home, but didn't have a lot of success," he said. "I decided it was time to create my own job. I needed to start my own business."

He didn't have to look far to figure out what type of business. "COVID basically killed the fitness industry as we knew it for a year," Terence said. "I needed to figure out a solution for people who still want to get healthy and workout.

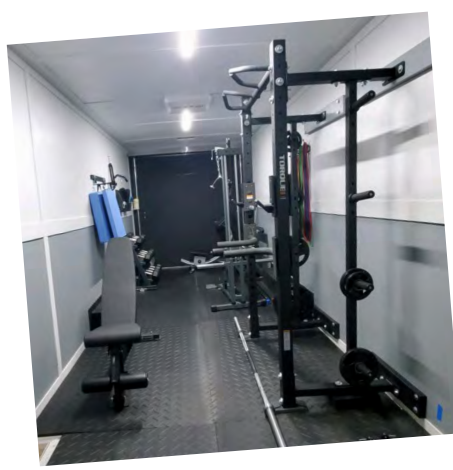
"Brick and mortar wasn't really an option," he continued. "Many people were still scared to go to the gym and workout in a crowd. But what if an entire gym could come to them – and they could have it all to themselves?"

The idea stuck. In early 2021, Terence bought a 24'x8.5' car cargo trailer and transformed it into a mobile gym, complete with power supply, air conditioning, and insulated walls and ceiling. He filled it with all the equipment you'd expect to see at a regular gym, including free weights, resistance bands and exercise machines to target every muscle group.

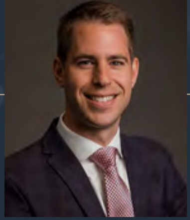
Word quickly got around. "My biggest surprise was the number of people who were excited about this opportunity," Terence said. **"IT KNOCKED DOWN THE BARRIERS PEOPLE HAD ABOUT EXERCISING. YOU CAN'T SAY YOU DON'T HAVE TIME TO GO TO THE GYM WHEN THE GYM LITERALLY PULLS UP IN YOUR DRIVEWAY."**

The idea of knocking down barriers inspired the business name: Unimpossible Fitness. "I've heard so many people say they'll never be able to do this or that, like lift X amount of weight or run a marathon," Terence said. "I believe anything IS possible with the right attitude, discipline and belief in yourself."

Someday, Terence would like to have his own brick-and-mortar gym. For now, though, he's focused on building his client base. He also has advice for other future business owners. "Brush up on your business skills," he said. "Lots of people are good at doing what they do – but not so great at creating and running a business. You need to have both."



Visit **unimpossiblefitness.com** to learn more about Terence and his mobile gym.



INVESTMENT PLANNING

FINANCIAL GRAVITY

JACOB WOODRUM, CFP®

Inflation and interest rates have been discussed with significant magnitude this year and continue to dominate the conversation due to the current economic environment. Given their importance, as well as the difficulty in comprehending their inner workings, both topics warrant further discussion.

I've found it easier to think of interest rates as the "financial gravity" of assets. Increasing gravity (interest rates) puts pressure on an object (asset) and pulls it down towards the Earth. When you reduce or remove gravity, the object will float upwards, signaling an inverse correlation. The same is true of interest rates and the value of assets. When interest rates stay low, assets skyrocket in value – leading to inflation.

That said, I wish it was as simple as this illustration. It's nearly impossible to fully know the impact of the Federal Reserve's decisions on interest rates and inflation and how they affect the economy. However, there are signs that currently high inflation rates may be temporary and transitory:

1

A substantial portion of inflation experienced in the first half of 2021 can be attributed to increased spending from fiscal stimulus and burgeoning wallets of everyone unable to spend during the 2020 lockdown.

2

The ending of enhanced unemployment benefits will likely attract more laborers in the workforce, reducing the labor shortage and subsequent supply chain issues.

3

Technology, automation and globalization all add to the deflationary effect on the economy.

But before we go moonwalking into celestial space, let's take a look at a few situations that point towards higher inflation over the longer term:

- High prices on used cars
- Skyrocketing home prices
- Soaring costs of materials and components (e.g., lumber, copper and semiconductors)
- Ongoing labor shortages

These are just a few examples and certainly not exhaustive, but the significance of these cases illustrates an important point. Many analysts and experts in our industry have opinions about whether or not inflation is transitory or long-term, but no one can be 100% certain. If inflation persists, expect the Fed to increase financial gravity (interest rates), thus lowering asset values. The possibility for rising rates can be troubling, but viewing asset prices today through the lens of near-zero interest rates makes a compelling case that assets are not irrationally priced.

It is logical for us to give a nod to the case for higher inflation. However, the key takeaway here is the importance of not over-compensating. Investors should take care to avoid significant asset allocation in response to macro expectations that may or may not come to fruition. It's okay to reach for the stars, as long as we keep one foot on the ground.

money*myths*

Which financial sayings are true and which are just old wives' tales?
Get the facts behind these widely accepted money myths.

Myth: Higher volatility automatically equals higher risk.

Truth: It does and it doesn't. Volatility measures short-term movements in stock prices, driven by daily events. When markets get volatile, they swing between highs and lows at a faster pace. Both the lows and highs can impact your portfolio, but only for a limited amount of time since volatility eventually slows down.

The real risk to your portfolio? Not allocating correctly or adopting a "set it and forget it" mentality.

MEGAN ROBINSON, FPQP™
CLIENT SERVICES MANAGER

LOOKING AHEAD TO YEAR-END

The end of the year will soon be upon us! Here's a quick checklist of items to accomplish before we turn the calendar to 2022:

Take your Required Minimum Distributions (RMDs)

If you're scheduled to take RMDs, we recommend submitting the paperwork no later than Dec. 1 to allow time for proper processing. Not sure if you need to take them this year? See the article "Hey Hobart!" earlier in this issue for the breakdown.

Review your beneficiaries & update as necessary

We recommend an annual review of your primary and contingent beneficiaries for all life insurance, annuities, retirement accounts, trusts and other important documents.

Consider a Roth conversion

Recent government spending and proposed tax law changes could mean increased taxes soon. Converting to a Roth before Dec. 31 could end up saving you in the long run.

Consider a Qualified Charitable Distribution (QCD)

Your RMDs and other IRA distributions can be gifted directly to a qualified charity of your choice. The gift must be made on or before Dec. 31 to qualify as a deduction for 2021 taxes.

Your advisor can analyze your portfolio and help determine if these strategies are appropriate for you or if there are other tax moves you should consider before the end of the year. Just call us at (888) 553-0122 to schedule your meeting. And our Client Services Team is always standing by, ready to assist with paperwork or account changes as we head toward the new year.

DON'T STOP BELIEVIN'

Adopting a new habit starts or achieving a goal starts with believing that you can. We asked our team: What improvements are you making in your life – and how? We also asked them to share how they'd use an extra hour of free time and what skills they would like to learn.

KATIE LOWDER

Client Service Specialist

I'm trying to live a more positive and healthy lifestyle, so I'm currently working out by doing kickboxing and journaling daily. If I could learn any skill, it would be how to write books because I love to read. And I'd spend an extra hour of free time playing with my kids.

WENDY CASALE

Fintech Administrator

I'm working on letting the small things go, because I want my girls to know that it's OK to make mistakes. And I'd get in the pictures! A few years ago, my family and I were at a festival when a couple approached us. The wife said to me, "Darling, do yourself a favor and get in the picture. You don't want to wake up one day and realize you were always the one taking the photos. Someday your children will be grateful that you captured these memories with them."

RILEY GALLAHER

Wealth Advisor

I've been working on my relationships with friends and family by being more focused on staying in touch. I call someone on my way home from work every day just to check in and see how they're doing. I also like to workout or do something active, like hiking or basketball. As for a skill I'd like to learn, I've always wanted to teach myself how to play the piano or guitar. But I haven't had the time or patience to commit to it.

COREY SUNSTROM, CFP®

Director of Financial Planning / Senior Wealth Advisor

I've been concentrating a lot on my personal health recently. Getting to the gym at 4 a.m. has kept me from making excuses and I haven't missed a workout in over a year! If I had an extra hour of free time, I'd use it to learn a new skill like woodworking. I'd love to be able to design and build furniture to outfit my home.

HOBART WEALTH

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