



WHAT MATTERS THE MOST

Making sense of today's considerations for informed wealth management.

Looking Beyond November

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The upcoming election is likely to be the most polarizing and contentious one in recent history. No matter which candidate you feel deserves your vote, it may be surprising that market performance is less impacted by the choice of candidate or party.

As with all elections, there are many important issues to be addressed and debated and we at Coghill Investment Strategies receive a multitude of questions from clients about potential impact points for their wealth management plans.

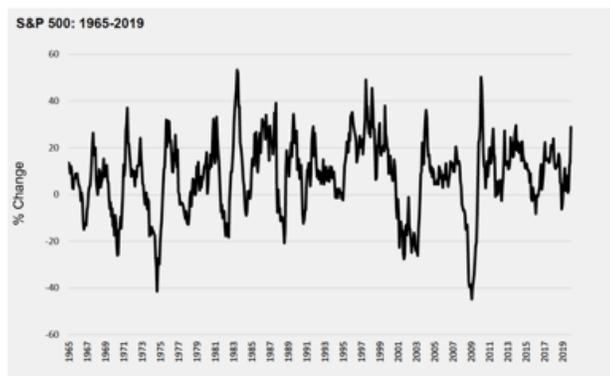
The two most frequent questions are:

- 1. Will the economy and markets underperform with one administration or another, and**
- 2. Will tax increases tank the markets and economy?**

To address the first question regarding market performance, we take a look back to more recent history. These charts presented by Alliance Bernstein in their presentation: "2020 Election: Politics Don't Matter?" clearly show historical data that speaks to similar market returns for party presidents, presidential candidates or for either party in leadership.

Simply stated: historically, politics have not mattered all that much in market performance.

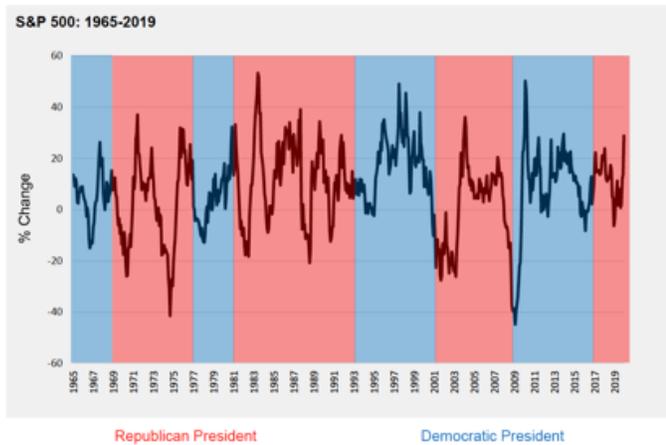
US Politics and Equity Markets: Quick! Label the Presidential Parties...



Past performance does not guarantee future results. An investor cannot invest in an index.
As of December 31, 2019
Source: Thomson Reuters and AB



Do Politics Really Matter Anyway?



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Politics Don't Matter: Historically Neither Political Party Has an Edge



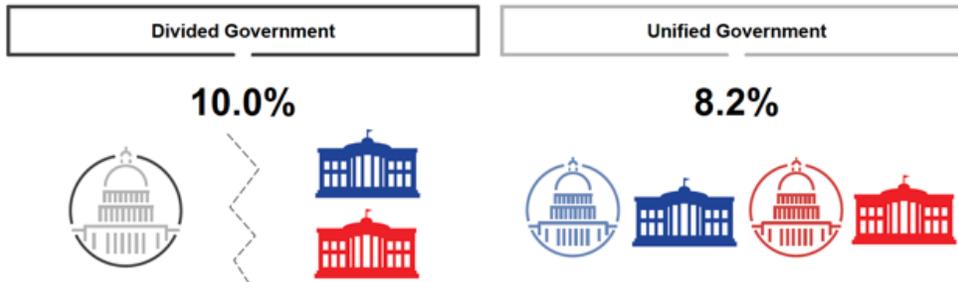
Past performance does not guarantee future results.
Returns reflect annualized returns for each Presidential Term dating back to 1937, based off the Dow Jones Industrial Average.
As of December 31, 2019.
Source: Bloomberg and AB



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It is, however, worth noting that there is a market performance differential in favor of a government that is divided rather than unified. With many senate seats up for grabs, this could be the more important factor moving forward.

Politics Don't Matter: Historically a Divided vs. Unified Government Both Perform Well

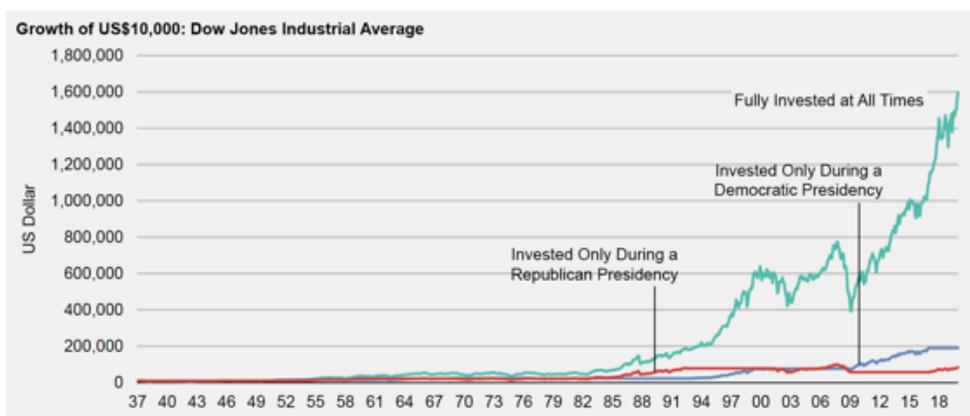


Past performance does not guarantee future results.
Returns reflect annualized returns for each Congressional Term from 1937–2019, based off the Dow Jones Industrial Average.
As of December 31, 2019
Source: Bloomberg and AB



Top takeaways here are that markets will always be volatile, but that over time, you want to be an “investor” in companies through the market and not a “renter” of companies speculating over shorter term political outcomes.

Politics Don't Matter: Stay Fully Invested



Past performance does not guarantee future results.
As of December 31, 2019
Monthly performance of the Dow Jones Industrial Average, dating back to 1937.
Source: Bloomberg and AB



But what about the question regarding tax rate changes?

First and foremost, our team at CIS believes that tax management and mitigation strategies will be an increasingly important component of our clients' long-term financial success. Especially as they enter into portfolio withdrawal or retirement mode, having our eye on clients' complete wealth universe and the impact of tax management is paramount.

Why is this so important? With \$26.8T in Federal Debt accounting for approximately \$81K for every single person in America, the outcomes of the election are not what is going to impact the necessity of tax rate increases to address this deficit. Our nation's debt continues to grow dramatically no matter which party occupies the White House.

Tax rates will likely need to increase over the long run regardless of any President or Party in order to address this debt in a healthy way. Some clients ask if taxes will "skyrocket" with new leadership. This is unlikely. Biden's proposed tax package does increase taxes via additional FICA taxes for those with earned incomes over \$400K. Those with incomes over \$1M could see an increase in capital gain rates.

Additionally, proposals are set for corporate tax increases, but to rates still lower than before the 2018 Tax Cut and Jobs Act. These proposed changes, when put all together, have the ability to slow economic growth, but we do not anticipate a crash to the economy or markets as a result. To provide some historical perspective, the last two presidents to raise taxes were Barack Obama (2009-2017) and Bill Clinton (1993-2001). Neither administration caused markets to crash due to the increases. In fact, markets performed well during their presidency. *Forbes* also shows us this and other critical comparisons to illustrate the transitions between party and president and each presidency's impact on the S&P 500. <https://www.forbes.com/sites/sergeiklebnikov/2020/07/23/historical-stock-market-returns-under-every-us-president/#3740503dfaaf>

Manage & Mitigate

This is certainly a year that poses a lot of complex considerations and new questions. Between the pandemic and the ever-increasing news around the election, it's enough to spark much evaluation of personal financial strategy. Our team is here to help answer your questions, as well as manage and mitigate tax considerations across your complete wealth universe.

November will soon be behind us, but your life plans are ahead of you, and keeping those plans well within reach is what we are focused on for clients every day.

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

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