

BOND&DEVICK

wealth partners

News & Notes from B&D

First Quarter 2021

An Anniversary without a Celebration

On March 15th we will celebrate a dubious anniversary at Bond&Devick. It will be one year since we had our last in-person client meeting in the office. For a group of extroverts whose favorite part of our job is meeting with clients, giving hugs, and sharing stories, this has been a challenging twelve months to say the least. We are grateful that our team and families are healthy, and we look forward to the time when we can resume seeing clients again in the office.

Challenges

We entered 2021 with record low interest rates and stocks trading at all-time highs. Bonds and cash continue to provide very low yields and stocks look due for a correction (which is both healthy and a part of investing). The current interest rate environment will most likely continue to keep returns from cash and bonds low for the next few years, which means

portfolio returns will rely almost exclusively on the returns of stocks for many quarters to come.

Opportunities

Domestic growth stocks and most bonds seem to be expensive, while value stocks and international stocks most likely offer the best opportunities over the next few years for better returns. We will continue to invest client portfolios within the risk guidelines we have set up for each of you.

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Anniversary—continued

Even if we are able to invest portfolios with perfect foresight over the next few years (which we won't) it will be difficult to achieve the types of returns we have in the past without taking on more risk. This is especially true for those portfolios conservatively or moderately invested since they have more invested in cash and bonds than more growth-oriented portfolios. The more traditional, balanced portfolios will struggle until the interest rate environment increases, which is dependent upon economic growth and inflation. A gentle rise in interest rates over time has often been a good environment for the stock market, however things get dicey when interest rates spike higher and quicker than investors expectations. Expect heightened volatility in stocks around the economic rebound as we may be entering a period where good news (the economy is growing faster than predicted, unemployment is going down quicker than anticipated) means bad news for stocks, especially if expectations around inflation and interest rates were to increase quickly.

Patience

We will continue to do our utmost to help our

clients reach their goals, however the next few years will require patience. Not only will returns on cash and bonds likely be more subdued, but it is also likely that stock market returns will remain volatile as the global economy recovers from the virus. We will reallocate portfolios over time as the interest rate environment changes. For now, we have been increasing allocations to cash and short-term bonds while reducing exposure to long-term bonds as a defensive hedge against rising interest rates. We do not believe the higher yield for longer term bonds is currently enough to make owning a large amount of those bonds attractive at this point. After interest rates rise, the risk/reward profile on longer term bonds will look better and we will start adding to these holdings over time.

Over the past 38 years our firm and our clients have benefited from diversified portfolios managed within individualized risk and return objectives. We believe this approach to investing is timeless and will continue to benefit our clients for decades to come.

The Bond&Devick Team

B&D'S COVID UPDATE

It is hard to believe a year has passed since our first communication about our Covid-19 plan. All along our priority has been the health and safety of our clients and our team. Many of our clients have received the vaccine, which we are so happy about! Based on projections, we hope our team will be vaccinated by this summer. So in keeping with our plan for everyone's health along with following both the CDC's and Minnesota's guidelines and laws, we are delaying in-person client meetings until later this summer or fall. We cannot wait to see our clients face-to-face again!

Plus, this will coincide with our big news of moving into new office space this summer! We cannot wait to show you our new B&D office, which will be in either our current building or a building just a few blocks away. More to come on this exciting news!

We are hopeful for getting to the other side of the pandemic later this year. Take care and feel welcome to contact us with any questions.



TAX TIME FAQ'S



Now that tax season is in full swing, here are answers to some common questions.

- 1. Tax form availability.** Your Charles Schwab tax forms are now available. You may have received your tax form in the mail. If you need us to send you a copy or have questions on what tax forms you need for filing, please let us know.
- 2. Qualified Charitable Distribution; Distribution to charity directly from an IRA.** If you gave directly to charity from your IRA as a Qualified Charitable Distribution (QCD), this is only available to individuals that are 70 ½ or older, the distribution is tax-free. However, the tax form 1099-R does not report the amount given to charity. The 1099-R will report the gross amount distributed, but the taxable portion will be the gross amount less what was given to charity. You should have received a letter from Bond&Devick letting you know the amount given to charity as a QCD.
- 3. Gifts to Donor Advised Funds.** If you gave to charity directly (not as a QCD) or to a Donor Advised Fund (DAF), your tax preparer will need additional information regarding the charitable gift. Your tax preparer will need to know: the date of the gift, the security(ies) given, amount of the gift, how long you have owned the security(ies), and cost basis. You should have received a letter from Bond&Devick with this information.
- 4. Cash gifts.** Starting for tax year 2020 (and for future tax years), if you utilize the standard deduction you can deduct up to \$300 of cash gifts on your federal return. Keep a record of your cash gift made to charity and let your tax preparer know the amount of your cash gifts. For 2021, it will be \$600 per married couple (\$300 for individual filers). For any gifts \$250 or greater, you should have received a letter from the charitable organization confirming the gift.
- 5. Waived required minimum distributions in 2020.** Due to the COVID-19 pandemic, required minimum distributions (RMDs) were waived for 2020. No distributions from your retirement account (including inherited IRAs) were required last year. The tax form that shows the distributions from a retirement account is the 1099-R. You may not have a 1099-R for 2020, if no distribution occurred. The waiving of RMDs was just for 2020, you will need to take your RMD for 2021.
- 6. Rebate payments.** You may have received both the \$1,200 and \$600 federal rebate payments. These payments are not taxable on the federal level or state level (for most states). If you were eligible for the rebate payments and didn't receive them you should receive it as an increase to your federal refund or a reduction in your federal liability. You will need to verify on your tax return that you did or did not receive the rebate payments. The rebate payments differ from unemployment compensation payments. Unemployment compensation payments are taxable.

!Important! Beware of Social Security and IRS Scams

Recently, we have had reports from a few clients about receiving calls from someone claiming to be from Social Security, asking for information and using a common scare tactic by stating the victim is in trouble. Also, fraudulent calls and emails from those claiming to be from the IRS are especially high during tax time. Remember to be diligent, do not click links in emails and do not answer questions from an unsolicited phone call. Always visit websites and make phone calls directly. Stay Safe!

Notes

1. Check our [website](#) for our new Podcasts!
2. Be sure to send us your updated tax return.
3. Check out our [Facebook page](#) for the latest updates on the B&D Team and families. Our page is public, you do not need your own FB account to view it!
4. Q1 Team News: Brittany celebrated 10 years and Rob 7 years with Bond&Devick. Nick got engaged to his girlfriend, Kelly, a June 2022 wedding is in the works! Nick's birthday is in March.

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Bond&Devick Wealth Partners

600 S Hwy 169—STE 875
St. Louis Park MN 55426

Contact Us

**Bond&Devick
Wealth Partners**
600 S Hwy 169—STE 875
St. Louis Park MN 55426
(952) 591-0113

Visit us on the web at
www.bondanddevick.com

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