



A Dickens of a Time

We highly recommend the movie, “The Man Who Invented Christmas.” For someone who has seen “A Christmas Carol” countless times, this movie is very entertaining as Charles Dickens was an interesting person to say the least. As we prepared to write our last newsletter of the year, we, like Dickens, suffered from serious writer’s block. The economy and the markets have a few major themes but trying to project where things will go in 2022 is proving as elusive as ever.

The major theme this year has been inflation. How high will it go? How long will it last, and will high inflation force the Fed to tip its hand earlier than they would like? If the Fed is more aggressive in taking away the punch bowl than is currently expected, it will certainly create interesting dynamics in the stock market where growth stocks have yet again outpaced value, small cap, and international stocks for what seems like the 100th year in a row.

Another major theme is the economy, which has been running hot over the past year. The unemployment rate is near historical lows as businesses scurry to find workers. A combination of a large percentage of the workforce retiring, Covid-19 fears, and the high cost of daycare will most likely keep the labor market tight for the foreseeable future. This has caused wages to increase, but it is unlikely that labor will start to get the upper hand over management unless we see a sharp spike in union participation.

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Productivity has been increasing, which has helped offset part of the labor problem as companies are able to produce more with fewer workers. Increasing productivity will be key going forward as companies continue to struggle to find workers.

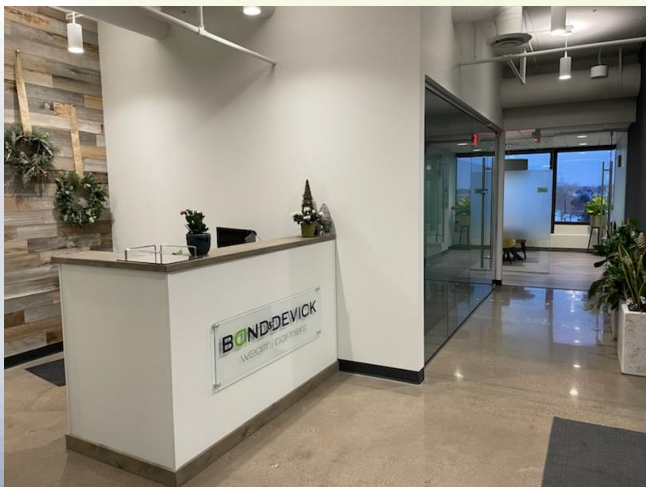
Photos of ships at sea waiting to unload cargo continue to spark conversations around supply chain management. New cars sit idle in factories waiting for chips, inventory stalls at the ports as America finds itself suddenly without enough truckers to move goods inland to distribution centers. The narrative has been that this has been mostly a supply issue, but we believe spiking demand has been just as much to blame. Higher prices will ultimately reduce demand, which will lower prices around the same time supply comes back online. This could be a recipe for moderating inflation over the course of 2022.

The leading character in today's drama is not Ebenezer Scrooge, but TINA. TINA is not your annoying cousin who talks incessantly about TikTok. TINA is an abbreviation for There Is No Alternative. With interest rates near all-time lows growth stocks were the only game in town (she does have a supporting cast played by Crypto currencies, Meme stocks and NFT's, but we digress). If interest rates start to move up, we believe this could provide head winds for growth stocks and speculative investments so we may finally see a rotation into value stocks, small cap stocks, and international stocks. The market always reverts to the mean and 2022 may finally be when the great rotation out of growth stocks begins. Or it won't. Only time will tell, which is why we remain balanced and diversified and focused on the long-term.

Happy Holidays to all of you. Wishing you health, happiness, and peace today and always.

The Bond&Devick Team

A Glimpse of our New Office Space



Year-End Tax Planning and Build Back Better – Proposed Tax Changes

Once 4th quarter hits, we focus our attention to year-end tax planning strategies. Many of you have been clients for several years and we discuss your individual strategies during our conversations and meetings. If your situation has changed since we last met, please reach out to us.

Donor Advised Fund

For clients who have large capital gains from the sale of property or investments, funding a Donor Advised Fund may be a great way to reduce taxes in one year and fund charitable contributions for future years. Using a Donor Advised Fund can also help with bunching itemized deductions.

Bunching Itemized Deductions

Since the standard deduction was increased a few years ago, many people no longer itemize their taxes. However, some taxpayers may be able to time their payments of itemize deductions every other year if they “bunch” deductible expenses into one year. This can be accomplished by making two years’ worth of charitable contributions every other year, paying next year’s property taxes in advance and pre-pay medical and dental expenses.

Tax planning is one important way in which we add value to our client relationships. Please keep us informed of changes to your situation so we can make sure to utilize the best strategies for you and your family.

Capitol Hill's race to Christmas: Will Senate pass Biden's Build Back Better Act?

"We have basically 49 of us in agreement to move forward," says one top Democratic senator. The exception, for now, is Joe Manchin. The House passed the Build Back Better Act last month and it is now in the Senates’ hands, however, if modified, it must go back to the House.

The House-passed bill contains several tax-code changes that could impact individual investors, though far fewer than were in the original draft of the legislation. The revised legislation includes a new surtax on the wealthiest taxpayers (5% for income over \$10 million and an additional 3% for income over \$25 million), a significant increase in the state and local tax (SALT) deduction (proposed exemption of \$80,000 up from the current \$10,000 deduction cap through 2030), and several changes to retirement savings (i.e., Roth IRA conversions and aggregate account balance cap). However, the Senate is expected to change the SALT provision. The bill also establishes a new 15% minimum tax for corporations, imposes a 1% tax on stock buybacks, and increases funding for the IRS to boost enforcement for underpayment and non-payment of taxes.

The bill includes funding for expanded health-care coverage, affordable housing, universal pre-kindergarten, and other childcare programs; expanded Medicare benefits to cover hearing; four weeks of paid leave; and climate-change and green-energy provisions. But the compromise required eliminating several proposals that were priorities for the president and progressives on Capitol Hill, including Medicare coverage for dental and vision and free community college.

"We are looking at ensuring that we are not increasing costs and taxes on anybody making less than \$400,000.," Cortez Masto said in an interview.

Schumer set a deadline of Christmas to pass the bill in part because Democrats fear that the onset of the 2022 election year will make lawmakers more nervous about passing an aggressive piece of legislation.

Contact Us!

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NOTES

1. **Our office will be closed from noon on Wednesday, December 22 through Friday, December 24. We will reopen on Monday, December 27 at 8am.**
2. **Check our website for our Podcasts!**
<http://www.bondanddevick.com/podcasts>
3. **Be sure to send us your updated tax return.**
4. **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!**

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