FINANCIAL SYNERGIES®
WEALTH ADVISORS

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INSIDE THIS ISSUE

Announcements

MIKE BOOKER, CFP®, CHFC®, CFS®

SHAREHOLDER, FINANCIAL ADVISOR

We are excited to announce that we have hired two interns for the second year of our Summer Internship Program. Last summer we had success with a hybrid remote/in-office internship program and decided to offer those positions again this summer. They will begin shadowing the team on June 1st.

Valerie Carpenter is joining us from Texas Tech where she is involved in the Red to Black program, part of the honors college, and is double majoring in Spanish and Personal Financial Planning.

Collin Taylor is joining us from Texas A&M, where he is a member of the Corps of Cadets and is majoring in Finance with a focus on Financial Planning.

Please join us in welcoming these two bright young folks to our firm for the summer!

The Market Roars - Stay Focused

MIKE MINTER, CFP®, CFS® | SHAREHOLDER, PORTFOLIO MANAGER

It goes without saying that rising markets are positive. However, as with all things, maintaining balance is the key to long-term success. Just as investors often find it difficult to stay invested when markets pull back, many also find it challenging to stay focused when markets are roaring. After all, it's human nature to chase returns and to be afraid of missing out. Even when investors intellectually understand that market gains cannot accelerate forever, there can be emotion-driven excuses for why this time is different. This is true even for investors who may have been fearful of returning to the stock market just a year ago.

If history teaches us anything, it's that staying invested with a well-thought-out portfolio and financial plan is the key to long-term success. Doing so helps investors to capture the upside as markets rise over long periods while protecting from downside when they inevitably decline over shorter ones. Just as a sensible sedan, SUV, or minivan may not be able to keep up with a race car on an open highway, they will handle the inevitable potholes and traffic jams much better. And, in the end, they will reach their destinations in a safer, more comfortable manner. You just won't look as cool!

Today, there are three key reminders for investors as markets continue to reach new all-time highs. First, recent surveys of investor sentiment suggest that bullishness is now near historic levels among everyday investors – a stunning reversal from a year ago. That this is occurring in lockstep with rising markets should be no surprise, especially with the S&P 500 and Dow each having returned over 10% this year with dividends. Investors – fueled by past returns, media coverage, low interest rates and interesting new assets – are seeking new ways to invest.

However, history shows that investor sentiment is often a contrarian signal – a sign that investors are focusing too much on return and too little on risk. This was certainly true during the dot-com era and the housing boom, but has also taken place periodically over the past decade. While this is by no means a timing indicator – markets can rise much longer than many expect – it is a reminder for long-term investors to avoid being distracted from their plans.

Second, while many fundamental factors have continued to push markets higher, investors should not expect markets to accelerate forever. At this point, the expectation for GDP and corporate profits to recover later in 2021 is widely understood and priced-in. Broad market valuation levels remain close to dot-com era highs based on these expectations, but can improve over time as the recovery advances. In general, there are no significantly undervalued sectors across the stock and bond markets. This further emphasizes the need for discipline and risk management.

Third, although the broad market continues to climb higher, the sectors and areas driving this have changed over the past several months. Areas such as small caps, value stocks, energy, commodities, financials and more have surged during the recovery after falling behind technology and growth stocks last year. Thus, it's important to not only focus on the headline index numbers but to understand what is driving performance beneath the surface. It's also important to focus on how each of these areas fit into a well-constructed portfolio, perhaps with tilts to asset allocations.

Stock market pullbacks are impossible to predict but are inevitable nonetheless. The goal of long-term investors is not to swerve in and out of markets based on past returns, but to stay invested in an appropriate portfolio through both good times and bad.

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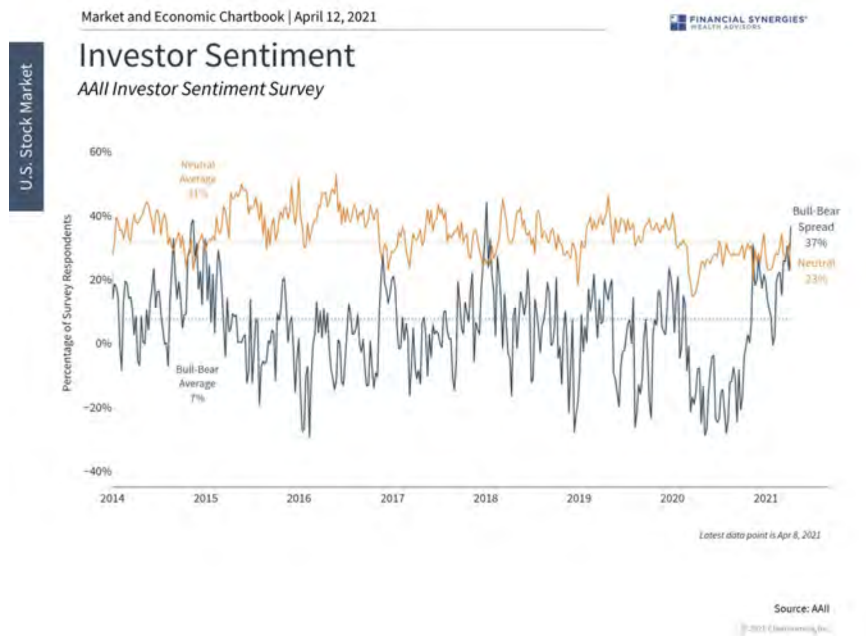
1. Investor bullishness is near record levels

The spread between bullish and bearish everyday investors is at its highest level in years. Investor sentiment can be a contrarian indicator that signals when investors are overly optimistic. However, by no means is it a timing indicator. Thus, today's readings tell us that we ought to remain disciplined as markets continue to climb to new peaks.



2. The overall market continues to reach new all-time highs

Broad stock market indices continue to rise, fueled by strong economic growth and corporate profits. What has driven this under the hood has shifted over the past year, however.

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3. The areas driving this outperformance have shifted this year

The rotation in the market, driven by the reopening of the economy, has resulted in changes to sector and style leadership. While growth and technology stocks performed well last year, this year's performance has been broader. And although tech has still done extremely well this year, areas such as value, small caps, energy, financials and more have led the way.

The bottom line – stay focused on your long-term plan.

Source: Clearnomics

SOCIAL SECURITY ONLINE ENROLLMENT GUIDE

We are happy to announce we have created a guide to help navigate the online enrollment process for Social Security benefits. You can apply online for your retirement benefits and spousal benefits. Survivor benefits are not eligible for online enrollment so you will have to contact Social Security directly.

The guide is comprehensive, and follows the 5 sections of the enrollment process. You may be required to provide additional information not covered if you are subject to any specific circumstances (such as outside pensions, military service, divorce, etc.). In these instances, the application provides details that will explain what additional information may be needed.

If you'd like us to mail or email you a copy of the guide, please send a request to **info@finsyn.com** or call us at 713-623-6600 and we'd be happy to get that over to you.

What Financial Challenges Could High Earners Face with the New Administration?

MIKE MINTER, CFP®, CFS® | SHAREHOLDER, PORTFOLIO MANAGER

With one of the most contentious elections in history behind us, President Joseph R. Biden, Jr. officially took office on January 20. With a new administration, high earners especially are left wondering – how will the Biden presidency affect me financially? Based on his official campaign platform, past interviews and projections, we can better prepare ourselves for the potential changes to come.

What financial challenges could this bring to high earners during this administration?

CHALLENGE #1: EXPECT HIGHER TAXES

This probably comes as no surprise. Much of Biden's tax plan focuses on raising taxes for high earners, corporations, and capital gains. In fact, it's estimated that approximately 80 percent of tax increases would affect the top one percent of income earners.1

For those earning over $400,000 annually, Biden is projected to raise taxes including individual income, capital gains, and payroll taxes.2 Households with an adjusted gross income of $400,000 a year or less will likely see less dramatic tax changes.

CHALLENGE #2: CORPORATE TAXES MAY BE RAISED

Under Biden's proposed tax plan, corporate tax rates are expected to rise to 28 percent, up from the current 21 percent. Additionally, he may set a minimum tax of 15 percent on shareholders' profits and increase the taxes on foreign earnings of companies overseas.3

CHALLENGE #3: REAL ESTATE LOOPHOLES COULD BE ELIMINATED

If rumors that Biden may eliminate the Section 1031 like-kind exchange become true, real estate investors would lose the ability to utilize this common workaround for tax deferment.

These types of exchanges have taken place in the real estate industry for years and have been a part of the IRS code since 1921.4 Under current law, real estate investors can delay capital gains taxes when they sell properties and direct earnings into new investments – assuming they follow the IRS's regulations as to what defines eligibility for Section 1031 exchanges.

CHALLENGE #4: ELIMINATION OF FOSSIL FUEL SUBSIDIES

For oil industry executives, the elimination of fossil fuel subsidies could affect your earnings. As of September 2020, this industry is said to be worth $14 trillion in assets.5

Biden is pushing to end U.S. fossil fuel subsidies worth billions of dollars a year in an effort to combat climate change and reach net-zero emissions within 30 years.6

CHALLENGE #5: REVERSES TO THE TAX CUTS AND JOBS ACT OF 2017

The Tax Cut and Jobs Act of 2017 included several advantageous tax changes for high earners and business owners – including dropping corporate taxes from 35 percent to 21 percent.7 Biden is predicted to eliminate some aspects of the TCJA, likely reversing certain tax breaks for corporations and high-earners.

CHALLENGE #6: RAISING OF ESTATE AND GIFT TAXES

Biden has been cited as saying he'd likely restore estate and gift taxes to pre-TCJA levels.2 Any eligible assets gifted above that amount would be likely taxed at a rate of 40 percent – unless the Biden administration changes it otherwise.8

It's likely we'll start seeing changes in the near future. We'll know more in the weeks and months to come. Please reach out to us with any questions or concerns.