

# THE PRINCIPLE QUARTERLY

MARCH 2021



Dear Friends,  
With the arrival of spring and the roll-out of COVID-19 vaccines, we are optimistic that we are getting a little closer to normal. In this issue, we provide tips to help you plan for the upcoming tax season and to maximize your retirement savings. We also share our thoughts on trends that emerged as a result of the pandemic, which we anticipate will continue. Lastly, we continue to focus on giving back to the community, as well as expanding our local presence with the addition of an office in Old Saybrook, CT.

We hope you enjoy what's inside and, as always, encourage you to call or email us with any feedback or questions you may have.

Be well,

Robert S. Paolucci, CFP®  
Founder & CEO

## Join us for a Virtual Conversation



There are many lessons to be learned from the COVID-19 pandemic and many of them are financial. Please join us for an informative virtual webinar hosted by Julina Ogilvie, Megan Maruzo, and John Hannigan, who will talk about the lessons learned, the rationale for investing for the long term, and opportunities we see for 2021. For your convenience, there are two sessions: [March 18th](#) at 11:00 am or [March 25th](#) at 5:00 pm. Please click on the links to register.

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### The Next Stimulus Package

President Biden's \$1.9 trillion American Rescue Plan provides pandemic relief including up to \$1,400 in additional stimulus for individuals and dependents, extended unemployment assistance of \$300 per week through September 6th, a per-child cash payment of at least \$3,000 for one year, and an expansion of "Obamacare" subsidies for two years. It also offers additional aid to states, municipalities, and small businesses, and support for other pandemic related needs.

## Tips to Get Organized for Tax Season

By John Hannigan



It's never too soon to start preparing for tax season. Getting a jump on gathering your documents can remove a lot of the stress of meeting the April 15<sup>th</sup> filing deadline — and there's no time like the present to begin. With tax season around the corner, these tips will help get you started.



### 1. Create a system for organizing your paperwork

Set up both an online filing system and designate a paper folder to store your tax-related bills and receipts. This simple step, which takes no time at all, could save you hours come tax time so you're not searching through a disorganized pile of papers looking for the donation receipts!

### 2. Mark important tax dates on your calendar

While April 15<sup>th</sup> is the biggest deadline, you also want to make sure you receive any W-2, 1098, or 1099 forms on time as well. All of these documents should be mailed to you by January 31<sup>st</sup>. If you don't receive them soon after, contact the company that is supposed to send them to make sure you have them well in advance of the filing date.

### 3. Organize income statements and other documents

Group together all records of your income, which may include W-2, 1098, or 1099 forms, as well as paid invoices, or any other evidence of income you have received in the past year.

### 4. Gather all deductions

Within your paperwork, group together documents regarding mortgage interest payments, property taxes, charitable gifts, medical bills, and any other items that may count as deductions. If you have deductions that only have accompanying receipts (as opposed to a document with the information) keep those filed separately.

### 5. File as early as possible

Tax filing is not something you want to procrastinate. You should receive the documents you'll need to prepare your tax return by January 31<sup>st</sup> or soon after. And once you have them all in your possession, don't hesitate to file. If you are due a refund, the sooner you file, the sooner your refund will be sent to you.

### 6. Keep old records and returns

Check with your tax professional about what he or she recommends as an optimal amount of time to keep your old returns and associated documents. In most cases, you should plan to keep tax returns, along with any supporting documents, for at least three years following the date you filed or the due date of your tax return, whichever is later.

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Remember, staying organized and not procrastinating can make tax season much less stressful.

## The Retirement Savings Balancing Act

By Megan Maruzo



You want to save enough to live the lifestyle you've worked so hard for in retirement. However, it's a balancing act because the money you put away for tomorrow is not available to you today.

The first step is to decide how much you feel comfortable putting away each year by making sure your short-term financial needs are met. Ask yourself:

- Do you have 3- to 6-months of expenses set aside in cash?
- Are you carrying high interest rate credit card balances? Some credit cards have interest rates as high as 25% APR.\* Plan to pay off high interest debt first.
- Do you have sufficient health insurance and the funds to cover deductibles and copays?
- Are you covered in the event a disability leaves you unable to work for an extended period of time?
- Do you have sufficient life insurance in the event of the unexpected?

Once you're confident that your immediate financial needs are met, we can help you examine your options for retirement savings. Common vehicles to choose from include:

- **Traditional IRAs** – contributions are tax-deductible, earnings grow tax-free (pay tax upon withdrawal)
- **Roth IRAs** – contributions are made with after-tax dollars (and qualified withdrawals are tax-free) but your income must be below certain income thresholds
- **SIMPLE IRAs** – used by small employers (with < 100 employees) without a retirement savings plan and the employer establishes the plan
- **SEP IRA/Solo 401(k)** – provides retirement benefits for business owners and employees

- **401(k)s, 403(b)s, 457 plans, Government Thrift Savings Plans** – defined contributions through your employer
- **Health Savings Account (HSA)** – a tax-advantaged way to save for qualified medical expenses that offers a triple tax benefit

It is important to know your options so you can live the life you choose in retirement. Saving enough money gives you the freedom and control to do so. Balancing short-term liquidity needs with long-term investing strategies and disciplined saving is something we are happy to spend time reviewing with you.

### How Long Will Retirement Last?

Many people underestimate how long they will live, or the number of years they will be in retirement:

- 2/3 of pre-retiree men underestimate the life expectancy of the average 65-year-old man.
- 1/2 of pre-retiree females underestimate the life expectancy of the average 65-year-old woman.
- For retirement planning purposes, you can use a [longevity calculator](#) to estimate how long your retirement savings need to last.

*Source: Underestimating Years in Retirement, Stanford Center on Longevity.*

### Top Financial Regrets of Retirees

1. Not saving enough toward retirement
2. Avoiding the stock market
3. Spoiling your kids
4. Missing out on a Roth IRA
5. Ignoring long-term care planning
6. Buying a timeshare

*Source: Financial Decisions That Could Haunt You in Retirement, AARP, September 17, 2020.*

\*Average credit card interest rates: Week of December 30, 2020, [creditcards.com](#)

## Future Thinking

By Andrew Cialek



### How might emerging trends for the Post-COVID-19 economy impact you?

While we look forward to the day when a vaccine allows us to resume life as we knew it, the COVID-19 pandemic has brought about many changes we anticipate to continue post-pandemic. Our goal is to highlight a few industries that have experienced disruptions, and the changes we expect will endure.



#### 1. We expect an increase in contactless payments

If you listen to the news, you've probably heard reports about cash levels reaching their highest levels in years. However, what might not be clear is that the "cash" referenced is not physical. As the pandemic hit, retailers sought a form of payment that reduced the likelihood of transmission and shifted to contactless payment.

Providers like PayPal, Venmo, and Square (Cash App) allow retailers to take orders and process cash payments without physical currency. These transactions are more secure, both from a cybersecurity sense and a coronavirus sense (as it is contactless), and have become increasingly popular. According to Square's CFO, Amrita Ahuja, its cashless seller percentage increased from 5% in February to 23% during the height of the pandemic in the spring, and leveled back to around 13% by August.<sup>1</sup>

<sup>1</sup> <https://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-payments-is-frictionless-now-more-than-ever>

In addition, the new businesses that are being created will leverage contactless payments to help scale their companies quickly and allow customers to make secure purchases. Through the pandemic, new business starts have increased from 883,018 in Q2 to 1,566,373 in Q3 2020. According to the Small Business Administration (SBA), small businesses account for 1.5 million (or 64%) of jobs created annually and represent over 99% of all U.S. companies.<sup>2</sup>

#### 2. There will be a shift toward more e-commerce and away from brick and mortar

Looking further into new business trends, companies are increasingly trying to shift focus away from retail locations and take market share from those that cannot adapt. When we look at the data, we see that U.S. e-commerce sales increased over 30% from Q1 to Q2 2020 even though many businesses were able to reopen their physical locations during this time.<sup>3</sup> We expect this trend to continue for several reasons. First, there are companies, such as Shopify, which help small businesses create an online presence. In addition, many businesses are finding inventive ways to generate revenue from online sales to compensate for the losses elsewhere. For example, it's not uncommon to see a nice restaurant also function as an upscale grocer, offering an assortment of prepared food, wine, and gifts. One example of this is Ian Boden of The Shack restaurant in Staunton, VA. He and his team have opened The Staunton Grocery as a way for customers to buy both prepared foods as well as some of the products used in the restaurant.<sup>4</sup>

While consumers remain quarantined at home, online shopping will continue to take a share from traditional retail. Although retailers are hopeful that their physical locations will recover when people are able to travel again, shoppers may have become accustomed to the convenience of browsing online and having their items delivered to their door. Even car purchases are done increasingly online, without the need for a test drive. Carvana offers a 7-day money-back return if you don't like your purchase.<sup>5</sup>

*continued on next page*

<sup>2</sup> <https://www.fundera.com/blog/small-businesses-job-creation>

<sup>3</sup> [https://fred.stlouisfed.org/series/ECOMSA#\\_\\_\\_sid=js0](https://fred.stlouisfed.org/series/ECOMSA#___sid=js0)

<sup>4</sup> <https://www.whsv.com/content/news/The-Shack-to-expand-by-opening-Staunton-Grocery-570850051.html>

<sup>5</sup> <https://www.carvana.com/faq/limits>

*Future Thinking, continued*

### 3. Labor demand will shift

The majority of office jobs shifted to remote when the pandemic hit. Many companies, including Twitter, based in California, found that it worked better than expected and announced they would remain remote. For these organizations, geography is no longer a limitation. Their workers now have the flexibility to consider factors such as tax rates (which are high and continue to rise in Silicon Valley) when choosing a place to live. We now find our labor force, much of which is based around computers and technology, in an environment of increased flexibility and adaptability.

In addition, companies have realized that allowing employees to choose where they live can reduce the wages they pay.

There is no reason to pay a Bay-area salary when employees can live wherever they'd like to reduce their cost of living. In addition, over the next decade, we would expect to see a growing democratization of labor, as there are likely lower cost job candidates in India, China, or elsewhere who would be willing to work for less than someone in California. Over time, we expect to see more work shift across borders to the most qualified (and lower cost) candidates, rather than those who are available locally.

We continually review and analyze economic shifts, including the emerging trends that have arisen from the COVID-19 outbreak. We help clients take advantage of these investment opportunities and create diversified portfolios that help them realize their dreams.

## #GivingBack



We are grateful for all that we have at Principle Wealth Partners and believe it's important to help those in our community who are less fortunate, especially this past year. Many of us serve as board members or volunteers for charitable organizations in the local community. For the second time, we were honored to be the presenting sponsor for [The VNA Community Healthcare & Hospice's](#) #GivingTuesday event on December 1, 2020. It was a fun-filled Zoom evening of trivia, raffles, cocktails and snacks, and included a lively discussion with Teresa Dufour, host of CT STYLE on WTNH in New Haven, CT. Our founder, Bob Paolucci, is a board member of this wonderful organization, whose mission is to promote the health, safety

and dignity of individuals and families; their staff and volunteers are among the heroes providing critical services to our surrounding communities during the pandemic.

Also, for a second year, our team donated much needed supplies, such as socks, gloves, toiletries, household items, and gift cards, to our neighbors at Columbus House in New Haven, CT. Its mission is to serve those who are homeless or at risk of becoming homeless by providing food and temporary shelter, as well as permanent housing programs and a path to independent living. A warm home and meal, things we take for granted, were in short supply this year for many people.

Giving back makes us feel good, and we know that many of our clients believe in giving back, too. If you'd like to make philanthropy part of your financial plan, we can give you the guidance to achieve your objectives.

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“At the end of the day it's not about what you have or even what you've accomplished...it's about who you've lifted up, who you've made better. It's about what you've given back.”

— DENZEL WASHINGTON

## Principle Wealth Partners Continues to Grow!

Theresa V. Donatelli, Romaine A. Macomb, and J McArw have joined the Principle Wealth Partners' family as Senior Wealth Advisors. In addition, we are excited to welcome their Senior Client Service Managers, Liz Drega, Ellie Kasimir, and Amy Lawler, who bring their experience in practice management, operations, and financial services.



Our new team members will be headquartered in our third location at 1180 Boston Post Road, Old Saybrook, CT.



**Theresa V. Donatelli**  
Senior Wealth Advisor

Theresa is *“delighted to be joining the Principle team because of our shared approach to client service excellence and best of breed solutions.”*



**Liz Drega**  
Senior Client Service Manager



**Ellie Kasimir**  
Senior Client Service Manager  
Retirement Plan Specialist



**Amy Lawler**  
Senior Client Service Manager



**Romaine A. Macomb, CFP®, AIF®**  
Senior Wealth Advisor

Romaine says that *“Bob has built a high-quality team and a solid, forward-looking infrastructure which will enable us to focus on our clients’*




















*well-being, knowing that the operational details are being expertly handled.”*



**J Addison McArw**  
Senior Wealth Advisor

J is enthusiastic about the move because *“joining Principle is an ideal way for us to continue to help clients reach their goals.”*

## Directory

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## Looking Back at 4th Quarter 2020



**Market Update: November 2020** covers opportunities created in out-of-favor sectors and non-traditional asset classes, year-to-date stock market performance, and why investing with your emotions is ill-advised.



**3 Strategies for Maximizing After-Tax Returns** explains the long-run impact of tax efficiency, the difference between taxable, tax-deferred and tax-exempt accounts, the

benefits of tax-loss harvesting and what to consider when deciding whether to convert a traditional IRA to a Roth IRA.



**A Conversation with Katherine Roy, Chief Retirement Strategist and Head of Individual Retirement for J.P. Morgan Funds** provides insights on

planning for retirement with a focus on staying invested for the long term, guidance on when to begin taking Social Security benefits and why the SECURE Act of 2019 may mean it's time to review your retirement plan.

Watch your inbox for our monthly commentary and follow us on LinkedIn!



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### The 2021 Forbes Best-In-State Wealth Advisors rankings

The 2021 ranking of the Forbes' Best-in-State Wealth Advisors<sup>1</sup> list was developed by SHOOK Research and is based on in-person and telephone due-diligence meetings to evaluate each advisor qualitatively and on a ranking algorithm that includes client retention, industry experience, review of compliance records, firm nominations, and quantitative criteria (including assets under management and revenue generated for their firms). Overall, approximately 32,725 advisors were considered, and 5,000 (approximately 15.3 percent of candidates) were recognized. The full methodology<sup>2</sup> that Forbes developed in partnership with SHOOK Research is available at [www.forbes.com](http://www.forbes.com).

<sup>1</sup>This recognition and the due-diligence process conducted are not indicative of the advisor's future performance. Your experience may vary. Winners are organized and ranked by state. Some states may have more advisors than others. You are encouraged to conduct your own research to determine if the advisor is right for you.

<sup>2</sup>Portfolio performance is not a criterion due to varying client objectives and lack of audited data. SHOOK does not receive a fee in exchange for rankings.

Methodology: <https://www.forbes.com/sites/rjshook/2021/02/11/forbes-best-in-state-wealth-advisors-methodology-2021/?sh=1606c4e96d22>