The Post-Inauguration Economic Outlook

A discussion of what business owners and investors need to know in the year ahead.

The following is a transcript of a panel discussion held on February 2, 2021 on the economy and the investing landscape in light of the recent presidential and congressional election outcomes, proposed tax and fiscal stimulus plans, and the latest developments with the pandemic. It was moderated by Tom Zidar, Chairman and CEO of Wintrust Wealth Management, and featured Wintrust Wealth Management's Jason Turner and Dan Rahill.

Tom Zidar: Let's start with a review of the key external forces that will impact the economy and the markets this year beginning with the Consolidated Appropriations Act or CAA that was passed in late December. Dan, this legislation was passed rather quietly, but this is a $2.3 trillion package of federal funding and COVID relief. What are the most significant pieces of this deal that business owners and investors on our call should be aware of?

Dan Rahill: It was passed quietly, all 5,593 pages worth of it. It extended many of the provisions of the Cares Act from March of 2020 and I think the piece that applies most to businesses is the $284 billion expansion of the Paycheck Protection Program. For eligible entities, not only has the program expanded, but there have been some positive changes made which will run through March 31st.

The maximum loan size has been decreased from $10 million to $2 million. And food and beverage and food service companies get extra benefits, which is much needed by the restaurant industry. The maximum eligible business size has been reduced from 500 to 300. The loan forgiveness process for loans under $150,000 has been simplified and expenses related to the PPP forgiveness will be deductible retroactive to the first date of the Cares Act.

Tom Zidar: Thanks, Dan that is very good news. PPP funding has certainly been a great help to many of Wintrust customers during the pandemic, so it's great to see further investments there. What other aspects of the CAA should our business owners be aware of?

Dan Rahill: Well, a hidden gem is the employee retention tax credit, or ERC. This should be getting more attention in my opinion. Businesses with 500 employees or fewer can get up to $14,000 – $7,000 per quarter for the next two quarters – per qualifying employee. It runs through June 30th, 2021 and I highly recommend all eligible businesses take a look.

One of the reasons it wasn't as well-known during the Cares Act last year during COVID relief was the fact that if you had taken a PPP loan out, you could not otherwise qualify for the ERC. You can now and that's retroactive, going back to the effective date of the Cares Act, so you can qualify for both. You just can't use the same payroll in calculations of both, but you can qualify, so that's greatly expanded.

Two other things I just want to mention that are new under the CAA. One is the so-called Shuttered Venues Operators grants, so theaters, music venues, and other such entities will be able to get grants. There's been $15 billion reserved for that program, so that's welcome for business owners in that space. The second is that business are now allowed 100% tax deduction for meals ordered in a restaurant. That's up from 50% deductibility previously, and will run through 2022, so go out and run up those tabs on those business lunches.

Tom Zidar: So that second point should be good for our restaurant customers and, in turn, restaurateurs.

Dan Rahill: Absolutely.

Tom Zidar: Okay, let's take a look at how the CAA might affect individuals.

Dan Rahill: Well, first are the refundable recovery rebates. These funds phase out at higher income levels, but single individuals with income less than $75,000 and married couples at $150,000 and below will be able to get refundable recovery rebates. $600 for individuals and $1,200 for married couples and plus an additional $600 per qualifying child. In addition, medical expenses over 7.5% of AGI will now be deductible. Previously, the threshold was 10%. And finally, discharge from indebtedness of principal residences.

Tom Zidar: Dan, I'm not familiar with that last one. Who might that apply to?

Dan Rahill: Well, during COVID, we've had a lot of situations where lenders have forgiven all or part of the debt on family mortgages. When that happens, that generally triggers something called cancellation of indebtedness, and that's taxable income to the borrower. Under the CAA, if someone has part or all of their debt on their mortgage of their principal residence forgiven by a lender, that is no longer considered taxable income. Now, there are two caveats. There is a ceiling of $750,000 – which used to be $2 million – and the homeowner cannot be declaring bankruptcy. So, we are seeing frequently that that a lot of these loans are being forgiven or readjusted. People don't have to worry now about getting a 1099 at the end of the year and having to pay tax on that.

Tom Zidar: Thank you, Dan. So now let's look forward to potential future legislation. While it was not quite the Blue Wave that many predicted, democrats do now control the White House and the House of Representatives and the Senate. So, Jason, how do you see things playing out in Washington on the legislative front?

Jason Turner: I agree, Tom. It wasn't quite the Blue Wave that was predicted. I'd characterize it more as a blue ripple. The Democrats don't control the Senate per se – they're really on a tiebreaker from the Vice-President's vote as President of the Senate, because it's split 50/50 down the middle of the aisle. This likely constricts the ability for the democrats to make sweeping legislative changes that were proposed or hinted at during the campaign season. It's going to lead to one of three different scenarios that we'll see play out in Congress. And we already started to see play out within the last week with a group of moderate Republicans meeting with President Biden to try to negotiate a middle ground. And that negotiation process is step one in those three different scenarios.

The other one is to do away with the filibuster rules. That's the real impediment to large legislative change right now, just about anything outside of reconciliation could be filibustered. Those rules can be done away with or changed or altered. And finally, that reconciliation process that the President hinted at during that meeting with the 10 Republican Senators, but also that others have hinted at along the way and has been used in pretty much every presidential administration for the last 20 years. You could pass certain elements of the American Recovery Plan through reconciliation. Those initial critical comments from Republicans and one moderate democrat are evidence that the door is open for some collaboration for finding some middle ground, but it's a tenuous tightrope that Congress is walking where we could see a quick swing back to the partisan divide that characterized the last several years.

Tom Zidar: There has been significant back and forth of late between the 10 Republican senators and the White House with President Biden and Vice-President Harris meeting, I think it was just last night, with that group. A lot going on. Dan, what is your take here?

Dan Rahill: For the last 48 hours, the news media has been focused on the 10 Republican senators who were going to meet with Joe Biden last night. Just a couple of hours ago, the results of that meeting have been made public and Joe Biden has rejected the Republicans counterproposal. So, it does look like at this point that Democrats are moving forward with revenue reconciliation. What Joe Biden has proposed under the American Rescue Plan is, boils down to four main pieces. First is stimulus checks of $1,400 per person. The Republicans had had countered with $1,000 with lower limits of phase out. That was rejected.

Second is employer paid leave. Business with less than 500 employees paying leave of $1,400 per week per employee will be reimbursed through tax credits. Third is unemployment insurance increasing from $300 a week to $400 a week through September 30th. Finally, Joe Biden and his administration have proposed to increase the federal minimum wage from $7.25 per hour to $15 per hour.

Tom Zidar: Dan as Jason noted, this blue ripple environment exists after the narrow Senate leadership by Democrats. In your mind, how do you handicap this? How likely is it that this plan passes?

Dan Rahill: Well, conservative Democrats such as Joe Manchin, Kyrsten Sinema, and John Chester all have come out and recently called for more targeted spending programs. And earlier today, Manchin came out and said he does not support the $15 an hour minimum wage. He could maybe live with $11.

So, I think a number of these provisions will make it through. We'll see the Republicans come back to the table because revenue reconciliation process is going to take much more time. It's much more complicated. So, that will that will take time.

Tom Zidar: In the Republican Plan, it seemed like the two large items that were not included were the minimum wage and then state and local government support. Is it fair to say those will be the toughest to pass?

Dan Rahill: Yes, particularly as it relates to minimum wage. Some are making a weak argument that it can be included in revenue reconciliation, but revenue reconciliation has to do with taxes and the balancing of the budget.

Tom Zidar: Are there any other potential tax changes under discussion from the Biden administration?

Dan Rahill: Well, piggybacking on the American Rescue Plan, Joe Biden has said he's going to follow that up with further legislation towards the end of the year. He said he would articulate the plan was in February, but here's what I think we can expect.

The top income tax bracket for individuals will likely be raise from 37% to 39.6%, and the top corporate tax rate has been proposed to be raised from 21% to 28%. And the estate tax lifetime exclusion is likely to be reduced, although they haven't said to what degree. It's currently at $11.7 million. There has been talk of it coming all the way down to $3.5 million dollars per individual, which is what was proposed by the Obama administration, but I don't see that happening.

In terms of handicapping these, I think the top individual tax rate change has a very good chance of getting some Republican support and passing. The deficit has grown out of control and the individual rate is due to return to 39.6% in 2026 anyway. As for the top corporate rate, because of the current state of the economy, I do not believe that they will be successful in getting 28%. But I've heard 24, 25% as being realistic and possibly acceptable to the Republicans.

Finally, as for the estate tax lifetime exclusion, that's due to revert to $5 million inflation adjusted in 2026. So, it's going to come down anyway and that's for sure. So it very well could come down to $5 million inflation adjusted in 2022, but II do not think it will go all the way down to the $3.5 million level.

Tom Zidar: We have a question from the audience about the chance that any of these tax changes might be made retroactive to January 1st. What do you think?

Dan Rahill: Well, there is precedent for it. Under the Clinton administration, the Omnibus Reconciliation Act raised the estate tax rate from 50% to 55% in August of 1993, and that was made retroactive to January of that year. So, it can be done. Do I think it's going to happen? No, I do not think any tax law changes will to be retroactive, given the fragility of the economy right now.

Tom Zidar: Thanks, Dan. Jason, the prior administration was very active on the global trade front, and particularly using tariffs to advance the US agenda. What do you see happening under the Biden administration with respect to trade and international commerce?

Jason Turner: I think the Biden administration has fairly clearly articulated that our stance relative to China will remain fairly strict from a trade perspective. However, the approach is likely to change maybe somewhat significantly. Certainly, there'll be fewer restrictive tariffs as the Biden administration is going to rely on more multilateral action to try to shape Chinese trade behavior in the global marketplace, but there'll be significant focus in pressure.

I think it will manifest in a couple of ways. One, leveraging allies and coordinating action on the global stage would be both less disruptive to the global trade picture, but also more effective in making changes to China. Think about it like a balloon, if you squeeze one in, the air just moves to the other side. If you squeeze it from all sides, it's got to reform or pop.

The other one is that it could actually be beneficial to American manufacturers and other businesses that rely on imports from China for components of their products. I've presented to a number of different manufacturing organizations over the last year and a concern I hear consistently is about the stranglehold that tariffs are putting on their supply chains.

Tom Zidar: Thank you, Jason. There's also been talk, Dan, about changes to the retirement plan legislation, what are the most significant and likely changes that you see coming?

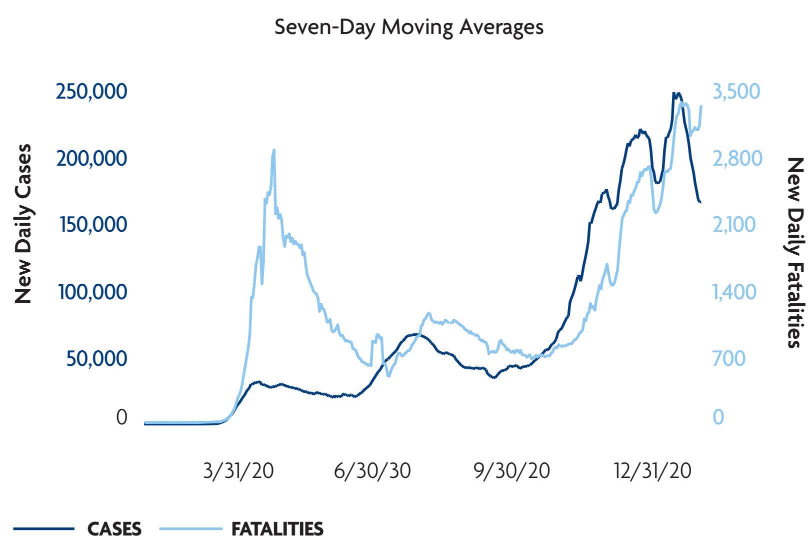
Dan Rahill: Well, the Biden administration is proposing to no longer allow deductions for retirement plan contributions, but rather, provide a tax credit. So, if you contribute to your 401(k) plan or IRA, you would now get a 26% tax credit, refundable to all taxpayers. This would enable lower tax bracket individuals to get the same credit, the same dollar credit as anyone else and promote more savings at those lower tax brackets. I don't disagree with that personally.

And then the second thing that could come through is raising the required minimum distribution, or RMD age. Right now, at age 72, IRA account holders need to take, subject to a pretty high penalty, a minimum annual distribution as calculated based on life expectancy. A bill was entered into the House back in August that would raise the RMD age to 75. It would also increase the catch-up contribution limit to IRAs and 401(k)s for people over 50 from $5,000 to $6,500 and would further allow people 60 and older to contribute up to $10,000. So, those are two interesting changes that could very well happen.

Tom Zidar: Okay, let's move on to the third major external force that's shaping, not just our economic and investing landscape, but our everyday lives in obviously profound ways and that's the pandemic. Jason, where do things stand with COVID-19 today and what's the outlook for 2021 at the moment?

Jason Turner: Well, I would be remiss talking about COVID-19 if I didn't note a grim milestone we passed some two weeks ago now. The total fatalities related to the COVID-19 pandemic here in the United States surpassed the number of American service personnel killed between December 7, 1941 and September 2, 1945, the entire duration of our involvement World War II. And most concerning, it occurred in about a quarter of the time, 350 days versus almost 1,400 days. The winter surge in cases obviously put a strain on hospitals. We saw it most notably in California, and some of the problems that we're seeing there that's moved across the country as they moved through late December and January. But I'm pleased to see in the last several weeks since peaking in early January, the total number of cases as measured here by a seven-day moving average of new cases, has fallen nearly 45% from its peak, that is a significant decline, actually the largest percentage decline we've seen here in the United States since the beginning of the pandemic.

United States COVID-19 Cases and Fatalities



Source: CDC

So far, vaccine rollouts have not really meaningfully decreased the hospitalization or fatality rates. Those are both running on a multi-week lag to cases, so we'll see if those start to tail off. And we're seeing it just barely today here in the fatality rates over the weekend, extending through today, that we're starting to see a decline in those numbers as well. That's a net positive. Particularly since we've had some difficulty in rolling out the vaccine here in the United States. We're not the worst. We've certainly not been the best at rolling that out, but as those vaccine delays are mitigated and we start getting more and more of the population vaccinated and moving more towards that level of herd immunity, if you will, any sort of meaningful impediments, economic recovery starts to fade further and further into the rearview mirror, along with COVID infection rates.

Tom Zidar: Let's talk about recent and potential legislative changes and what the state of the pandemic mean for our economy. Jason, does the latest round of stimulus provide the right kind of support for the economy?

Jason Turner: I'd say yes and no. The economy broadly needs some level of support to keep the recovery trudging forward until we get a broader improvement in consumer activity and a much lower rate of COVID infections. However, we've emerged in this case shape recovery and it's created an environment where some parts of the economy need significantly more help than others. Dan mentioned it early on with the extra support for restaurants that was so critical in his comments earlier. But also low-wage earners, I'm talking about the bottom quartile of wage earners, still have unemployment that's north of 20 percent, according to Federal Reserve data, while high-wage earners, those in the top quartile have already returned to full employment, they're down below 5% at this point, in terms of the unemployment numbers.

Small businesses also are closing in an alarming rate. They appear to require significantly more support than larger businesses. Some of the adjustments to the PPP program have started to address that, but more direct addressing of that situation would be necessary in a stimulus. Direct to consumer checks are good. They're easy for both sides of the aisle to get behind, but they don't have the same results as more targeted support. And I think that's some of the challenges you've seen from many of the moderate senators, both Republicans and Democrats that have emerged in the last few days.

When we had the last round of stimulus checks, we saw the savings rates skyrocket, here in the United States. Savings rate north of 30 percent. That's astounding. If we go back through the early part of the 2000s, our savings rate was down in the 3 to 5% range, more normalized would be 7 or 8%. So 30% savings rate means that money was given to consumers and just put into the bank. It wasn't spent. It didn't generate economic growth. So, more targeted support to lower income earners who typically spend more of their paycheck and need more support would actually create more economic benefit.

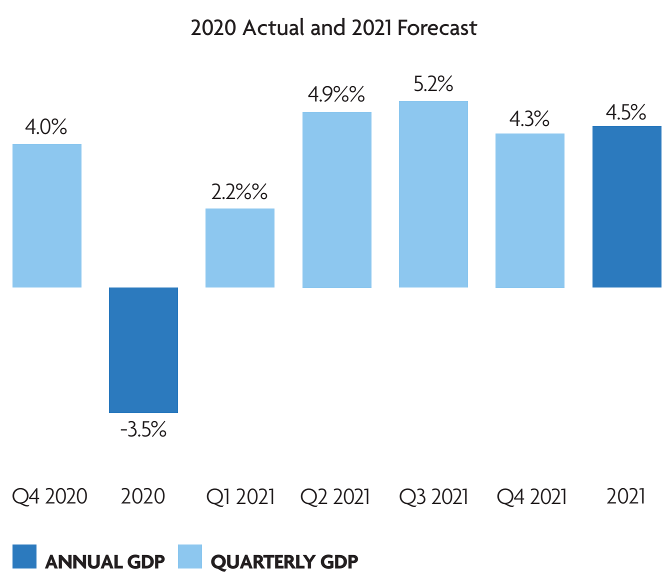
And then state and local governments, I know this is a contentious point for the two political parties. But regardless of how well or how poorly a municipality or a state was run before the pandemic or even during the pandemic, they're all in need of additional support due to the up-ended tax revenue situation they find themselves in. Municipalities can't issue debt to cover budget shortfalls like the federal government can. So they need that federal level of support to step in or their revenue is going to come in well-below budget for 2020 and likely for 2021.

Tom Zidar: So what level of economic growth do you foresee for the year ahead?

Jason Turner: The consensus estimates are looking for the full-year GDP growth number for the United States coming in around 4.5%. That will be revised as we move forward throughout the year, obviously, but it's likely to manifest as a bit of a rollercoaster when we look at quarter to quarter GDP growth. We're coming off a quarter in which we booked four percent at an annualized rate in the fourth quarter that ended the year for 2020 at a decline of 3.5%. That's actually the largest decline in the post-World War II period. With some of the challenges we've seen with the winter surge of fires cases, the first quarter is likely to see a lower number, but then we'll accelerate to the second and third quarter until we level off in the fourth quarter.

So, we are fairly well-positioned to a resumption of more normal GDP growth patterns as we move into 2022. There are a lot of variables here that could upset the applecart and just a couple that could turbocharge it, so the risk is asymmetric to the downside.

United States GDP



Source: Dow Jones/Wall Street Journal

Tom Zidar: Dan, what do you foresee for economic growth in 2021?

Dan Rahill: Tom, I'm about as accurate on prognostications as Punxsutawney Phil, and today is Groundhog Day. And he saw his shadow, so six more weeks of winter in Chicago.

Tom Zidar: Oh, boy.

Dan Rahill: Seriously, though, I think it's going to be 3 to 4% for the year. I think we've had so much stimulus with more to come and with the vaccine barring any surprise new variants that are going to throw us off and we've been surprised before I see three to four percent and then starting in 2022, maybe returning more to a little bit lower level on GDP, too as we recover through 2024.

Tom Zidar: So, Dan mentioned the winter. Jason, what do you expect here in terms of the impact that the latest wave of COVID-19 will have economic growth in Q1?

Jason Turner: I think we saw it in the December results that have come out over the last several weeks in terms of consumer and retail activity. We see it in the flash data that is measuring January activity as well, particularly early in the month. There's been a decided slowdown in consumer activity here at the beginning of the quarter. It's partly COVID restrictions and partly fear-based changes in the short-term behavior of consumers. There is not enough impact here to make it a risk case for the slowdown we saw last year, but it's certainly going to slow economic growth in the first quarter.

We're going to see January come in at slow numbers. It will be slow to ramp up in February. The slower vaccine rollout plays into this a little bit as we won't see that that kind of skyrocket jump as we move through February into March likely occur later in March or even into April or May, but we're still making a case here. Not for decline in economic activity, but just for slower growth for the quarter.

Tom Zidar: Well, speaking of growth, inflation is always a concern when so much money is pumped into the system as we've seen over the past 12 months or so, to fight the pandemic. Jason, what's your take? Is inflation likely to be a concern?

Jason Turner: The short answer is no. Inflation is not likely to be a concern in 2021. In the near term, we're coming off multiple years of below Fed target inflation, so in a normalized environment, we weren't even hitting two percent. Yes, we've injected an astounding amount of money into the economy over the last year, we're standing on the precipice of doing more again. On an adjusted basis comparing that with the amount of support as a percentage of GDP or percentage of national debt that was injected in the Great Depression, we're not quite there yet. Because the American economy is much, much larger than it was in the 1930s, so there likely is more room and capacity to absorb more stimulus payment in the economy without injecting runaway inflation.

The Fed also changed policy last year, which got a lot of press for about three or four days and then everybody went quiet on it, but it's actually a landscape change for the Federal Reserve and no longer will 2% inflation or whatever target they set be the trigger point for fed action to start raising rates. The Fed is going to allow inflation to float above their target. Understanding that multiple years and multiple quarters of below trend inflation will likely need some runoff above trend inflation, so the target is more of an average now. With that said, because of the year-over-year comparables, we are likely to see inflation top 2% sometime during the spring or early summer, simply because the prior year comparables were so stark because of the pandemic. I think for the complete year, our invited guests are correct in the majority that we're likely to see inflation in the same realm we've seen it in the year's past in that 1 to 2% range.

Tom Zidar: Jason, you noted in the past that consumer spending is really the lifeblood of the U.S. economy. What do you expect or when do you expect Americans to resume a more normal spending pattern?

Jason Turner: Any sort of return to normal scenario for the American consumer is closely linked to consumer sentiment. I've been pretty consistent on that since early last year, which itself is linked to COVID-19 infection rates and risks. The rollout of vaccines is the largest factor that can impact or make a quick return to normal possible, broadly speaking and using current vaccine projections from the CDC or the WHO, consumer activity in the U.S. is likely to start looking a little bit more like normal, at least normal levels, sometime in Q3, maybe early Q4, just sort of depends on how efficient we are at this next wave of vaccine rollouts.

However, the travel industry as a whole, and cruise lines in particular, are likely to see a significantly slower recovery. Even with everyone vaccinated, it's going to take a long time for cruise ships to ramp up to full schedules and full capacity. It's also not correct to assume that consumer spending is ever going to resume its pre-pandemic composition. Activity is likely to continue throughout the recovery and then the absolute level of consumer activity is going to return to a more normalized level later this year. But the disruption the pandemic is imposed on the way Americans spend money and some trends that had already been emerging over the last decade really got accelerated and amplified in the last year and will likely continue. Think online shopping, curbside delivery, or gig economy-type food delivery services.

Tom Zidar: Okay, let's shift gears and talk about what all these external developments mean for the markets. Jason, what do you see as the relevant market or investment themes for us in 2021?

Jason Turner: I think looking backward to 2020, if you had told me at the beginning of the year excluding any sort of pandemic, we were going to see equity market returns near 20%, I would have thought you're crazy. The consensus within the investment strategist world has been we're in a lower return environment for longer. It's important to note, too for those 2020 returns, leadership was incredibly narrow. We're looking at a handful of stocks that actually drove that performance for the indexes. If the recovery persists, the rest of the market has to catch up. So, if we see a broader economic recovery, we're going to see more performance like we saw towards the tail end of 2020, in the early part of January here and this year. And that's areas like value stocks relative to growth stocks, small cap stocks relative to larger cap and international relative to U.S. should outperform as those areas of the market catch up.

And I mentioned on our last panel discussion back in the fall that we were expecting the equal weighted version of the S&P 500 outperform the market cap weighted and it did so through the tail end of the year. We're also expecting in the fixed income arena, because of the rate environment we find ourselves, we're low for even longer. We've been talking about low for longer in our search for yield for a long time. The reality in that fixed income market is we're likely low for a long, long period of time.

The search for yield is going to become even more difficult, so you need to start thinking about total return as opposed to income within portfolios. Think about tax management or after tax returns being the more meaningful bogey. And diversification, risk management in the long-term focus as I seem to write almost every week in my weekly note are what matter most. It sounds boring and repetitive and "Yeah, yeah," the asset allocator is talking about diversification and risk management, but over the long term, those are really the determining factors whether you meet your investment goal or not. Did you manage risk and did you diversify appropriately?

Tom Zidar: It may sound repetitive, but I'm with you on the refrain, Jason. You run our multi-asset strategies at Wintrust and have been talking about global diversification for a long time. Do you expect better global performance in the year ahead?

Jason Turner: I do. The global index that you alluded to would be the MSCI EAFE Index that measures the developed world emerging markets index. Those global markets are populated with a higher percentage of those sectors that were unloved in 2020, financial stocks, industrials, energy companies. Those things that didn't see the blowout returns that technology and communication services companies saw in 2020 have higher weights in those international indices. And that's the base case about for why we think international stocks are likely to perform a little bit better on a relative basis going forward.

Tom Zidar: There is a sense in some quarters that the market in general is overpriced. A member of our audience wonders if the devaluation of the dollar is causing an artificial rise in stock prices as a whole. What is your take here?

Jason Turner: Well, no question that there are elements of the market that are overpriced. With the run ups we saw last year, you see some technology stocks up hundreds of percent. They've outrun their financials. It's on expectation more so than it is on valuation. Fluctuations in the dollar have played into that to some extent. But normally, when we see dollar fluctuations driving the market, we're talking about the market as a whole as opposed to narrow elements in the market.

So, I wouldn't necessarily attribute the dollar for those valuation run-ups in the narrow leadership we've seen to date. Now, if the broader market recovery continues to pace and continues to push higher and does so at an accelerating rate, we can start talking about a weakening dollar being part of the equation there to driving those returns.

Tom Zidar: So, what is your market expectation for the year ahead in terms of S&P returns?

Jason Turner: I would say that five percent, even though that seems low from a historical perspective, is right about where we're looking at for large cap U.S. stocks as represented by the S&P. Based on where we're at from valuations where we're at from tailwinds and headwinds in the economy, I think the idea of a lower equity return expectation for the year is warranted.

Tom Zidar: Okay, let's talk about what all this means in terms of planning ahead, starting with implications for business owners. We had a number of questions and concerns related to potential estate tax changes. Four members of our audience had questions related to potential estate tax changes and the implications for family businesses. Based on what we anticipate in terms of the most likely legislative or policy changes to come, what steps should business owners consider taking this year, Dan?

Dan Rahill: Well, it should be the number one focus of business owners. Small and mid-sized business owners should be looking at the potential estate and gift tax changes. Their lifetime exemption is due to sunset in 2026, but that could be moved up. So this would be the year to get your estate plan in order in order to take advantage of the $11.7 million per-person exemption, and pass it on to the next generation if you fit that profile. Gifting, setting up a Charitable Trust, et cetera, should all be reviewed.

The second thing I would say that that is very likely this year for business owners is an increase in rates which calls for careful bracket management. The income tax brackets will likely be going up for both businesses and individuals in the future. I said earlier, I don't think the corporate rate will go to 28 as proposed by President Biden, but I think it could go to 24, 25%. I think that's pretty likely. The individual rate would go to 39.6, I think that's pretty likely beginning 2022. And I think capital gains rates certainly could go up to maybe 26 or 28% like they were 20 years ago. So I think those two areas, estate planning and bracket management should be a focus for business owners.

Tom Zidar: Are there other tax law changes that are possible, maybe not as likely, but other things that business owners should be keeping their eyes on?

Dan Rahill: I think these will not happen, but let's watch them very closely because they've been proposed. The elimination of what we call the step up in bases at death or when you inherit an asset at death, it steps up the fair market value or the market value nine months after death. That would be a huge change that could wipe out generational wealth in a generation or two, so that's a big one. Eliminating step-up basis. Don't think it's going to happen, but it could. It's being discussed.

And finally, GRAT, SLATS, and dynasty trust, you lawyers and accountants out there have heard those terms before, but simply stated, there are a number of strategies using trusts that individuals and families use to pass on wealth to the next generation. Those are being reviewed and targeted by the administration and those definitely could go away. So, this is a year to visit estate planning and talk to your tax advisor, your estate planning attorney, your Wintrust strategist to determine what to do with your estate plan.

Tom Zidar: Thank you. So, now let's shift to the investor perspective. Jason, what should investors be thinking about in terms of the state of global markets as we move forward in this year, 2021?

Jason Turner: I think it's two key things. First, and I mentioned this already, reduce your return expectations going forward. Low rates and headwinds to growth are providing significant impediments to both fixed income and equity returns on a go-forward basis. Valuation levels, particularly here within the United States, for a lot of companies don't help. They provide a difficult outlook for the coming years, too that you won't have that kind of multiple catch up that we saw actually emerge in the last several years.

The second point would be to embrace diversification. Again, I'm sounding boring, but it's the only free lunch in investing really. And current global markets are well-suited to a diversified portfolio. You're seeing near 11 years of outperformance for the S&P relative to global at international stocks. That's the longest period of outperformance for the U.S. relative to international that's existed within the timeline of those indices. We've also seen the largest and strongest outperformance of growth relative to value over the last five years that has ever existed in investing, including the pre-depression periods. So, those themes of diversification and reduced expectations are the best advice I can give from an investment perspective, outside of things that aren't really in your control.

Tom Zidar: Jason, I have one more question from the audience. And this one may be resolving itself real time in the markets over the last two days, but what advice do you give folks interested in GameStop, AMC or any of these other internet-fueled names right now?

Jason Turner: I thought this might be coming, but I would say there's a fundamental difference between gambling and investing. Investors purchase securities based on research, based on fundamentals and valuation. Gamblers just take chances and maybe they're measuring probabilities, but they're chances. Betting on some internet-fueled stock name and GameStop was down 60% today. That's 60% in one day. Would have easily worse odds than anything you could do in Vegas, even those penny slot machines or if you want to go into Draft Kings and place a couple bets on the big game this Sunday, both of those are more likely to pay off for you than trying to invest in an internet-fueled stock name that's just as likely to crash through the floor as it is to jump through the ceiling.

Tom Zidar: Thank you, Jason, I assumed you would be differentiating between investing and gambling or speculating. That's all the time we have for today. Thanks to everyone who joined us this afternoon. As noted previously, we'll be conducting these panel discussions quarterly and our next session will be in late April.

In the meantime, you can follow Jason's thinking on the economy by reading his weekly market update, which you can see by following Wintrust Wealth Management on LinkedIn or requesting your Wintrust relationship banker advisor to send you a weekly email with the market update. And Dan Rahill's published articles on legislative changes over the past year and their impact on business owners and investors can also be found on our website, wintrustwealth.com under the guidance section. Thanks again to everyone, stay safe, and have a great rest of your week.