IDEAS

Another round of pandemic relief, including more grants and forgivable loans for small businesses, is among President Joe Biden's early initiatives. GETTY IMAGES

How the Biden presidency could impact your money

Enhanced 'social safety nets' among possibilities

Hal M. Bundrick
NerdWallet

As you take a closer look at your financial footing amid the pandemic, it's an excellent time to examine the possible impact of a Joe Biden presidency on money matters.

The balance of Congress has shifted following the Georgia runoffs, providing possible momentum for Biden's agenda.

A new COVID check, taxes, health care – it's all on the line.

Another round of stimulus checks

Look for another round of pandemic relief shortly after Biden's inauguration, says Bernard Yaros Jr., an economist with Moody's Analytics.

"In February, we expect that there's going to be a COVID-specific relief package," Yaros says. That measure will likely once again extend unemployment insurance benefits, with enough support for another round of checks issued to Americans, "whether it's 2K or slightly lower," he says.

Small businesses are likely to receive more grants and forgivable loans, as well.

"And we're also thinking you would probably get some additional funding for rental assistance," Yaros adds.

Moving from relief to stimulus

With Democrats gaining two seats in the Senate from the Georgia runoffs, there is now a greater possibility of moving from "relief" to "stimulus" mode in late 2021.

"That's because now that the Democrats have a simple majority in the Senate, they can pass changes to the tax code as well as implement changes in spending," Yaros says.

Moody's Analytics economists expect the Biden administration will dedicate increased funding for enhancements to "social safety nets," possibly including:

- Expanding eligibility for Medicare.
- Retooling "Obamacare" into "Bidencare."
- Rolling out paid sick leave protections.
- Offering universal pre-K for 3- and 4-year-olds.
- Providing some kind of student debt forgiveness.

See BIDEN, Page 2E

"In February, we expect that there's going to be a COVID-specific relief package."

Bernard Yaros Jr.
An economist with Moody's Analytics

Consider investing in target-date retirement funds

Bray Creech
Columnist

Recently, a man in his early 50s asked me to review his retirement plan. A senior manager at a large employer, he had just paid off all of his debts and set his sights on saving and investing for a successful retirement at age 70. So far, so good. But when I reviewed his investments in his company's 401(k), I grew concerned.

His entire 401(k) savings were in a very specific fund, small-cap U.S. value stocks, and these funds carry inherent (yet somewhat hidden) risks. Not only did he have overall stock market risk, but he also had investment style risk — or, in other words, the chance that returns from these small-cap value stocks will trail returns of the overall stock market.

When I asked him why he chose this particular fund, and why he put all of his money in it, he thought for a moment and replied, "I have no idea." He wasn't familiar with the fund at all and didn't know the associated risks. Makes sense: He had very little investment experience. But he was allowed to make this choice simply because it was available in the fund lineup within his company's 401(k) plan.

My general advice for most folks who are saving for retirement is to find an asset allocation of broadly diversified stocks, bonds, cash and other investments that align with your risk tolerance, time horizon and financial goals. But many times that's not what happens.

For people like him who are confronted with investment choices within the confines of a 401(k) but lack the information to make a reasonable investment decision, I generally encourage them to consider target-date retirement funds.

A target-date retirement fund is a single investment option that allows retirement savers to hold a diversified mix of asset classes, carefully put together by professional portfolio managers, with an approximate date planned to start withdrawing assets. These funds invest more aggressively in the decades before retirement and, over time, shift to a more conservative mix as retirement approaches. That shift is called the "glidepath."

Target-date funds got their start in the early 1990s and have grown in popularity ever since, accounting for about $1.4 trillion in assets by the end of 2019, according to data from Morningstar. Much of their growth may be attributable to the Pension Protection Act of 2006, which encouraged 401(k) plan sponsors to enroll participants automatically and to allocate their investments to a default option. In many cases, that default option has become target-date retirement funds.

If your company's 401(k) offers target-date retirement funds, you may only have one fund family to choose from. Still, it's important to ask the following questions when evaluating a target-date fund:

No. 1: What is the shape of the glidepath? Funds can vary dramatically in their approach. A recent Morningstar study found that there was tremendous variation and a lack of consistency in asset allocations. For instance, funds in the 2026-2030 retirement category had

See CREECH, Page 2E

Eateries scramble for propane amid pandemic winter

Mead Gruver
ASSOCIATED PRESS

FORT COLLINS, Colo. – With coronavirus restrictions forcing bars and restaurants to seat customers outside in the dead of winter, many are scrambling to nab erratic supplies of propane that fuel space heaters they're relying on more than ever to keep people comfortable in the cold.

It's one of many new headaches – but a crucial one – that go with setting up tables and tents on sidewalks, streets and patios to comply with public health restrictions.

"You're in the middle of service and having staff run up and say, 'We're out of propane!' " said Melinda Maddox, manager of a whiskey tasting room in Colorado.

Propane long has been a lifeline for people who live in places too remote to get natural gas piped to their homes for heat, hot water and cooking. This winter, 5-gallon propane tanks have proven a new necessity for urban businesses, too, especially in places like the Rocky Mountains, where the sun often takes the edge off the chill and people still enjoy gathering on patios when the heaters are roaring.

The standard-size tanks, which contain pressurized liquid propane that turns to gas as it's released, are usually readily available from gas stations, grocery stores or home improvement stores. But that's not always the case lately as high demand leads to sometimes erratic supplies.

"I spent one day driving an hour around town. Literally went north, south, east, west – just did a loop around Fort Collins because every gas station I went to was out. That was frustrating," said Maddox, who manages the Reserve By Old Elk Distillery tasting room in downtown Fort Collins, about 65 miles north of Denver.

Nearly all states allow at least some indoor dining, but the rules nationwide are a hodgepodge of local regulations. In Fort Collins, indoor seating at bars and restaurants is limited to 25% of normal capacity, so there's a strong incentive to seat customers outside despite the complication and expense.

Local propane tank shortages result not just from higher demand but household hoarding similar to the pandemic run on toilet paper and other goods. One national tank supplier reported a 38% sales increase this winter, said Tom Clark, executive director of the Rocky Mountain Propane Association.

But Clark says the supply is there, it just may mean searching a bit more than normal. If there are 10 suppliers in a neighborhood, "maybe 1 out of 10 may be out of inventory. Certainly, you can find propane exchange tanks if you look around," Clark said.

Franklin, Tennessee-based tank manufacturer Manchester Tank has been paying workers overtime and boosting production in India to meet demand, company President Nancy Chamblee said by email.

So far, the surge in demand for small-tank propane hasn't affected overall U.S. propane supply, demand and prices, which are running similar to recent winters, according to the U.S. Energy Information Administration.

But trying to find a steady supply of propane can cost already-stressed businesses time and money they lack in the pandemic.

Gas stations are better than home improvement stores for propane tank runs because you can park closer, said Maddox, but shops that refill tanks are best because it's cheaper and not as complicated as trying to run every tank dry.

"The issue there is it takes longer," Maddox said. "You just have to build that into your day and say 'OK, it's going to take 40 minutes instead of 25 minutes.' "

Across the street, Pour Brothers Community Tavern owners Kristy and Dave Wygmans have been refilling tanks for their 18 or so heaters and fire bowls at a supplier at the edge of town after a nearby shop stopped offering refill service.

"We're learning more and more about propane," Dave Wygmans said.

They also have gained insight into the market for space heaters, which more than doubled in price last fall due to surging demand, and outdoor furniture for their street-parking-turned-outdoor-patio area that can seat up to 44 people, Kristy Wygmans said.

Creech

Continued from Page 1E

equity allocations anywhere between 40-75 percent, with a median allocation of 64 percent.

No. 2: What happens to the glidepath at retirement? There are "to" funds and there are "through" funds. The "to" funds maintain a static asset allocation once the retirement date is reached, whereas the "through" funds emphasize a declining glidepath well after your retirement.

No. 3: Is the target-date fund diversified beyond stocks and bonds, including other asset classes like real estate and commodities? So-called alternative asset classes may either enhance or diminish the risk-and-return profile, and a movement is afoot to get private equity funds into 401(k) plans. I'm a little skeptical that this can be done successfully and at a reasonable price, but we shall see.

Even if you have a lot of investment experience and feel confident making fund choices within your 401(k), you may find target-date retirement funds useful simply for the convenience they provide. For instance, the funds are rebalanced periodically to maintain the integrity of their risk-and-return profile. This is done automatically for you. By contrast, if you pick a bunch of funds yourself in your 401(k), you have to be sure to rebalance periodically. In my experience, many people forget to do this.

If you're looking for target-date funds with an ESG — or environmental, social and governance — investment approach, they're still a bit hard to find in many employer's 401(k) plans right now. But if enough 401(k) participants begin to ask for this option, it may be that we see some progress in this area.

You'll often see target-date funds offered outside of 401(k) plans as well. For example, some people invest in a target-date retirement fund through their HSA, or Health Savings Account. They like the convenience of having one well-diversified fund handling their monthly HSA contributions, as well as the hands-off approach of knowing the fund will gradually become more conservative as they approach their own retirement, at which point they will begin withdrawals.

Bray Creech, MBA, CPA is a CERTIFIED FINANCIAL PLANNER™ professional with Joel Adams & Associates with securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC and is located at 545 Merrimon Avenue, Asheville, NC. He can be contacted at 828-251-9700 or bray.creech@raymondjames.com. CPA services are not offered through Raymond James. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. Joel Adams & Associates is not a registered broker/dealer and is independent of Raymond James Financial Services, Inc.

Opinions expressed in the article are those of the author and are not necessarily those of Raymond James. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Investing involves risk and investors may incur a profit or a loss. Past performance may not be indicative of future results. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.

Target retirement date (lifestyle) investment options are designed for participants who plan to withdraw the value of their accounts gradually after retirement. Each of these options follows its own asset allocation path ("glidepath") to progressively reduce its equity exposure and become more conservative over time. Options may not reach their most conservative allocation until after their target date. Investors should consider their own personal risk tolerance, circumstances and financial situation.

Investments available to HSA holders are subject to risk, including the possible loss of the principal invested and are not federally insured or guaranteed. HSA holders making investments should review the applicable fund's prospectus. Investment options and thresholds may vary and are subject to change. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return. Before making any investments, review the fund's prospectus.

Biden

Continued from Page 1E

But on these initiatives, Democrats will "have to pick and choose," Yaros says.

"Among the more moderate Democrats, they're not going to want to increase the deficit too much. That's obviously going to be a limiting factor," he adds.

And while Vice President Kamala Harris holds the deciding vote in the event of a Senate tie, the 50-50 split between Democrats and Republicans doesn't constitute filibuster-proof power.

Reversing Trump tax cuts

Higher taxes are expected to partially fund the widening of these social safety nets.

Yaros says Biden is likely to succeed in reversing Trump's tax cuts, raising the corporate income tax rate to 28%, increasing the tax rate for taxable incomes of more than $400,000 and eliminating some tax breaks for those making more than $1 million.

But the tax hikes may be smaller than widely anticipated, says Michael Zezas, head of U.S. public policy research at Morgan Stanley.

"In a Senate where Democrats have the slimmest majority possible, any one Democratic senator effectively has a veto. And when it comes to taxes, we expect many of the Biden administration's proposed taxes won't pass muster with Democratic moderates," Zezas says in an analysis.

"We estimate about $500 billion of tax increases are possible, obviously a smaller number than another potential COVID stimulus round, and also smaller than the $1 trillion-plus spending now in play for each of health care and infrastructure," Zezas added.

Even if Biden can swing the tax hikes, they aren't expected to kick in until 2024, Yaros says, "to make sure that there's no fiscal drag, at all, on the economy in these next couple of years when we're still digging ourselves out of the pandemic."

Revising retirement plans

Biden also has some ideas to reshape employer-sponsored retirement plans.

One of those proposals is to equalize the tax benefit of contributing to a retirement plan so that "higher-income earners aren't getting more of the benefit than the lower-income workers, that it's standard across the board," says Anne Tyler Hall, founder and principal of Hall Benefits Law.

For example, someone in a 37% tax bracket is able to deduct the full amount of a retirement plan contribution; so it would be $37 for every $100 pretax contribution. That's a greater tax benefit than someone in a lower tax bracket, such as 20%, who would receive a $20 deduction for each $100 pretax contribution.

The idea proposed by the Biden administration is to offer a tax credit to low- and moderate-income workers, resulting in an equal tax benefit.

Democrats are also pushing for employers to make retirement saving easier for the U.S. workforce.

"Employers who don't offer retirement plans would be required to allow employees to make contributions to individual retirement accounts, IRAs," Hall says.

"Contributions to the IRAs would come directly from paychecks."

With the shift of balance in Congress, Hall says such changes may be more likely. Plus, "some of these provisions have bipartisan support," she adds.