

# Election 2020: Your Money and Your Life

SEPTEMBER 2020

Once every four years, Americans go to the polls to choose the country’s leaders, including the President and members of Congress. Politics have grown so divisive that the topic has become nearly taboo in polite social settings, but even the most strident partisans can agree that Republicans and Democrats have different visions of the future.

We sought to summarize the major issues in the upcoming election from the perspective of how each party would ideally prefer to address them.

Remember, these perspectives don’t need to align with your personal politics, but understanding them can help you consider their potential implications for your financial life.

 <b>VIEW</b>	<b>ISSUE</b>	 <b>VIEW</b>
<ul style="list-style-type: none"> <li>➤ Stopping the spread of the virus is viewed as a necessary step to getting the economy back to pre-pandemic levels.</li> <li>➤ A Pandemic Testing Board would be established to coordinate nationwide testing.</li> <li>➤ COBRA health insurance payments would be covered by the U.S. government for those out of work due to the pandemic.</li> </ul>	<p><b>COVID-19 and the U.S. economy</b></p>	<ul style="list-style-type: none"> <li>➤ Getting the economy back to pre-pandemic levels despite the continued spread of the virus is a top priority.</li> <li>➤ Operation Warp Speed has helped fund and promote readiness for the development of a vaccine.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Reducing household financial risks that, in aggregate, tend to deepen and lengthen challenging economic periods is a priority. Plans cover more comprehensive approaches to child and elder care, paid family leave, unemployment insurance, and bankruptcy reform, among other programs.</li> </ul>	<p><b>Economic Priorities</b></p>	<ul style="list-style-type: none"> <li>➤ U.S. trade arrangements are currently focused mostly on China. A series of tariffs, followed by a phase-one trade deal, imply there is unfinished business.</li> <li>➤ A recent focus on popular apps owned by Chinese companies has expanded U.S.-China tension from manufactured goods to also include technology.</li> </ul>



## ISSUE



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<ul style="list-style-type: none"> <li>➤ Repealing the \$10,000 cap on state and local (SALT) tax deductions is a priority.</li> <li>➤ Plans to fund programs rely on increasing taxes for corporations and households with annual income above \$400,000.</li> <li>➤ Proposed tax credits, according to The Wall Street Journal<sup>1</sup>, focus on “retirement savings, child care and first-time home purchases.”</li> <li>➤ Capital-gains taxes would increase for households with income over \$1 million.</li> </ul>	<p><b>Taxes</b></p>	<ul style="list-style-type: none"> <li>➤ Efforts to extend the 2017 tax cuts past their current expiration in 2025 are expected.</li> <li>➤ As are plans to cut capital-gains taxes.</li> <li>➤ Payroll tax deferrals introduced this summer by executive order would be forgiven.</li> </ul>
<ul style="list-style-type: none"> <li>➤ A public health insurance option, modelled after Medicare and administered by the U.S. government, would be available to all Americans alongside existing private health insurance plans.</li> <li>➤ Pharmaceutical companies would be limited from increasing prices faster than the inflation rate. The patent system would also be reformed to crack down on limitations to developing cost-effective alternatives.</li> </ul>	<p><b>Health Care</b></p> <ul style="list-style-type: none"> <li>➤ Both parties intend to use Medicare to drive down drug pricing.</li> </ul>	<ul style="list-style-type: none"> <li>➤ A comprehensive health care plan is said to be under development and will incorporate executive orders aimed at expanding telemedicine and improving drug pricing.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Plans to gear advantageous capital-gains treatment under the Opportunity Zones program toward the benefit of low-income residents.</li> </ul>	<p><b>Economic Development</b></p> <ul style="list-style-type: none"> <li>➤ Both parties plan to use the tax code to propel U.S. manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Expansion of advantageous capital-gains treatment under the Opportunity Zones program is on the agenda.</li> </ul>

## SEI's View

The U.S. presidential election will have a major impact on the economy and financial markets in the months and years ahead. The choice is a stark one, in terms of policy and style. Yet, we firmly believe that it would be a mistake to pursue even a short-term investment strategy that necessitates picking a winner in November; predicting the policies proposed by the new president; figuring out how those proposals will be modified by Congress on their way to becoming actual laws; and forecasting the impact those laws would have on the economy and financial markets.

Regardless of the election's outcome, our bias is to assume that both candidates would see their platforms tempered before they're put into practice. There is a high degree of institutional inertia, which is partly deliberate (constitutional checks and balances) and partly happenstance (increasing polarization of opinion in the country tends to favor a draw). While there could be some market volatility plausibly attributed to the election, it is usually best to pay strict attention to the fundamentals and ignore the politics. Accordingly, we are not making any changes to our portfolios ahead of Election Day based on the political landscape. We urge investors to avoid the temptation as well.

<sup>1</sup>“Where Trump and Biden Stand on Tax Policy,” Rubin, Richard. The Wall Street Journal. September 17, 2020.

## Glossary of Terms

**The Consolidated Omnibus Budget Reconciliation Act (COBRA)** gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events.

**Operation Warp Speed** aims to deliver 300 million doses of a safe, effective vaccine for COVID-19 by January 2021, as part of a broader strategy to accelerate the development, manufacturing, and distribution of COVID-19 vaccines, therapeutics, and diagnostics.

**Opportunity Zones** are designated economically-distressed communities where private investments, under certain conditions, may be eligible for capital gain tax incentives. Opportunity Zones were created under the 2017 Tax Cuts and Jobs Act.

## Important Information

*This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts. There are risks involved with investing, including loss of principal.*

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