



Welcome Spring!

Wow! It's now just over a year since COVID-19 changed all of our lives. We hope you are all healthy and that your families are doing well. We appreciate the continued confidence and trust that you've placed with us during this past year.

Along with Spring comes the arrival of tax season. You may have received a Form 1099 in the mail or via online delivery. If you have any questions regarding your paper copy or need help accessing your online tax documents, please call our office at (360) 425-0100 option 2, and we will be glad to assist you.

Let's celebrate the changing of the seasons and happier times ahead!



Sustainable? I think so.

Economic Commentary by James Pafundi

- **Strong Free Cash Flow from corporations**
- **Pent-up-demand from consumers**
- **Longer term economic outlook is constructive**

The recent rise in interest rates and commodity prices has called attention to the historically high levels of stock prices relative to their earnings, leaving some to question how much higher can stock prices go, especially given that costs of borrowing are potentially increasing. But when taking a 20,000-foot view, the recent scale, velocity and scope of the liquidity injection has done much to support asset prices and will have continued effects beyond Covid. Those funds will be redeployed into real estate and liquid investments. Record low interest rates are making stocks attractive compared to bonds, on a historical basis. Stocks are being supported by liquidity and a lack of compelling asset allocation alternatives.

Last year when stocks snapped back, there was a lot of concern with the market's ability to be resilient, given the shutdowns that followed. Today there is a stable, systemic backdrop with healthy underlying characteristics which may be enhanced by the continuation of recent government stimulus. This can be seen in the chart below, which shows a historically high level of free cash flow for both corporations and consumers.

In our last newsletter, we discussed how the Coronavirus Crisis sparked a significant change in people's behavior. This is likely to not only sustain momentum post-crisis but also fundamentally change human-to-business interactions through digital collaboration, learning

and training, and sales activity. This emerging wave of technological innovation is expected to be large in scope, transformative and disruptive.

In summary, widespread immunizations, accommodative government policies, and pent-up savings are expected to support an economic recovery, although new Covid-19 strains remain a concern. And while some have voiced concerns about the recent rise in short-term rates, a sign that the massive fiscal support could be potentially overheating the economy, we believe that the impact will be limited and associated more with a one-off economic boost, paving the way for what could be a very surprising growth and recovery year.

The economic forecasts set forth in the communication may not develop as predicted and there can be no guarantee that strategies promoted will be successful. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Stock investing involves risk including loss of principal. Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

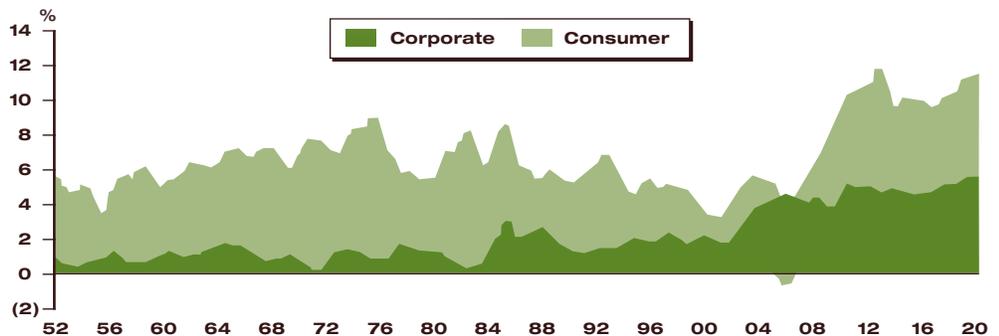


Exhibit 9. US Consumer and Corporate Free Cash Flow as a Percentage of Nominal GDP, source Empirical Research.

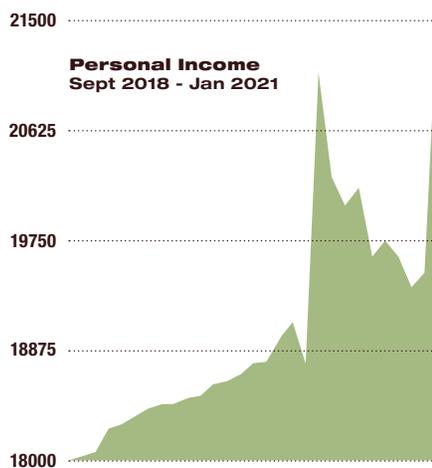


Misleading Increase In U.S. Incomes - Government Reporting

by James Pafundi

Data released by the Commerce Department showed that personal income for Americans rose 10% in January, the largest increase in nine months and exceeding forecasts. The steep rise was primarily due to the second round of stimulus funds originating from the \$900 billion pandemic relief bill passed in December and received by consumers in January and February.

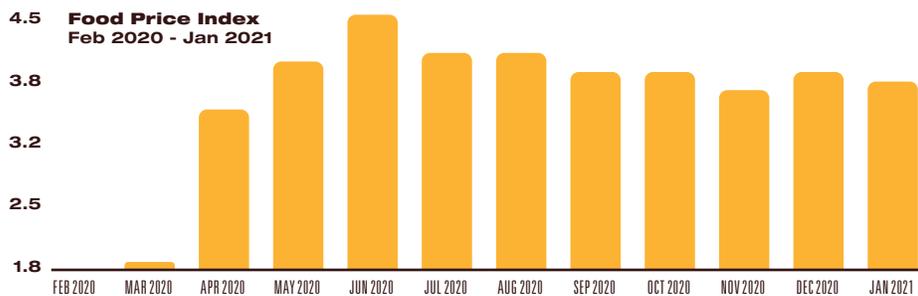
Some analysts and economists believe that the income figures are misleading since the stimulus payments are only one time, not recurring. Traditional personal income figures include earned income from employment and unemployment income. Economists look for consistent increases in income rather than one time or temporary injections of stimulus funds as a validation of actual improvement in consumer income.



Sources: Commerce Department, Department of Labor

Food Prices On The Rise - Consumer Inflation

by James Pafundi



The price of food, from oranges to eggs to meat, increased at an annual rate of 3.9% in 2020 according to the Bureau of Labor Statistics. Prices are projected to increase 2-3% in 2021 as forecasted by the U.S. Department of Agriculture. The 20-year historical average increase has been a 2.4% increase per year.

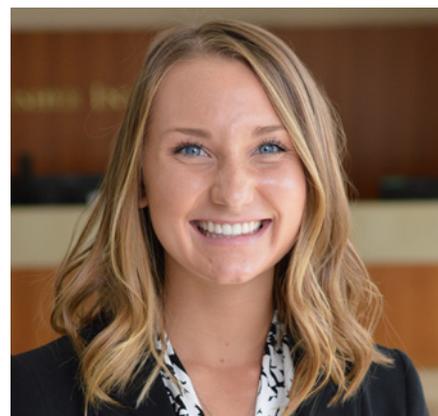
Of the various food items seeing higher prices, meat has been exhibiting the greatest increase. Causes behind the jump in meat prices have been packing plant disruptions due to the pandemic.

The pandemic has also upended global food supply chains with delayed transportation and a lack of workers that have fallen ill to COVID-19. Rising commodity prices such as corn and wheat have added to higher feed costs for cattle, chickens and hogs worldwide, three of the largest meat products. Severe weather in various continents has devastated feed crops and created shortages in addition to pandemic related challenges.

Sources: UN Food & Agriculture Organization, U.S.D.A., BLS, U.S. department of Agriculture

Meet our New Associate

With this Spring issue, we would like to introduce you to a fresh face on the team!



Angela Leingang

Angela Leingang joined us in December as a Client Relationship Manager. Angela is originally from Tacoma, WA and graduated from Linfield College with a degree in Business and a minor in Sport Management. Her business degree led her to a career in the financial services industry, where she worked as a Client Account Coordinator for a large investment firm in the greater Vancouver area. After the workday, her passion for sport and movement inspired her to become certified to teach Yoga and Pilates. It was through mutual dedication to their yoga practice that the connection began for Angela, Gina and James!

Burned out by the corporate world, Angela was drawn to the personalized service FLD provides to clients. She explains that she “appreciates the genuine enthusiasm for holistic financial well-being and the intentionality to serve others, which are at the core of FLD.” Angela brings experience in marketing and financial operations, and she looks forward to getting to know you!



What's Cooking

by Gina Pafundi

They always say we bring things into our lives that we love. I hit the jackpot when my path crossed with this sweet soul ~ Adriana. Several years ago, I was in Denver for an LPL conference when I met her for the first time. Adriana was a friend of a friend that lived in Denver. I was immediately drawn to her passion for life and cooking. Her company, Driana Foods, was just starting out at that time.

It has been an exciting journey to watch Driana Foods grow and to witness all that Adriana has accomplished. She now lives in San Diego and

I am grateful that we still get to see each other occasionally! I love her quote: "Food has the power to bring back the most heartwarming memories." Her wonderful sauces, 'mojos' as they are called, are sold at farmers markets and several supermarkets in San Diego. This recipe is wonderful! You can also use any curry you can buy at the supermarket or check out her yellow mojo at :

www.Drianafoods.com



Peruvian Coconut Shrimp



Time: 15 minutes
Yield: 4 servings

Ingredients

- 1-2 tablespoons of olive oil
- 5-6 green onions or (scallions), chopped
- 1 lb of shrimp
- 4 tablespoons of Driana Foods Yellow Mojo
- 1 teaspoon of turmeric
- 1 can of coconut milk
- Juice of 1/2 a lime
- Salt to taste
- 2-4 cups cooked rice or quinoa
- Cilantro to garnish

Preparation

1. In a skillet, heat 1-2 tablespoons of olive oil
2. Add the green onions cook for 5 min
3. Add the shrimp and saute for about 5 min
4. Add the Yellow Mojo and turmeric; cook for about 3 min
5. Pour the can of coconut milk
6. Simmer for about 5 min
7. Serve over rice or quinoa and garnish with cilantro



www.drianafoods.com/shrimp-with-peruvian-coconut-sauce





How Stimulus Payments Are Treated For Tax Purposes & What To Do If You Didn't Get One - *Tax Planning*

by James Pafundi

With over 160 million stimulus payments sent with the first round of pandemic relief efforts, many in receipt of the payments are asking whether the payments are taxable or not. The IRS has clearly stated that stimulus payments, regardless of income or status, are not taxable.

For those that did not receive a stimulus payment in 2020 but believe that they were due one, a filing for the Recovery Rebate Credit can be done. In essence, anyone who didn't get a check can request a tax credit for the amount owed. A tax credit is considered better than a tax deduction since a tax credit directly credits, or reduces, taxes owed. For example, if someone was due a \$600 stimulus payment and never received it, then they can claim that \$600 as a credit against any taxes owed. In order to calculate and determine eligibility for the

credit, the IRS has created a Recovery Rebate Credit page available at:

www.irs.gov/newsroom/recovery-rebate-credit

The IRS notes that a tax return for 2020 needs to be filed in order to claim the Recovery Rebate Credit, even if someone doesn't normally file. Economic Impact Payments were based on 2018 or 2019 tax year filings, while the Recovery Rebate Credit is based on tax year 2020 information. The IRS is sending IRS Notice 1444 for the first round of payments in 2020, and mailing a second IRS Notice 1444-B for the second round soon. Both would be used when filing for a Recovery Rebate Credit.

Source:

IRS.gov, www.irs.gov/newsroom/recovery-rebate-credit

Book Corner

by James Pafundi

"Einstein's Unfinished Revolution"

by Lee Smolin

20th century Physics has a problem child and it's called Quantum Mechanics. Quantum Mechanics is our theory for understanding atoms, radiation and the basic behavior of materials. You see, Einstein did such a great job with the Theory of Relativity, most physicists thought that their job was essentially complete.

But then a few years later, in walks Quantum Mechanics and it completely throws scientists for a loop. Everything is different on a subatomic scale. Its implications seem like the stuff of fantasy... Cats are simultaneously alive and dead, experimental outcomes sometimes change due to who's watching, and (one of my favorites); time is not linear. In *Einstein's Unfinished Revolution*, the author explores existing theories that are designed to solve the inherent conflict between common sense realism and the vision of the quantum. It's a problem that is said to have consumed Albert Einstein until the very last days of his life.



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