



## Q2 NEWSLETTER

Dear Clients and Colleagues:

1Q 2021 Market Performance<sup>1</sup>

The broad stock indices continued to appreciate, with value and small cap stocks outperforming. With rising yields, bonds fell (bond prices decrease when rates increase).

	<b>1Q2021</b>
S&P 500	6.17%
MSCI EAFE (Dev.Int'l)	3.48%
MSCI EM (EmergingMrkt)	2.29%
BBgBarc US Agg Bnd	-3.7%

### Trivia Answer

The Aussie Ken Rosewell holds the unique record of being both the youngest and oldest player to win the Australian Open, at age 18 in 1953 and 19 years later at age 37 in 1972.

### Income Taxes and Investing

There are four primary federal income taxes – ordinary income tax, capital gain tax, alternative minimum tax, and net investment tax. **The 2020 filing date for income tax returns has been extended to May 17, 2021.**

#### *Ordinary Income Tax*

Ordinary items of income include wages, retirement plan distributions, short-term capital gains, ordinary trade or business taxable income, and others. Certain deductions are allowed to reduce gross income and compute your ordinary taxable income. The federal ordinary income tax rates are graduated and depend on your taxable income; rates range from 10% to 37%.

#### *Long-Term Capital Gains Tax*

The sale of a capital investment is subject to ordinary income tax if held for 12 months or less and lower long-term capital gain tax rates if held more than 12 months. Qualified dividends are also subject to lower long-term capital gain tax rates. The long-term capital gain and qualified dividend tax rates are 0%, 15%, and 20%, depending on the amount of other taxable income.

<sup>1</sup>Indices are unmanaged, and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Bloomberg Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security.

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### *Alternative Minimum Taxable Income (“AMTI”)*

AMTI includes many items of income that are also taxable for ordinary income tax purposes, but many deductions that are allowed to reduce ordinary taxable income are not allowed to reduce AMTI. Also, some types of income that are tax-free for ordinary income tax purposes are not tax-free for AMT purposes, such as the exercise of incentive stock options. Thus, in some cases, the alternative minimum tax may be higher than ordinary income tax and taxpayers are required to pay the higher of the two.

### *Net Investment Income Tax*

Net investment income includes interest, dividends, rents, royalties, taxable annuity income, passive activity income, and gain from the sale of capital assets. Taxpayers with modified adjusted income above certain thresholds (\$250,000 for couple filing jointly) are subject to the surtax. The surtax is: 3.8% times the lesser of 1) net investment income or 2) the amount of modified adjusted income over the threshold.

### Individual Ordinary Income Tax Rates

Single Taxable Income	Married Filing Jointly Income	Marginal Income Tax Rate
\$0-\$9,950	\$0-\$19,900	10%
\$9,951 - \$40,525	\$19,901 - \$81,050	12%
\$40,526 – \$86,375	\$81,051 - \$172,750	22%
\$86,376 - \$164,925	\$172,751 - \$329,850	24%
\$164,926 – \$209,425	\$329,851 – \$418,850	32%
\$209,426 - \$523,600	\$418,851 - \$628,300	35%
Over \$523,600	Over \$628,300	37%

### Long-Term Capital Gains Tax

Single Taxable Income	Married Filing Jointly Income	Long-Term Cap. Gain Tax Rate
\$0 - \$40,400	\$0 - \$80,800	0%
\$40,401 - \$445,850	\$80,801 - \$501,600	15%
Over \$445,850	Over \$501,600	20%

### 3.8% Net Investment Income Tax MAGI Threshold & 0.9% Medicare Earned Income Surtax Threshold

Single	\$200,000
Married Filing Jointly	\$250,000