



## What Business Owners Need To Know About The New Aid Package

**J**ust before midnight on Monday, December 21, 2020, Congress passed a law enabling \$920 billion in stimulus and relief to fight the economic devastation caused by the pandemic. The new legislation is imminently expected to be signed by President Trump and will be the fifth piece of major legislation enacted in response to the COVID pandemic.

It will fund expanded unemployment benefits, recovery rebates, school programs, transportation spending, COVID testing and vaccines, and relief for small businesses. Consistent with our firm's focus, here's a roundup of what small business owners need to know right now.

The new aid package to small business totals \$325 billion, with \$284 billion of that amount earmarked for a second round of Paycheck Protection Program (PPP) loans. In addition, another \$20 billion was allocated for Economic Injury Disaster Loans (EIDL). Also, \$15 billion is reserved for live venues, independent movie theaters and

cultural institutions, according to the bipartisan Committee for a Responsible Federal Budget.

The aid is desperately needed. The vast majority (91%) of small businesses that qualified for PPP in the first round of forgivable PPP loans funded by the CARES Act have already spent their entire PPP loan, and more than half (53%) expect to need additional relief in 2021, according to last week's survey of business owners by the National Federation of Independent Businesses (NFIB).

If you previously received a PPP loan, you may apply for a second loan, according to a story in *The Wall Street Journal*, citing a senior staffer for Republicans on the House Small Business Committee. To qualify for a second round PPP loan, a business must have suffered a 25% reduction in gross receipts during a particular quarter in 2020, compared with that same quarter in 2019, according to *The Journal*. First-time PPP borrowers reportedly will be subject to the program's original

## The Recovery Is Here

**L**ooks like the pandemic is on the wane. Covid cases are way down, and public enthusiasm is up. People are going out, some in masks and some with naked faces. It is good to see actual smiles. But with this new freedom comes the personal realization ... OMG, I have gained so much weight.

On a broad scope, the economy is doing great. We are looking at record 2nd and 3rd quarter gains in GDP. Housing starts are up, auto sales are up, and PDI (personal disposable income) is at its highest level in history. The PDI has been increased through the various Covid relief packages over the past year and a half. The urge to spend money after being in a "lockdown" economy is unstoppable.

But that is not to say that there will be no hiccups over the next few months. Supply chain disruptions such as lumber companies having limited capacity but huge demand, gas usage coming back to normal with some refineries being offline due to maintenance or bad weather, chip manufacturing hindered by misallocation and a shortage of water for processing, and an improving economy all will be driving inflation—short term—until things come back to normal.

All in all, I am more than cautiously optimistic, assuming the Fed's policies will not hinder future growth. Now my big question is, what do I do with my Covid 19 pounds?

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The New \$325 Billion In Aid To Small Business	
Paycheck Protection Program (PPP), Second Round	\$284 billion
Economic Injury Disaster Loans	\$20 billion
Emergency Grants to Venues	\$15 billion
Other Small Business Relief and Program Expenses	\$6 billion
Deductibility of expenses paid for by PPP loans	To Be Determined
Source: Committee for a Responsible Federal Budget	

# View Investment News Through A Historical Lens

**G**etting the news isn't so easy these days! You need to filter everything you see and hear. Political, environmental, and financial news – even sports! – must be viewed through a sophisticated lens.

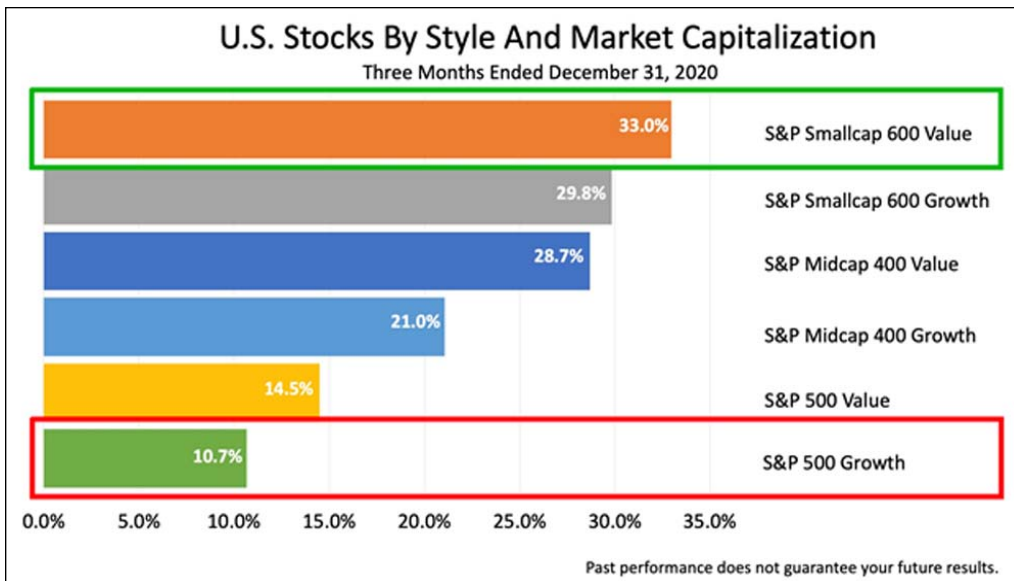
A key to filtering news about the economy and investments is to view everything through the long lens of history. For example, can you spot the major shift in the U.S.



stock market in these figures? If you noticed the S&P 500 Growth stocks lagging badly, good for you! For small-cap value stocks to outperform the large-cap S&P 500 growth companies marked a major shift in leadership! But you would only know that by looking at these numbers through a long-term lens.

Just a quarter earlier, large-cap growth stocks in the S&P 500 massively outperformed small- and mid-cap value stocks, and that has been the long-term trend. And, again, to know that, you'd have to examine the last five years of performance.

Financial news is rarely reported from the historical perspective of an investor building a sustainable retirement income stream. Count on us for that kind of focus and for financial news filtered through a lens reflecting history and investment experience. ●



## New Identity Fraud Tactic Targets Amazon Prime Users

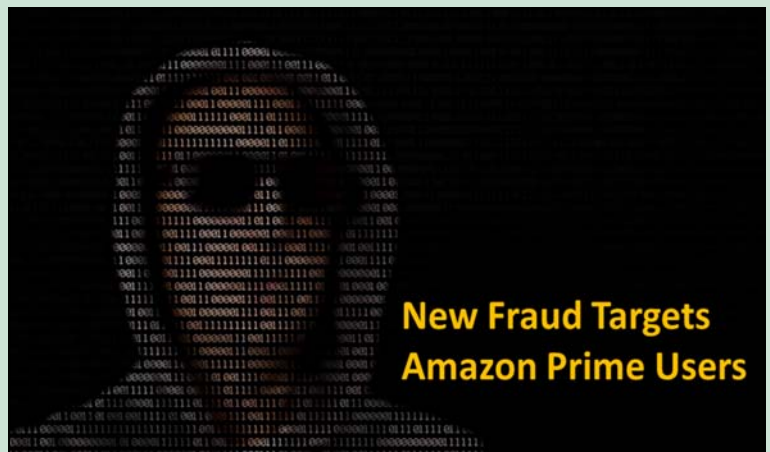
**I**f you receive an email update on an order from Amazon that you did not place, beware; it's likely an attempt to steal your credit card information.

Unlike emails from Nigerian royalty and other obvious scams, this fraudulent email contains none of the telltale spelling or grammatical mistakes. It's not yet filtered by Microsoft and spam protection software. It is a new and sophisticated financial fraud threat.

The fake Amazon Prime email order is billed to you but shipped to

a strange name and address unfamiliar to you. A toll-free number is provided.

"Thank you for calling Amazon," says the person who answers and gives you his name. "How may I help you today?"



This is where the sophistication of the fraudsters is most frightening.

## Two Observations That May Make Higher Taxes Easier To Bear

**F**or the first time since the administration of President Ronald Reagan, federal government tax policy is changing significantly. Tax cuts were in vogue for nearly four decades, but President Joseph Biden is planning on implementing higher federal taxes on corporations as well as high-income and high net-worth individuals in 2021.

As Congress debates the Biden administration's proposal for a massive increase in federal infrastructure spending, which would require an increase in taxes and government borrowing, here are two key observations made by independent economist, Fritz Meyer.

This chart shows how the United States Government spent its revenue over the half-century ended with the 2019 fiscal year. It's from the non-partisan Congressional Budget Office. Priorities shifted. Health care spending and Social Security are receiving a greater share of revenue, while defense spending has been judged a lower priority since the fall of the Soviet Union.

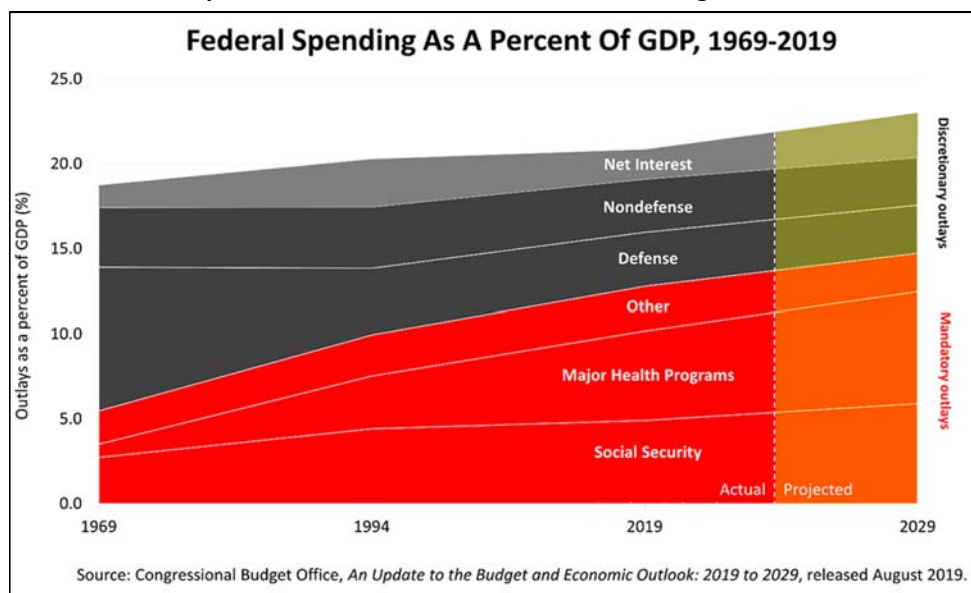
In the decade ahead, spending on Medicare, Medicaid, and other federal health programs, along with Social Security and the



interest payments on the national debt, are expected to continue to steadily increase as a percentage of the total economy.

**Observation:** The nondefense spending category, outlays for maintaining the nation's infrastructure – roads, mass transit, communication, buildings, and basic functions of American society, has been allocated a shrinking share of gross domestic product as the population grew. Federal highway, mass transit, and communication systems make America the envy of most of the world, but it has taken a backseat to other priorities.

Including all forms of taxes –



With the din of a call center in the background, the fake Amazon representative never asks you for your account password after you explain why you are calling.

Adding credibility, the fake rep tells you to check your email because he is sending you a one-time password. Even a skeptic now is likely to believe this is a real Amazon representative!

The fake Amazon rep is careful to never ask for your full credit card numbers but eventually connects you to another department to cancel the fake order. To be clear, the fake email and fake representative was all a setup.

The final stage of the fraud is still yet to come.

To generate the one-time password, the fake Amazon rep simply used your email address to request a new password for your Amazon account. That generates an email to you, but makes it seem legitimately sent by the fake Amazon rep you are talking to.

In this case, the bad guys hung up the phone after questions about their location and verifying their identity, but it's easy to see how many consumers could fall victim to this scam. ●

federal, state, and local; income, sales, value-added, estate, and property taxes – the U.S. has one of the lowest total tax burdens among the 37 developed nations that are members of the Organization of Economic Cooperation and Development (OECD). Countries, such as China, Brazil, India, and Russia, are not OECD members and excluded here.

**Observation:** The comparatively low tax burden of the U.S. allows some flexibility in solving the country's long-term spending problems.

Nobody wants to pay more taxes, but these two observations might make the series of tax hikes expected to be enacted in the weeks ahead easier to bear. ●

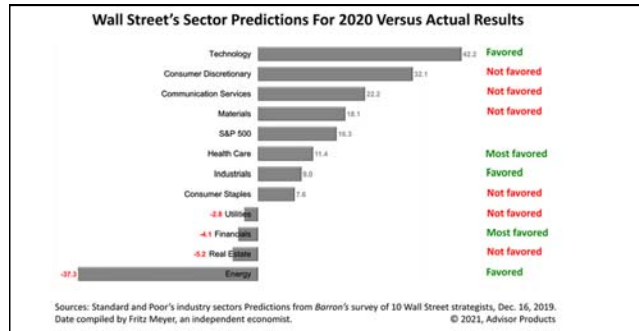
# An Important Investment Idea To Remember In 2021

Just before the beginning of every year, 10 top Wall Street investment strategists are asked by *Barron's*, the century-old financial magazine, to predict which industry sectors will outperform and underperform the Standard & Poor's 500 stock index for the year ahead.

Fritz Meyer, an independent economist, whose content is licensed by this firm, has tracked the results of Wall Street's predictions in *Barron's* every year since 2007, based on the *Barron's* survey of Wall Street's top strategists. The accompanying infographics show Wall Street's inconsistent results for the 12 months ended Dec. 31, 2020.

In Dec. 2019, nine of the 10 strategists said financials would outperform. Sounds like a sure thing? Nope! Financial stocks lost 4% in 2020. That's a major miss, considering the S&P 500 – which is comprised of the 10 industry sectors, shot up by 16.3% in 2020.

Similarly, stocks benefiting from increased discretionary



spending by consumers were picked to outperform the S&P 500 by three strategists, while four predicted they would underperform. Although consumer discretionary was panned by more strategists than those who favored it, it was the second-best performing sector of 2020, with a

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Communication Services	Utilities	REITs
RBC Capital Markets	-	-	+	+	+	+	-	-	-	+	-
Tandem Research	-	-	+	+	+	+	-	-	-	-	-
T. Rowe Price	-	-	+	+	+	+	-	-	-	-	-
Wells Fargo	-	-	+	+	+	+	+	-	-	-	-
State Street	-	-	+	+	+	+	+	-	-	-	-
J. P. Morgan	-	-	+	+	+	+	+	-	-	-	-
Citi	+	+	+	+	+	+	+	-	-	-	-
Hargen Baskley	-	+	+	+	+	+	-	-	-	+	-
Blackrock	+	-	+	+	+	+	+	-	-	+	+
B&B Securities	+	-	+	+	+	+	+	-	-	+	+
Net (+/-)	-1	-3	+2	+9	+7	+3	+2	-3	-1	-1	-2
Actual 2020	+32%	+8%	-37%	-4%	+11%	+9%	+42%	+18%	+22%	-3%	-5%

economist widely praised by independent financial professionals for many years), Wall Street's best minds are shown to be chronically inconsistent in predicting which industry stock sectors will be the best or worst performing during a particular calendar year.

An important investment idea to remember in 2021 is this: Strategic investing is not preoccupied with predicting what happens tomorrow or in the next 12 months.

Wall Street pundit's predictions make great magazine covers but have nothing to do with investing strategically over the long run. ●

## The New Aid Package

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eligibility rules.

The new law will allow businesses to deduct expenses incurred during the PPP loan process, including payments to advisors. The IRS had previously indicated that businesses could not deduct expenses associated with securing a PPP or receiving ongoing advice regarding accounting for the

loan, including the tax and other financial risks. The first round of the federal loan program to small businesses, administered by the Small Business Administration in the

CARES Act effective March 27, 2020, was widely criticized as overly complex and favoring large businesses over mom-and-pop shops with 10 or fewer employees.



Perhaps the most controversial provision contained in the new aid package affecting small business owners allows a 100% deduction on the cost of business meals. An attempt to aid restaurants, it is often pejoratively referred to as the "three-martini lunch deduction." ●

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