



## Fee Only Financial Planning & Investment Management

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### **Resolute Connections**

The contribution limits for the various retirement plans for the upcoming year are reviewed in *Tax Changes for 2021*. *The Growing Popularity of Sustainable Investing* discusses the increasing number of investors that are factoring in the social impact of their investment dollars when they buy mutual funds or ETFs – the opportunities to do so are growing exponentially.

*Freedom Statistics at Home and Abroad*, touches upon the topic of civic freedom. This might be of interest as we just went through an election, and some states are starting to lock down society again as Covid-19 infections start to rise.

Please be safe and we wish you continued health. If you have any questions about anything we have covered in the articles, or a specific situation please feel free to give us a call, or visit our website, [www.ResoluteFinancial.com](http://www.ResoluteFinancial.com).

### ***Tax Changes for 2021***

Every year, the U.S. tax system resets its limitations and allowable contributions due to inflation, and the most recent changes—affecting tax year 2021—were recently announced.

Last year, single taxpayers could fully deduct their contributions to traditional IRA accounts if their income was at or below \$65,000; now that income limit has moved up to \$66,000, at which point the allowable deduction phases out until it disappears completely at the \$76,000 income level. For married filing jointly couples, the phase-out range shifted slightly, from \$105,000-\$125,000, up from \$104,000-\$124,000

income levels. The limit on annual contributions remains at \$6,000, with a \$1,000 additional permitted “catch-up” contribution for people age 50 and over.

The limits on contributions that can be made by employees who participate in 401(k), 403(b) and most 457 plans is left unchanged at \$19,500, and there was no change in the \$6,500 catch-up contribution limit for employees age 50 and over. Participants in SIMPLE retirement accounts can still contribute \$13,500.

The limitation on the annual benefit under a defined benefit plan remains unchanged at \$230,000, and the limitation for defined contribution plans will go up in 2021 from \$57,000 to \$58,000.

## ***The Growing Popularity of Sustainable Investing***

A growing number of investors are factoring in the social impact of their investment dollars when they buy mutual funds or ETFs—for a variety of reasons. One reason is to avoid supporting companies or industries which, they believe, are not making the world a better place—such as weapons manufacturers, tobacco companies, or firms that have a track record of polluting the environment or running sweatshop factories in third world countries.

Other ‘socially-responsible investments’ (SRI) allow investors to embrace companies that they believe are enhancing our collective lives. This might include companies that produce solar, wind or other sustainable energy, who embrace diversity in their workforce and on their corporate boards, bring clean water to global populations or provide lending services to impoverished communities around the world.

Still others hope to mitigate downside moments in their portfolios by investing according to socially responsible objectives by employing ESG (environmental, sustainable and governance) guidelines, which preferentially invest in companies that achieve better ‘scores’ on these measures. Some ESG investors believe that by screening out firms that are not sensitive to social issues they can reduce the risk of earnings surprises when a company is sanctioned or boycotted for its less-than-savory practices.

Whatever the reason, socially responsible and ESG investing trends are enjoying rapid acceptance among investors. According to Morningstar's fund research, \$21.4 billion in new funds flowed into what it calls "sustainable funds" last year. In 2019, 30 new sustainable funds were launched, and 38 more were added the previous year. There are now 303 mutual funds and ETFs in what Morningstar considers to be its "sustainable universe"—following SRI or ESG principles, or both.

These funds are popular, but how well did they perform? Morningstar reports that 35% of those funds finished in the top quartile of fund performance in their category—which is well above average for any sector.

## ***Freedom Statistics at Home and Abroad***

We Americans live in the "land of the free and the home of the brave," according to our national anthem. Nobody seems to be measuring or ranking the average bravery of different countries, but an organization called Freedom House gives every country an annual score on the freedom level afforded to their citizens. How does the "land of the free" compare with other countries on the freedom scale circa 2020?

The criteria are derived from the U.N. General Assembly's Universal Declaration of Human Rights, which dates back to 1948. Freedom House calculates two scores that are combined to provide a "total score" for each country; "political rights" and "civil liberties." Each country is awarded 0-4 points (more is better) for each of 10 political rights indicators (including things like electoral process, political pluralism and political participation) and 15 civil liberties indicators (including freedom of expression and belief, associational and organizational rights, rule of law, personal autonomy and individual rights).

The total scores can add up to a maximum of 100 points, and any country scoring over 70 is considered "free." That excludes "not free" countries like the Central African Republic (score of 10), China (10), Eritrea (2), Libya (9), North Korea (3), Saudi Arabia (7), and Russia (20). The lowest score is 'achieved' by South Sudan, with a -2 rating.

Where does the U.S. fit in all this? Freedom House gives the U.S. an 86 rating, which can be considered a high 'B'. This is down from previous years, and the overview talks about restrictive new policies to limit immigration and reduce the number of refugees and asylum seekers reaching U.S. soil. It also notes an uptick in hate crimes and mass shootings, and dysfunction in the criminal justice system.

In the political rights area, the report noted a significant amount of foreign interference in the 2016 U.S. elections, which dinged the score a bit.

America's 86 was far from the highest score in the world. Norway (100), Finland (100), The Netherlands (99), Canada (98), Uruguay (98), Ireland (97), Denmark (97), Japan (96), Portugal (96), the United Kingdom (94), Germany (94), Slovenia (94), Spain (92), and France (90) were among the countries whose scores exceeded America's. Maybe those countries should rebrand themselves as "lands of the even freer."

Source:

Bob Veres Inside Edition Newsletter

*For more information on these topics or for a free consultation, contact Resolute Financial, LLC at (978) 463-8771 ext. 1003.*

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