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Financial focus

WHAT MATTERS MOST TO YOUR FAMILY, MATTERS MOST TO OURS.



Alden News

- ◆ Matt adopted a new puppy! Meet Betty White! She is a 10-week old, Olde English Bulldogge.
- ◆ Laura and Landry's two boys sure are getting big! Elliott turned 4 years old and Wesley turned 8 months old in December. How time flies!



Biden: The First 100 Days and Beyond

Raymond James Washington Policy Analyst Ed Mills discusses the policy and market implications of the U.S. election results.

The Democratic agenda will lead with additional fiscal stimulus and the confirmation of key Biden appointees. Later this year, we expect a budget reconciliation bill to pass and include tax changes.

There is a key debate on whether Democrats will focus on economic items (market positive) before tax and regulatory changes (market negative). We believe that there is some truth to this assumption, and the Democratic agenda will not be as robust as if they had won 53-55 Senate seats in the November election, but it's important not to understate how impactful Senate control will be for control of the Senate agenda.

We expect Democrats to use budget reconciliation in 2021 to enact tax changes and implement other portions of their agenda (i.e., paid sick leave, child care, and/or infrastructure spending). With a narrow House majority and the need to get every Senator on board before passage, this debate is likely to have false starts and breakdowns in negotiations. However, with reconciliation the only pathway for legislation with a simple majority, we expect Democrats to do everything possible to find a final compromise.

The filibuster (the 60-vote threshold for votes in the Senate) is not expected to be eliminated for legislation. However, pressure may build on Democratic lawmakers to change the filibuster if it is effectively used to block key agenda items.

There will also be negotiations on how to pay for increased spending. This is where we expect tax adjustment considerations to come into play, and a Biden administration supported by Democratic lawmakers has a clearer path to raise certain taxes through the budget reconciliation process. Biden's tax plan broadly calls for raising the corporate tax rate to 28%

“Aside from the immediate focus on COVID-19 mitigation and recovery, we expect the bulk of Biden's executive actions to be focused on climate and foreign policy.”

and tightening tax rules on overseas income, which we expect could be paired with extending middle class tax cuts on

the personal side on a permanent basis.

There is a big debate in D.C. over timing on any potential tax changes. Legislation is not allowed to be retroactive, with the exception of tax law, which can be retroactive to January 1 of the year passed. We believe that Democrats would take a staggered approach, if given the opportunity, but some changes would begin in 2021.

Read the full *Investment Strategy Quarterly*: <https://bit.ly/2LkrdPQ>

Economic Snapshot by Dr. Scott Brown, Chief Economist RJF

FAVORABLE	GROWTH	GDP growth in the first part of 2021 is expected to be moderate, reflecting the recent surge in COVID-19 cases, but activity should pick up in the second half of the year.
	EMPLOYMENT	Job growth in early 2021 is expected to be lackluster, but we should see a sharper recovery in the second half of the year.
	CONSUMER SPENDING	Some pandemic-related weakness in the near term. As vaccines become more widely distributed we should see a strong recovery in consumer services, with some moderation in spending on consumer durables.
	MANUFACTURING	Manufacturing operations adapted to the pandemic, but global demand weakened. A pickup in global growth should help in 2021, but more so in the second half of the year.
	HOUSING AND RESIDENTIAL CONSTRUCTION	Low mortgage rates and a shift to work-from-home have boosted housing demand in 2020 and that should continue into 2021. Supply constraints will continue to lift home prices, reducing affordability.
	MONETARY POLICY	Fed officials expect short-term interest rates to remain low through 2023. The monthly pace of asset purchases is likely to be reduced at some point in 2021, but monetary policy remains very accommodative.
	LONG-TERM INTEREST RATES	Bond yields normally rise in an economic recovery. However, Fed asset purchases should prevent long-term interest rates from rising much and inflation is expected to remain low.
	REST OF THE WORLD	A mixed bag. Vaccines should help advanced economies rebound. The outlook for emerging economies is mixed – some did a better job handling the pandemic, others will see vaccines arrive later.
NEUTRAL	BUSINESS INVESTMENT	Business spending on equipment is expected to pick up as the global economy recovers from the pandemic. However, investment in business structures, especially commercial real estate, is likely to remain weak.
	INFLATION	Pandemics are disinflationary (inflation-reducing). Rents have slowed, dominating the CPI. Inflation may pick up as the economy strengthens, but that is more likely in 2022. There will still be a lot of slack in the economy in 2021.
	FISCAL POLICY	Even with additional fiscal support in 2021, the economic impact will be negative (as 2020 support was much larger). However, that drag should be easily offset by private sector gains.
	THE DOLLAR	The trade deficit has widened, putting some downward pressure on the dollar. Central bank policies are expected to remain accommodative here and abroad, but a reduction in Fed asset purchases may be a slight negative.

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