

## A TIME OF TRANSITION – Ned Montag, CEO

While somewhat quiet in the office, the third quarter of 2021 was important for MONTAG, especially for the family. We have had strong leadership and wisdom for decades in the form of Tony and Jackie Montag. The pandemic stopped everyone from coming to the office, but my parents played an outsized role in the firm’s success until well into 2021. From 1982 to 2021, they remained fully engaged, though on August 31, our leaders, my parents, officially retired. When Dad founded A. Montag & Associates, he was a sole practitioner, age 48, and very determined to “paddle his own canoe.” He opened the firm with seven or eight clients and assets of approximately \$15 million. Dad had joined the investment field in 1960 at his father’s firm. He had the foresight to have Mom join this new firm in 1984, shortly before they had an empty nest. Their strong combination was the secret sauce of success. They anchor one another beautifully and thus anchored our staff, with true authenticity, stamina, wisdom and humor.

In a career spanning 60+ years, Dad helped hundreds of people, employed several dozen, and invested hundreds of millions of dollars. He also heard stories, jokes and even a criticism or two. As he will easily say with a grin: “See the gray hairs on my head? Each one of them represents a mistake I have made or a lesson I have learned. I earned every one of them!”

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“My question is: Are we making an impact?”

Sam Gross/Cartoon Collections—Used by permission

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## MARKET OBSERVATIONS – Chris Guinther

Let’s begin by noting the Third Quarter market numbers:

The Dow Jones Industrial Average (DJIA) and NASDAQ were both down, -1.46% and -2.31% respectively. The S&P500 was essentially flat for the quarter at +0.58%. Year to date through September 30th, the DJIA notched 12.12%, NASDAQ 11.12%, and the S&P500 took the lead at 15.91%.

With that housekeeping out of the way, let’s consider some of the larger forces presently at work.

Our economy, which has been built over decades of mostly “free markets” is now being subjected to an experiment which the Federal Reserve, along with our elected officials are running. No one really knows the outcome, or if it will work or fail, but they continue to press forward. Investors continue to navigate a landscape with never-seen-before Fed intervention, high federal debt levels, interest rates below the infla-

tion rate giving a negative real yield, political divide, and all-time high asset valuations in stocks, homes and many commodities. Add to this, conflicts between world powers (China, Taiwan) and a virus that continues to wreak havoc on society where we have a vaccine that some people think does more harm than good. There are a lot of moving parts and a lot of unprecedented conditions.

### So, what are investors to do?

- 1. We must stay fully diversified across asset classes, sectors, styles and strategies.**
- 2. Accept the fact that diversification comes at a cost. Portfolio returns will not be as high as the top one or two strategies, sectors, or indices when they are “appropriately diversified!”**
- 3. As always, we must put aside ample ‘safety cash’ in case the Fed experiment fails.**

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The new Delta variant has pushed the return to normal life down the road a little but since we are long-term focused, it has not caused us to alter much of our thinking or positioning strategy. We expect demand from all corners of the economy to remain strong over the next few years as companies work hard to rebuild inventories and increase capital expenditures to add to their production capacity. Capacity growth has run too low as the lessons of 2008 linger, but on a positive note, the consumer de-leveraging since 2008 and their new-found balance sheet strength will likely drive consistent spending for several years to come, concurrent with the employment picture improving.

We are still concerned with inflation and the likeliness that interest rates will rise over the next 12 months, somewhat faster than investors expected. We are not in the camp that the unprecedented mismatch in demand and supply is short-term transitory like Fed Chair Powell has everyone thinking. Inflation will come off the boil soon.... but likely remain above 3% as labor shortages appear to be durable to us. We are hopeful that as the Delta variant slows, we will clear a path for a more vigorous return to normal, but only time will tell.

Taking all these variables into account, we remain mostly bullish on equities. Similar to the earnings growth experienced between 2010-2018, we suspect the U.S. and frankly the global economy, will again mimic that long and steady growth cycle going forward. It appears to us that Corporate America has successfully reconfigured their business models to pave the way for a long positive cycle and with that, equities should be the winning asset class over the next decade.

We intend to stick with our mostly bottom-up approach to investment selection and continue buying long term winning business models that will outgrow the average company in the U.S. We're still on high alert because the combination of too much demand and low supplies has never been greater. The trillions of dollars printed to avoid another bad recession feels great now, but that can come back to haunt us. As always, our message at MONTAG is to stay diversified and be more concerned with the downside than missing out on the upside should it come, because remember, the markets take the stairs up and the elevator down. **M**



Chris Guinther is Senior Investment Strategist & Portfolio Manager

*It appears Corporate America has successfully reconfigured business models to pave the way for a positive cycle; equities should be the winning asset class over the next decade*

The information provided is for illustration purposes only. It is not, and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action to be taken.

## 2021: THE YEAR OF ESTATE PLANNING — Abbey Flaum, Esquire

For many years, estate planning was one of those preventative maintenance items that many Americans avoided. Now, with COVID-19 placing our mortality front and center and proposals to change certain tax laws, 2021 has become the year of estate planning. Here are a few tips on where to begin and items to discuss with your estate planning attorney:

- Get your "core documents" in order. You should ensure that you have a Will, Revocable Trust, Advance Directive for Healthcare and Financial Power of Attorney, and that, if you do, they are up to date.
- Your IRAs, 401(k)s, life insurance and a host of other assets do not pass under the terms of your Will; instead, they pass according to beneficiary designations

that you have on file. The SECURE Act, passed in 2020, made significant changes to the rules regarding the distribution of inherited qualified retirement accounts, making this the right time to discuss how to properly designate your beneficiaries.

- The federal transfer tax laws currently permit each person to transfer \$11.7 million (the "Exemption") free of federal estate and gift tax, with a forty percent tax on all assets passing in excess of the Exemption. The Exemption will decrease on December 31, 2025 to something in the \$6 Million range; however, on September 13, the House Ways and Means Committee proposed a bill (the "Bill") which would make that decrease effective as soon as January 1, 2022. If your

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*Speak with your estate attorney now to incorporate flexibility into your plans to ensure that you and your family are well positioned*

**DID YOU KNOW?**

There are just a little over 12 complete moon cycles every year, on average (there being about 29.53 days in a synodic month). One full moon is unlike any of the others. At a particular time of year, the angle of the moon's orbit relative to the Earth's horizon is at its minimum, causing the full moon to rise above the horizon much faster than usual. By what name do we know this full moon?

- A. "Blood Moon"
- B. "Blue Moon"
- C. "Worm Moon"
- D. "Harvest Moon"

(Answer on Page 4)

estate exceeds \$6 Million (or \$12 Million for a married couple), talk with your attorney about how best to plan for these changes.

- The Bill proposes to change the taxability of grantor trusts (irrevocable trusts used primarily to reduce the size of one's taxable estate), but would allow for grandfathering of pre-enactment grantor trusts; so, this is the time to call your attorney to discuss whether you should be using any of these trusts. By the time this article is published, it may be too late!
- If you have a family partnership and understand the concept of valuation discounts, speak with your attorney

now about how the Bill may change your future valuations and gifting plan.

This article does not scratch the surface of plans which may be appropriate for your family or proposals in the Bill. So, speak with your estate attorney now to incorporate flexibility into your plans and ensure that you and your family are positioned well to weather all of the tax, cultural and political storms circulating above us. **M**



Abbey Flaum is an attorney and shareholder in the firm of Cohen Pollock Merlin Turner, P.C.

**GETTING STARTED: Roth IRA is like a Free Gift for Your Future**

I am often asked about what is a good vehicle to get young professional children or grandchildren started towards saving and learning about investing. I have young professional children of my own, so the answer comes easily for me: Set up a ROTH IRA while they still qualify. According to current IRS rules, to contribute to a Roth IRA in 2021, single tax filers must have a modified adjusted gross income (MAGI) of \$140,000 or less, up from \$139,000 in 2020. If married and filing jointly, your joint MAGI must be under \$208,000 in 2021 (up from \$206,000 in 2020). Hoping they will be successful and at some point in the future may no longer be allowed to open a Roth IRA, I figure now is the time. My explanation to my own young adult kids is that not only will they get tax-free growth, but even better: That growth will have time for a large *compounding effect*.

When speaking about investing to younger adults, I always start with the phrase, "*It's the last double that matters*". The younger you are when you open an IRA, the greater your saving potential, because you get that tax-free compounding working for you. If you can make your money double 5 times instead of 4, the compounding is huge. For example, if you can average 7% on a

\$10,000 initial Roth IRA, starting when you are 25 instead of waiting to start when you are 35, the difference in potential value when you are 75 is \$320,000 vs \$160,000 and all tax-free when you take it out. Tax codes can change and the tax-free benefit could be less... but either way, getting started early makes a huge difference.

With traditional IRA's or 401(k), people often forget that their retirement plans require you to pay income tax as you take the money out, so the actual spendable dollars are much less than the actual value of your fund account balances. Hence a great benefit of the Roth IRA.

No one knows what the future holds or how tax code legislation will be applied down the road, but for those of you with wealth, Roth IRA's may become more appealing and worthier of a conversation with your tax consultant. For those of you that have young working adults and grandchildren, there are many advantages for just getting started early, not to mention the gift of compounding. **M**



Larry Mendel is VP of Sales & Viewpoints Editor

## A TIME OF TRANSITION *(Continued from Page 1)*

My dad had a big breakthrough in his work by using cartoons. He realized that cartoons share messages with a simple sketch and a few words that a long conversation cannot. He knew that discussions about money generally raise tension in people, but that humor disarms most, and that most financial questions can be answered easily, most effectively in plain language, not industry jargon.

*Dad realized that cartoons share messages with a simple sketch and a few words that a long conversation cannot*

Our dad is remarkably grounded. When he ushered John into the firm, he was anchoring to a next generation of Montags those clients for whom he had worked so hard. He knew the prosperity for the clients and for the family would abound. He was right. When he offered me a job, he said: "Your job description? Well, essentially its all the things I don't want to do: human resources, compliance, marketing, technology, the landlord. All of these things and more can be yours."

Dad has some terrific sayings. Here are a few:

- *The more you have, the more you have to take care of.*
- *Ninety-nine percent of all communication is non-verbal.*
- *Those who cannot listen must feel.*
- *Money insulates.*
- *Do not step on the dog's tail and he will not bite you.*
- *When the student is ready, the teacher will appear.*
- *Often in life, nothing is confirmed until officially denied.*
- *You have the remarkable ability to take a very simple situation and make it very complicated.*
- *When all is said and done, more will be said than done.*

Probably the most potent thing he ever shared with me was the answer to my question of why he had started his own business. His answer: "To live longer." He knew that canoeing his own boat, owning his day, his decisions, and having no obligations as he handled clients his way was the secret to success for him. We are grateful for that wisdom and will carry it forward. **M**



Ned Montag is CEO

## DID YOU KNOW? *(from page 2)*

**Answer: D. "Harvest Moon"**

The full moon nearest the autumnal equinox (around September 23rd) is known as the "Harvest Moon". For several evenings, the moonrise comes soon after sunset. This results in an abundance of bright moonlight early in the evening, which was a traditional aide to farmers and crews harvesting their summer-grown crops. Hence, it became known as the "Harvest" Moon!

This year's Harvest Moon occurred on Monday, September 20th, and the moon appeared full for three days, Sunday through Tuesday.

Answer A, "Blood Moon", relates to a total lunar eclipse due to the reddish tint the moon takes during the event. Answer B, "Blue Moon", relates to the rare occasion of there being 2 full moons in a single month. Answer C, "Worm Moon", is the name we call March's full moon—when the earthworms appear as the soil warms in spring. **M**

Source: The Old Farmer's Almanac

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## A PARTING THOUGHT

**"But there's a full moon risin',  
Let's go dancing' in the light  
We know where the music's  
playin', let's go out and feel the  
night**

**Because I'm still in love with you,  
I want to see you dance again  
Because I'm still in love with you,  
on this harvest moon."**

— Neil Young

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