

Fiscal Support

President Biden announced the third phase of his \$6 trillion spending plan, and is asking Congress to approve a \$1.8 trillion American Families Plan. This proposal, along with the President's two previous initiatives, stamp the administration's view that the federal government should play a large role in the U.S. economy. It is likely that the latest two bills will get scaled back by Congress to the \$4 Trillion range.

Biden Administration Plans

American Rescue Plan: \$1.9 trillion COVID-19 relief bill that was passed by Congress in March. Sending \$1,400 in direct payments to many individuals in need and extending unemployment benefits.

American Jobs Plan: Currently being negotiated by congress, this \$2.3 trillion proposal to support infrastructure, transit, and domestic technology.

American Families Plan: \$1.8 trillion proposal will call for new spending over the next decade to support universal pre-school education, childcare support for low-income earners, two years free community college, and national paid family and medical leave programs.

President Biden is proposing changes to the current tax laws to finance proposals.

Corporate Tax Rate	Federal Income Tax Bracket (over \$400k)	Capital Gains Tax (\$1M Earners)
Current = 21%	Current = 37%	Current = 20%
Proposed = 28%	Proposed = 39.6%	Proposed = 39.6%
Likely negotiated	Likely will be passed	Likely negotiated

If the highest federal income tax bracket is increased to 39.6%, with the additional 3.8% ACA tax, the rate on investment income would be 43.4%. Additionally, several states have increased their highest state income tax rate. New York upped the top tax rate from 8.82% to 9.65% for single filers who make more than \$1 million. New Jersey, lowered the highest bracket threshold from \$5 million to \$1 million. In California top income filers, pay 13.3%.

Highest	State Rate	Fed & ACA Rate	Total
NY	9.95%	43.4%	53.35%
NJ	10.75%	43.4%	54.15%
CA	13.3%	43.4%	56.7%

As an active SMA manager, AHB looks to capitalize on new opportunities as they rapidly evolve in both the bond and equity markets. Unlike market indexing products, AHB takes an active approach of overweighting or underweighting sectors or industries that best align with our research and future forecasts. This along with the ability to be tax efficient and offer customization within a client's portfolio, makes AHB's Investment Grade Taxable Bond, Investment Grade Municipal Bond, Custom Balanced, and Large Cap Core Equity strategies a great solution for your client's assets.

Some examples of tax efficiency within the AHB SMA portfolios include:

- State specific Municipal Bonds
- Minimizing Capital Gains
- Tax Transition Analysis
- Flexible Asset Allocation Changes
- Tax Loss Harvesting
- Low annual turnover