



**Investment Solutions, Inc.**

# The Long Run Newsletter

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For Your Information

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## Best-Performing Asset Classes

According to Yale University's Crash Confidence Index, only about 40% of investors are confident the stock market will not crash sometime during the next six months.<sup>1</sup>

If fear leads investors to avoid the entire investment class, they may limit their potential returns. For example, for most of the 10-year period ended 2023, stocks outperformed both cash and the 10-year treasury. Cash pulled ahead twice, once in 2018 and again in 2022. The 10-year treasury pulled ahead only once, in 2015.<sup>2</sup>

But the stock market is volatile. Between February 12, 2020, and March 23, 2020, the Dow lost 37% of its value due to the onset of the COVID-19 pandemic. Fortunately, recovery was swift, and by November 2020, US markets had returned to their pre-pandemic highs.<sup>3</sup>

If the impulse to be safe keeps investors out of the stock market, it may also keep them from taking advantage of the potential returns the stock market has to offer.

A sound investing strategy considers short-term volatility without losing sight of long-term objectives.

A sound strategy can involve diversifying capital between different classes of investments. That way, under-performance in one type of asset may be offset by the performance of another.

Bear in mind, though, that diversification and asset allocation are approaches to help manage investment risk. They do not eliminate the risk of loss if a security price declines. The asset class that performs best one year may not do so the next. Diversifying your holdings among several different investment types and understanding that asset classes can move in and out of favor may help you manage the risk in your investment portfolio.

### Changing Lead

The asset class that performs best one year doesn't necessarily do so the next.<sup>2</sup>

Citations:

1. Yale University, 2024
2. PortfolioVisualizer, 2024. Cash is represented by 3-month Treasury Bills. 10-Year Treasury Bond is represented by data from the Federal Reserve Economic Data. Stocks are represented by the Vanguard Total Stock Market Index Fund, which is an unmanaged fund that is generally considered representative of the U.S. stock market. Index performance is not indicative of past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.
3. Finance.Yahoo.com, 2024

## A Brief History of Estate Taxes

Federal estate taxes have been a source of funding for the federal government almost since the U.S. was founded.

In 1797, Congress instituted a system of federal stamps that were required on all wills offered for probate when property (land, homes) was transferred from one generation to the next. The revenue from these stamps was used to build the Navy for an undeclared war with France, which had begun in 1794. When the crisis ended in 1802, the tax was repealed.<sup>1</sup>

Estate taxes returned during the build-up to the Civil War. The Revenue Act of 1862 included an inheritance tax, which applied to transfers of personal assets. In 1864, Congress amended the Revenue Act, added a tax on transfers of real estate, and increased the rates for inheritance taxes. As before, once the war ended, the Act was repealed.<sup>1</sup>

In 1898, a federal legacy tax was proposed to raise revenue for the Spanish-American War. This served as a precursor to modern estate taxes. It instituted tax rates that were graduated by the size of the estate. The end of the war came in 1902, and the legacy tax was repealed later that same year.<sup>1</sup>

In 1913, however, the 16th Amendment to the Constitution was ratified - the one that gives Congress the right to "lay and collect taxes on incomes, from whatever source derived." This amendment paved the way for the Revenue Act of 1916, which established an estate tax that in one way or another, has been part of U.S. history since then.<sup>1</sup>

In 2010, the estate tax expired - briefly. But in December 2010, Congress passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The new law retroactively imposed tax legislation on all estates settled in 2010.<sup>2</sup>

In 2012, the American Tax Relief Act made the estate tax a permanent part of the tax code.<sup>3</sup>

As part of the 2017 Tax Cuts and Jobs Act, estate tax rules were adjusted again. The estate tax exemption was raised to \$11.2 million, a doubling of the \$5.6 million that previously existed. Married couples were able to pass as much as \$22.4 million to their heirs. As of 2024, that rate has risen to \$13.61 million per individual (and \$27.22 million for married couples). The Act is set to expire in 2025. If you're uncertain about your estate strategy, it may be a good time to review the approach you currently have in place.<sup>4</sup>

## Estate Taxes and Overall Federal Revenues

Estate taxes typically account for about one percent of total federal revenue.<sup>5</sup>

Chart Source: USASpending.gov, 2024

## Exemption Through The Years

Federal estate taxes exempt a share of estates from federal estate taxes. For the 2024 tax year, if an estate is worth less than \$13.61 million, no federal estate taxes may apply.”<sup>4</sup>

## Year Exclusion Amount Highest Tax Rate

2013	\$5,250,000	40%
2014	\$5,340,000	40%
2015	\$5,430,000	40%
2016	\$5,450,000	40%
2017	\$5,490,000	40%
2018	\$11,180,000	40%
2019	\$11,400,000	40%
2020	\$11,580,000	40%
2021	\$11,700,000	40%
2022	\$12,060,000	40%
2023	\$12,920,000	40%
2024	\$13,610,000	40%

Chart Source: IRS.gov, 2024

### Citations:

1. IRS.gov, 2024
2. Congress.gov, 2024
3. Congress.gov, 2024
4. Investopedia.com, November 17, 2023
5. USASpending.gov, 2024

## For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.

*“Autumn is the season to find contentment at home by paying attention to what we already have.”*

**“By all these lovely tokens, September days are here. With summer’s best of weather and autumn’s best of cheer.”**

**— Helen Hunt Jackson**



# Hello autumn

## **Long & Associates, P.C.**

Assisting you with accounting, tax preparation, and tax planning

## **Investment Solutions, Inc.**

Advising you and creating strategies for investment and retirement planning

## **Benefit Resource Group, Inc.**

Handling employee benefits and other business services

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**Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program**

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