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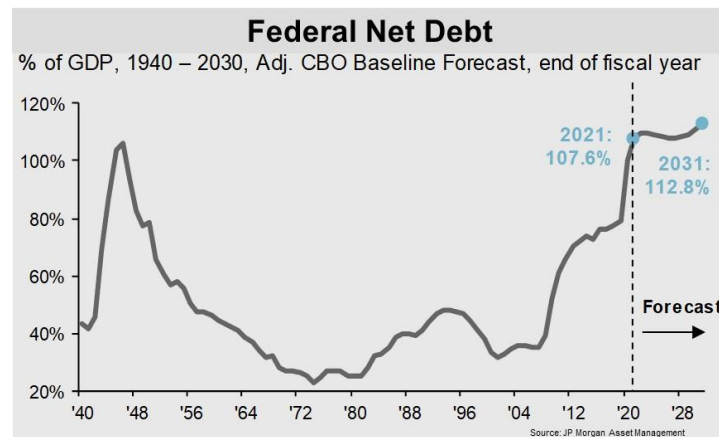
*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

May 21, 2021

## **Covid Long-Haul Effects: Higher Taxes**

Some people who have had Covid-19 suffer from “long-haul” symptoms for months after they were first infected. The CDC lists some of those symptoms as fatigue, headache, chest pain, shortness of breath, depression, etc. Somewhat like negative physical symptoms, the economy is likely to suffer from negative “long-haul” economic symptoms as a result of Covid. One of the more concerning potential long-haul symptoms are higher taxes for years to come.

Closing the economy and then redistributing trillions of tax-payer dollars back out to the economy to avoid total economic collapse has caused the Federal Net Debt to be larger than the entire Gross Domestic Product (GDP) of the United States.

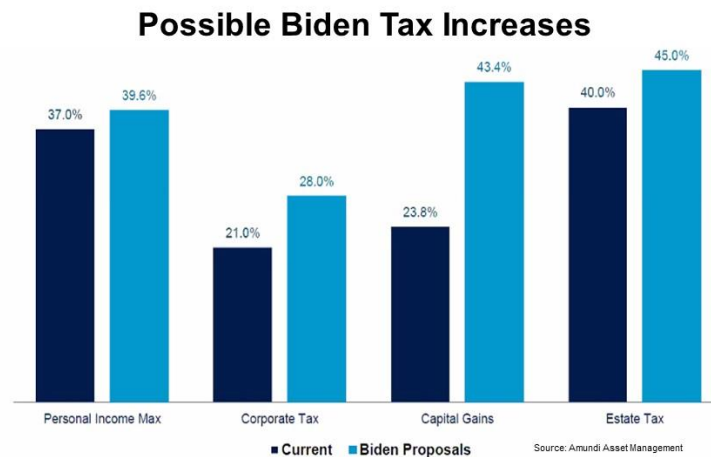


The last time the Federal net debt was this high as a percent of GDP was at the end of World War 2. From 1940 to 1944, the number of households that paid taxes rose from 7% to 64%. The top individual tax rate rose to 94% and remained at 91% for nearly two decades until 1964. The top federal tax rate never fell below 70% until the 1970s.

Other than for a few years in the late 1990s, the Federal government has been deficit spending (spending more than its income) for the past 70 years. It is highly unlikely that

taxpayers can rely on reduced government spending in future years as a mechanism to reduce the total debt burden.

The tax proposals being considered today include increases in personal, corporate, capital gains and estate tax rates. According to Amundi Asset Management (\$2 trillion under management), they see potential tax increases shown in the light blue bars below.

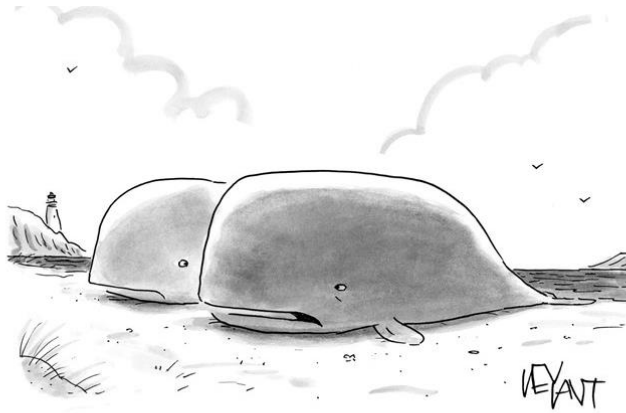


Taxes represent a redistribution of income from the private sector to the public sector. Usually, the market believes the private sector is more efficient at putting capital to work than the public sector. Additionally, as the public sector debt burden grows and taxes are increasingly used to service existing debt, the productivity of capital is further lowered. Higher taxes are a reason to expect potentially lower average annual stock market returns as a long-haul Covid effect.

As taxes rise, their importance in terms of what investment choices an investor makes also rises. Issues including qualified versus non-qualified accounts, Roth IRA versus standard IRA, tax-free investments (e.g., municipal bonds), investment approach, timing of realizing capital gains, etc. should be considered. Taxes should almost never be the fundamental reason for making an investment. But as tax rates rise, they become an important additional consideration. Delta Investment Management is prepared to help you address potential tax challenges. Feel free to reach out to us to see how we can help.

### Let Us Help You Position Your Portfolio – Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit [www.deltaim.com](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"It's hard to totally relax when you know in a few days you'll be dragged back to work."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**59.7**

Our technical indicator decreased from 62.0 to 59.7 this week

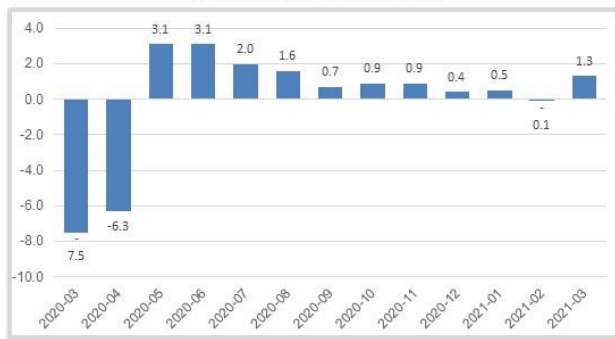
### INDICATOR STATISTICS

Consecutive Bullish Weeks:	33
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	74.7
Bullish Weeks YTD:	20
Bearish Weeks YTD:	0
*S&P 500	20.2%
*DJIA	19.7%
*NASDAQ	17.9%

\* Percentage change during current cycle



### Leading Economic Index % Change Monthly March 2020 – March 2021



Source: The Conference Board – last update 04/22/2021

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