

*See box, page 78, for representative indexes.

Year-End Tax Considerations

As we approach year-end, investors with taxable accounts should consider taking action to reduce any tax liability due on capital gains they may have realized throughout the year. Here we describe techniques for offsetting these gains, as well as other means of reducing your tax burden in 2021 and beyond.

Tax Year 2021

Tax year 2021 provided a respite in capital markets after an extraordinarily turbulent 2020. Covid-19 outbreaks emerged in February 2020 and markets quickly plummeted. From peak to trough, major stock market indices fell upwards of 35 percent. However, markets proved resilient. Disciplined investors were soon rewarded, as U.S. stocks reached new highs by August 2020. This marked the fastest recovery from bear-market territory in U.S. history.

Market positivity continued into the new year, as markets rallied on government stimulus, vaccine distribution, and the prospect for a return to normalcy. U.S. stocks have maintained strong performance in 2021. Meanwhile, previous laggards such as REITs and international stocks have also surged. Those with exposure to small cap and value stocks are enjoying particularly strong year-to-date returns.

The volatile swings in early 2020 allowed shrewd investors to realize tax losses. As markets recovered, periodic rebalancing trades produced taxable gains. Many investors used previous losses to offset these gains. Some investors even retained sizable tax-loss carryforwards after filing.

For 2021, sustained market optimism provided little opportunity to harvest tax losses. Still, other tax mitigation strategies exist for mindful investors. Investment selection, asset location, estate planning techniques, and charitable giving all present opportunities to minimize your future tax bill. This article will review these important tax planning techniques. Although major tax changes loom, no one can predict the outcome of the legislative process. This article therefore outlines tax planning strategies under the current tax code.

What's My Rate?

Before making any year-end portfolio rebalancing decisions, it is important to estimate your marginal income tax rate. This is the effective rate you would pay on each additional dollar of taxable income. Be aware that this estimation is complicated by a variety of deductions, exemptions, and tax credits. However, tax software, a tax professional, or a competent financial planner can assist with the calculation.

(continued next page)

Rates of Interest

As of October 19, 2021

Government Obligations¹

Fed Funds Rate	0.08%
3-Month Treas. Bill	0.06%
10-Yr. Treas. Note	1.59%
30-Yr. Treas. Bond	2.01%
10-Yr. TIPS	-0.95%
Muni Bonds - Nat'l 10-Yr.	1.15%

Mortgage Rates²

15-Yr Fixed	2.30%
30-Yr Fixed	3.05%

Banking³

Savings	0.06%
Money Market	0.08%
12-month CD	0.14%

[1] Federal Reserve, fmsbonds.com. Annualized Rates. Notes, bonds, TIPS reflect yield to maturity.

[2] Freddie Mac. Average (National average mortgages with 0.7 points).

[3] FDIC. Average national rates, non-jumbo deposits (<\$100k).

Short-term capital gains, or gains on investments held exactly one year or less, are treated as ordinary income. Short-term gains are taxed at your marginal income tax rate. Qualified dividends and long-term capital gains, or gains on investments held longer than one year, use a more favorable schedule based on one's filing status and taxable income. This is summarized in the table nearby.

While most taxpayers confront a long-term capital gain levy of 15 percent, those in the highest tax brackets incur a 20 percent tax hit. Investors in higher tax brackets might also encounter the net income investment tax (NIIT). The NIIT can impose an additional 3.8 percent tax on dividends, interest, and any net gains from the disposition of property such as common stocks or mutual funds.

Lower income investors may have a 0 percent capital gains tax rate. This may be the case for early retirees who are not yet claiming Social Security or drawing from IRAs. Investors who fall in the 0 percent capital gains tax bracket may choose to take gains this year to increase their cost basis without incurring taxes. We advise working with a tax accountant or financial advisor to make this determination.

The tax code provides strong incentive to hold investments for longer than one year and to delay recognition of any gains until it is time to "spend down" assets (typically in retirement). Long-term investors might hold certain investments for decades, depending upon rebalancing trades and portfolio goals. While one can defer capital gains taxation by simply doing nothing, it is often impractical to "buy and hold" forever. After all, investors must ultimately liquidate investments to fund spending needs or reposition their portfolios. Fortunately, additional tax mitigation techniques exist for those who want or need to sell.

Tax Losses

As the year draws to a close, it is wise to review taxable accounts and consider whether to sell any investments containing unrealized losses. Capital losses can be used to offset capital gains realized throughout the year. Furthermore, up to \$3,000 in remaining tax losses may be deducted against ordinary income. Any unused losses can be car-

ried forward indefinitely to offset future gains and/or taxable income. Prudent investors may be eager to utilize tax loss carryforwards to reduce their 2021 tax bill. This requires a simple election on Form 1040.

Strong market performance, however, has rendered few tax loss harvesting opportunities in 2021. All equity asset classes exhibit positive performance on both a year-to-date and trailing 12-month basis. Gold, on the other hand, has experienced a price decline in recent months. Certain fixed income benchmarks also show slight losses. Like any tax planning strategy, benefits must be weighed against costs. Investors with available losses should compare potential tax savings with any transaction costs associated with the trade.

Be cautious when seeking out new tax loss harvesting opportunities. Selling securities for the sole purpose of realizing losses may be shortsighted if the sale will alter your desired asset class exposure. If you sell a position that eliminates or reduces your exposure to an asset class, your portfolio may be under-diversified relative to your target allocation plan.

It might seem that you could avoid this risk by simply buying the same security back immediately, but the IRS "wash sale" rule prohibits that simple strategy. This rule disallows losses on the sale of securities if "substantially identical" securities (or options to purchase such securities) are purchased within a 61-day window beginning 30 days before the date of the sale and ending 30 days after the sale. While one could wait the required 30 days to repurchase the sold security, prices can change a great deal in one month. This strategy, therefore, carries inherent risk.

Tax Swapping

Fortunately, one can generate a loss for tax purposes without enduring 30 days of heightened portfolio risk. Investors can sell a security with tax losses and immediately purchase a different security that provides similar *asset class* exposure. If the two securities are not considered to be substantially identical, the loss is allowed. The key is to identify a replacement security with price changes that are highly correlated with those of

the security being sold.

Since few asset classes generated losses this year, opportunities for tax swapping are limited. Some investors may have losses in gold related assets. Investors may choose to sell these positions, capture the loss, and reinvest the proceeds in a comparable gold-related fund.¹ Consult a tax professional to ensure that the substitute investment is not considered substantially identical.

For our clients, we actively assess and harvest tax losses when they exceed certain thresholds. This helps to offset capital gains distributions, dividends, and even earned income.² Although most equity benchmarks have exhibited positive returns recently, a careful portfolio review may reveal tax loss harvesting opportunities. For example, investors may hold individual stocks with unrealized losses. Similarly, certain fixed income and commodities positions might harbor unrealized losses.

Year-end provides a good opportunity to consider other techniques for minimizing investment-related taxes. One might leverage the benefits of tax-efficient vehicles, asset location, and tax diversification.

Tax Efficient Vehicles

While investors have thousands of investment vehicles from which to choose, we recommend index-type funds. These funds often outperform actively managed funds because there is no statistically sound means of timing the market or of picking "winning" securities. Similarly, there is no reliable way to proactively identify successful active managers.

Often overlooked is the tax efficiency of index funds. These funds seek to replicate the performance of commercial indexes or market sectors. They do so largely by buying and holding the same constituent securities found in those indexes on a market-weighted basis. This requires minimal trading, so capital gain distributions generated from these funds often fall below those of actively managed alternatives. Exchange traded index funds (ETFs) can be even more efficient. In many cases, realized capital gain distributions can be avoided altogether.

Investors in high tax brackets can also allocate a portion of their fixed

1. Suitable gold ETFs are listed on the back page.
2. Capital losses can offset up to \$3,000 in earned income per year.
3. HSAs enjoy pre-tax contributions, tax free earnings, and tax-exempt withdrawals for qualified medical expenses.

income holdings to municipal bonds. The interest earned from most municipal bonds is exempt from regular income taxes and the NIIT. See page 80 for a list of low-cost municipal funds.

Tax Location

Many households have access to tax-deferred accounts. Common types include IRAs, employer-sponsored defined contribution accounts such as 401(k) plans, and health savings accounts (HSAs).³ When forming your allocation plan, be sure to account for your entire portfolio. This includes assets held in both taxable and tax-deferred accounts. Investors should concentrate their least tax-efficient holdings, such as taxable bonds, in these tax deferred accounts. Conversely, tax-efficient assets, such as municipal bonds, should be left in taxable accounts. For more detail, see our “[Location, Location, Location](#)” (April 2017 *Investment Guide*).

Watch Your Step

Older investors who plan to bequeath assets to their heirs should keep in mind that, under the current tax code, the cost basis of securities owned will “step-up” to market value upon death. This effectively eliminates any unrealized capital gain tax liability for heirs. We have encountered many senior investors who own stocks that have appreciated substantially. From an estate planning perspective, it can be prudent to refrain from selling those shares, even if this means assuming greater risk exposure to a single holding. Whether this trade-off is worthwhile depends greatly upon individual circumstances.

An additional, less utilized estate planning strategy exists: the “reverse gift”. Reserve gifts also take advantage of the step-up in basis at death. Under this transaction a highly appreciated asset is gifted to a person that is likely to predecease the transferor. The recipient’s estate then gifts the asset *back* to the original owner at death, either by will, trust, or another dispositive technique. The original owner then receives a step-up in basis for the original asset. Investors should be aware that the step-up in basis is granted only if *more than one year* elapses between the date of gift and the date of death.

Tax Diversification

Taxes on future income should be considered a risk because the magnitude of this potential cost is unforeseeable. The taxes you pay in the future will depend on your own future circumstances as well as changes in future tax law, neither of which can be predicted. Much like investment risk, however, *tax risk* can be managed effectively through diversification.

Tax diversification can be employed through different account types. For example, because the effective tax rate you pay in retirement may be higher or lower than your current rate, it might be prudent to maintain several retirement vehicles. Traditional IRAs and 401(k) distributions are taxed as ordinary income. However, Roth IRAs and Roth 401(k)s allow tax-free distributions in retirement. Investors with a traditional IRA or 401(k) who have not established a corresponding Roth account should weigh the costs and benefits of doing so.

A comprehensive tax-assessment can determine whether Roth conversions are advantageous. For more on Roth conversions, see [A New Opportunity for Roth Conversions](#) (January 2018 *Investment Guide*) and [A Roth Conversion, Is Now the Time?](#) (August 2018 *Investment Guide*). Investors should consult an accountant or financial advisor before pursuing this option. Additional tax-advantaged vehicles include [Health Savings Accounts](#) and [529 Plans](#).

Charitable Giving

For philanthropically minded investors, charitable giving presents another

opportunity to reduce income taxes. One technique is to make charitable donations directly from an IRA through Qualified Charitable Distributions (QCDs). QCDs may satisfy all or part of your required minimum distribution and pass to charity tax-free. Another technique is to gift highly appreciated securities from a taxable account. Gifting allows the investor to transfer all future appreciation to the recipient. Charitable giving strategies are subject to limitations. Additional research and professional guidance is recommended.

A Charitable Remainder Unitrust (CRUT) is another advantageous giving vehicle. CRUTs generate an immediate tax deduction. Furthermore, a properly structured CRUT transfers all future appreciation to the charity, while securing an income stream for the life of the donor or a beneficiary. There are similar “split interest” arrangements such as Charitable Remainder Annuity Trusts (CRATs) and Charitable Lead Trusts (CLTs) that may also be useful, depending on your objectives. Your church, alma mater, or favorite non-profit organization may be eligible.

We have considerable experience in establishing and managing CRUTs and other planned giving alternatives. We can explain the mechanics of these accounts to you, as potential donor, or to a charitable organization you know. To learn more contact us.

AIS provides in-depth tax planning services to clients. Please contact 413-591-4448 for a complimentary tax analysis and financial planning review.

Investment Taxes 2021				
Single	Married filing jointly	Married filing separately	Head of household	Tax rate
Long-term capital gains and qualified dividends tax (thresholds for taxable income)				
Up to \$40,400	Up to \$80,800	Up to \$40,400	Up to \$54,100	0%
\$40,401 up to \$445,850	\$80,801 up to \$501,600	\$40,401 up to \$250,800	\$54,101 up to \$473,750	15%
More than \$445,850	More than \$501,600	More than \$250,800	More than \$473,750	20%
Net investment income tax (thresholds for Modified Adjusted Gross Income (MAGI))				
More than \$200,000	More than \$250,000	More than \$125,000	More than \$200,000	3.8% *
*The 3.8% net investment income tax (NIIT, also known as the Medicare surtax) applies to the lesser of net investment income or MAGI exceeding the thresholds shown above. Municipal bond interest, qualified retirement plan withdrawals, and IRA withdrawals are not considered investment income. Source: IRS.				

QUARTERLY REVIEW OF CAPITAL MARKETS¹

The third quarter brought troubling news at home and from abroad. The U.S. military withdrawal from Afghanistan gave rise to a new set of geostrategic risks. In the U.S., price inflation continued to rise while employers struggled to hire new workers. Meanwhile, policy disputes over immigration, federal spending, and taxation grew ever more heated.

These new developments, as always, were incorporated into market prices. Generally, capital markets ended the quarter close to where they began.

Consumer Prices

Price inflation remained front and center in the media throughout the quarter. Through September the Consumer Price Index registered a twelve-month increase of 5.4 percent, marking four consecutive months of year-over-year increases above 5 percent. Meanwhile AIER's Everyday Price Index increased by 1.8 percent and by 7.2 percent over the trailing 12 months, the largest increase since September 2008.

The U.S. Treasury market's ten-year TIPS break even rate ended the quarter exactly where it began, at 2.37 percent per year. This suggests the bond market is not anticipating sharp increases in inflation over the next ten years, despite the surge in prices that has prevailed.

Cash Equivalent Assets²

The Fed's Reserve Bank's Federal Funds rate range remained at 0 percent to 0.25 percent through the quarter. The Fed continues to view the recent inflationary surge as a transitory phenomenon. Yet Fed Chairman Powell has nevertheless asserted that tapering (a reduction in the rate of Fed bond purchases) will likely begin in November.

Current yields on cash equivalent assets remained largely unchanged. As of mid-October, bank savings accounts (nominal) on average were paying only 0.06 percent (on average, nationally), while interest-bearing checking accounts were paying only 0.03 percent. Twelve-month CDs were yielding 0.14 percent while 36-month CDs were yielding 0.20 percent.

Fixed Income

Interest rates in the U.S. hardly changed through quarter-end. Short, intermediate, and long-term Treasury yields increased but only slightly over the three months.

The 1-month Treasury bill yield increased 2 basis points (bps), ending at 0.07 percent, while the 2-year Treasury note yield increased 5 bps to 0.30 percent. Moving out on the curve, the yield on the 5-year Treasury note rose 12 basis points (bps), ending at 1.00 percent. The yield on the 10-year Treasury note increased 8 bps to 1.54 percent while the 30-year Treasury Bond yield rose 1 bp to finish at 2.05 percent.

TIPS were by far the strongest performing bond sector, returning 1.85 percent for the quarter. The overall U.S. bond market and U.S. short/intermediate term bonds each turned in a meager 0.05 percent return. Muni bonds returned 0.13 percent, driven in part by investors apprehension regarding a potential increase in income tax rates. Short-term foreign bond returns (hedged to the U.S. dollar) returned only 0.03 percent.

Mortgage rates fell early in the quarter but finished the quarter close to where they began. At quarter-end the average 30-year fixed mortgage rate stood at 3.01 percent with 0.7 points³.

Real Estate

Global equity REITs fell slightly during the quarter, registering a 0.08 percent loss. Domestic REITs returned 0.97 percent, while international holdings fell 1.71 percent. At quarter-end the FTSE All Equity (U.S) REIT index had an indicated dividend yield of 2.92 percent. Commercial real estate remains attractive as a source of diversification within a well-balanced portfolio.

U.S. Stocks

U.S. stock investors endured a barrage of unsettling developments during the quarter. News of persistent supply chain disruptions, labor shortages, and resilient price inflation overshadowed the market, as did legislative gridlock regarding federal spending and taxation.

Following five straight quarters of growth, returns for the third quarter were flat. The overall U.S. market returned -1.10 percent. Value underperformed growth among large caps while value outperformed growth among small caps.

Stock market returns are ultimately driven by earnings expectations and interest rates. Earnings are driven in part by economic growth, and the U.S. economy is currently grappling with unusual phenomena -- persistent supply disruptions and a labor shortage. Interest rates are driven in large part by inflationary expectations; currently trailing 12-month consumer price inflation is at 5.4 percent, a multi-year high. We expect stock market returns in coming months will depend a great deal on whether these circumstances persist.

Foreign Stocks

Foreign developed markets slightly underperformed U.S. stocks, but emerging markets tumbled sharply during the quarter, registering a loss of 8.1 percent. Developed market growth stocks outperformed value, while small cap returns topped large caps.

Global markets were rattled when Chinese real estate giant Evergrande failed to make interest payments on \$2 billion of USD bonds. The firm is \$300 billion in debt. Outright default could send the Chinese economy -- the world's second largest, into a tailspin, along with several other Asian economies.

The dollar grew stronger against most currencies, marking a reversal of the prior three months. In developed markets, the dollar price of the euro fell by 2.3 percent, while the British pound and the Australian dollar fell 2.4 percent and 3.8 percent respectively.

Gold

The daily spot gold price ranged between \$1,723 and \$1,829 per ounce before ending at \$1,743, marking a loss of 1.15 percent for the three months. The price fell four percent in September. Upward pressure from news of higher price inflation was more than offset by the stronger dollar and slightly rising interest rates.

1. This article contains information and excerpts from The Vanguard Group, Fidelity Investments, and Dimensional Fund Advisors, as well as data obtained from several index providers.
 2. Sources for cash and equivalent data: U.S. Treasury, U.S. Labor Department (Bureau of Labor Statistics), St. Louis Federal Reserve, Bank rates (savings, checking, money market); FDIC, EPI: American Institute for Economic Research. EPI, CPI-U not seasonally adjusted.
 3. Mortgage rates: Freddie Mac

AIS Sample Standard Allocations⁽¹⁾
For the Period Ending September 30, 2021

Asset Class	Sample Percentage Allocations ⁽²⁾			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	20 year	20 year
Cash & Equivalent Assets⁽³⁾	as needed	as needed	as needed	0.07	1.16	0.63	1.77	0.46
U.S. Inv. Grade Fixed Income	70.00	35.00	15.00	0.08	2.19	1.89	4.14	1.90
Global Real Estate	2.50	6.00	8.00	31.61	4.65	8.70	11.15	18.59
U.S. Stocks	15.00	36.00	48.00	31.88	16.85	16.60	13.34	15.21
Foreign Stocks	7.50	18.00	24.00	23.92	8.94	7.48	9.65	17.03
Gold Related	5.00	5.00	5.00	-6.83	5.95	0.74	12.64	16.85

Sample Standard Portfolio Statistics: Risk, Return (%) and Growth ⁽⁴⁾			
	Conservative	Moderate	Aggressive
Portfolio Return 1 Year	5.31	15.49	20.83
Portfolio Return 5 Year (annualized)	4.19	8.10	10.14
Portfolio Return 10 Year (annualized)	3.66	7.63	9.69
Portfolio Return 20 Year (annualized)	5.66	8.58	10.09
Portfolio Standard Deviation 20 Year (annualized)	4.12	9.06	12.13
Growth of \$10,000 over 20 Years	\$30,054	\$51,839	\$68,364

AIS Sample Enhanced Allocations⁽¹⁾
For the Period Ending September 30, 2021

Asset Class	Sample Percentage Allocations ⁽²⁾			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	15 year	15 year
Cash & Equivalent Assets⁽³⁾	as needed	as needed	as needed	0.07	1.16	0.63	1.77	0.46
Fixed Income								
U.S. Short-Term Investment Grade	46.67	23.33	10.00	0.08	2.19	1.89	4.14	1.90
Foreign Investment Grade (hedged)	23.33	11.67	5.00	0.19	1.88	1.91	3.61	1.09
Real Estate								
U.S. REITs	1.67	4.00	5.33	37.03	6.61	11.10	13.69	21.47
Foreign REITs	0.83	2.00	2.67	24.01	3.28	6.81	11.50	17.51
U.S. Stocks								
Large Cap	5.00	12.00	16.00	30.96	17.11	16.76	13.29	14.98
Large Cap Value	5.00	12.00	16.00	35.01	10.94	13.51	11.24	15.33
Small Cap	2.50	6.00	8.00	47.68	13.45	14.63	13.96	19.80
Small Cap Value	2.50	6.00	8.00	63.92	11.03	13.22	13.26	19.75
Foreign Stocks								
Developed Markets	5.00	12.00	16.00	26.50	8.88	7.88	9.01	16.64
Emerging Markets	2.50	6.00	8.00	18.20	9.23	6.09	14.88	21.15
Gold Related	5.00	5.00	5.00	-6.83	5.95	0.74	12.64	16.85

Sample Enhanced Portfolio Statistics: Risk, Return (%) and Growth ⁽⁴⁾			
	Conservative	Moderate	Aggressive
Portfolio Return 1 Year	6.36	17.85	24.91
Portfolio Return 5 Year (annualized)	3.72	7.01	8.82
Portfolio Return 10 Year (annualized)	3.48	7.07	9.08
Portfolio Return 20 Year (annualized)	5.61	8.76	10.31
Portfolio Standard Deviation 20 Year (annualized)	4.13	9.45	12.72
Growth of \$10,000 over 20 Years	\$29,788	\$53,595	\$71,176

1 Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight. Past performance may not be indicative of future results. Therefore, no current or prospective investor should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains.

2 See back page for a list of investment vehicles that correspond to each asset class.

3 Investors should maintain a cash balance tailored to one's circumstances. Considerations should include anticipated short term spending, an emergency reserve and price inflation.

4 Sample Portfolio Statistics are hypothetical and do not reflect historical recommendations of AIS. Annual portfolio rebalancing is assumed. Sample portfolio returns reflect the deduction of 1.00% management fee, the PAM rate charged to \$500,000 account managed by AIS. The fee decreases as AUM increases beyond \$1m. See AIS ADV Part 2 for full details, available at <https://www.americaninvestment.com/Disclosures>.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

HYD Model Portfolio

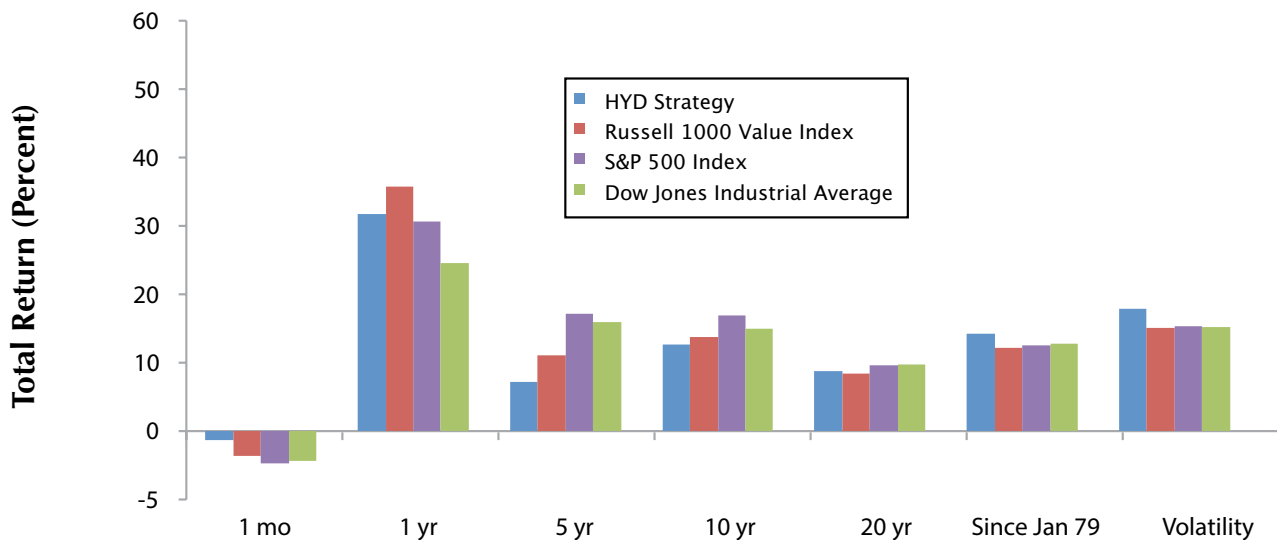
As of October 15, 2021	Rank	Yield (%)	Price (\$)	Status	Percent of Portfolio	
					Value (%)	No. Shares (%) ¹
Verizon	1	4.90	52.27	Buying	13.41	20.01
Chevron	2	4.89	109.61	Holding**	26.11	18.59
Dow, Inc.	3	4.75	58.96	Holding**	24.32	32.18
IBM	4	4.54	144.61	Holding**	25.06	13.52
Walgreen Boots	5	3.90	48.92	Holding	5.42	8.65
Exxon Mobil	NA	5.61	62.59	Selling	5.66	7.05
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100	100

**Currently indicated purchases approximately equal to indicated purchases 18 months ago. ¹Because the percentage of each issue in the portfolio by value reflects the prices shown in the table (closing prices on the date indicated), we are also showing the number of shares of each stock as a percentage of the total number of shares in the entire portfolio. Subscribers can find a full description of the strategy and methodology in the “Subscribers Only” (Log in required) section of our website: www.americaninvestment.com.

Comparative Hypothetical Total Returns (%) and Volatility

The data presented in the table and chart below represent total returns generated by a hypothetical HYD portfolio and by benchmark indexes for periods ending September 30, 2021*. Returns for the 5-, 10- and 20-year periods and since 1979 are annualized, as is the volatility (standard deviation) of returns.

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>since Jan 79</u>	<u>Volatility since 1979</u>
HYD Strategy	-1.26	31.09	7.12	12.41	8.67	14.02	17.53
Russell 1000 Value Index	-3.48	35.01	10.94	13.51	8.31	11.95	14.77
S&P 500 Index	-4.65	30.00	16.90	16.63	9.51	12.28	15.01
Dow Jones Industrial Average	-4.20	24.15	15.68	14.72	9.57	12.58	14.89



*Data assume all purchases and sales at mid-month prices (+/- \$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for the Russell 1000 Value Index, the Dow Jones Industrial Average and the S&P 500 Index do not reflect the deduction of transaction and/or custodial charges, or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. HYD Strategy results reflect the deduction of 1% management fee, the annual rate assessed to a \$500,000 account managed through our Professional Asset Management service.

Unless otherwise specified returns and data cited within this publication are derived from the following sources: **U.S. stock benchmarks:** U.S. Marketwide - Russell 3000 Index; U.S. Large Cap Stocks - Russell 1000 Index; U.S. Large Cap Value - Russell 1000 Value Index; U.S. Large Cap Growth - Russell 1000 Growth Index; U.S. Midcap Stocks - Russell Midcap Index; U.S. Small Cap Stocks - Russell 2000 Index; U.S. Small Cap Value - Russell 2000 Value Index; U.S. Small Cap Growth - Russell 2000 Growth Index; U.S. Microcaps - Russell Microcap Index. **Fixed income benchmarks:** Cash & Equivalents - ICE BofAML US 3-Month Treasury Bill Index; U.S. Short-Term Investment Grade - Bloomberg Barclays US Government/Credit Bonds Index 1-5 Years; U.S. Bonds - Bloomberg Barclays US Aggregate Bond Index; U.S. Government Bonds - Bloomberg Barclays US Government Bond Index; TIPS - Bloomberg Barclays US TIPS Index; Municipal Bonds - Bloomberg Barclays Municipal Bond Index 5 Years; Foreign Bonds (hedged) - FTSE Non-USD World Government Bond Index 1-5 Years (hedged to USD). **Foreign stock benchmarks:** All returns in U.S. dollars. Developed Markets - MSCI World ex USA Index (net div.); Developed Markets Value - MSCI World ex USA Value Index (net div.); Developed Markets Growth - MSCI World ex USA Growth Index (net div.); Developed Markets Small Cap - MSCI World ex USA Small Cap Index (net div.); Developed Markets Small Cap Value - MSCI World ex USA Small Value Index (net div.); Developed Markets Small Cap Growth - MSCI World ex USA Small Growth Index (net div.); Emerging Markets - MSCI Emerging Markets Index (net div.); Emerging Markets Value - MSCI Emerging Markets Value Index (net div.). **Real estate benchmarks:** Global REITs - S&P Global REIT Index (net div.); U.S. REITs - S&P United States REIT Index (gross div.); International REITs - S&P Global ex US REIT Index (net div.). **Gold benchmark:** Gold London PM Fix Price. All data from DFA Returns 2.0 program, except Gold data from World Gold Council and Currency data from St. Louis Federal Reserve. Country performance provided by Dimensional Fund Advisors, based on respective indexes in the MSCI All Country World ex USA IMI Index (for developed markets) and MSCI Emerging Markets IMI Index. Sector returns represented by S&P 500 sectors.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)					Recent Market Returns							
	10/15/21	Mo. Earlier	Yr. Earlier	Prem. (%)	Data through September 30, 2021							
					U.S. Stocks (Mktwd)	Foreign Dev. Stocks	Foreign Emerg. Stocks	Global REITs	U.S. Bonds	Foreign Bonds (hedged)	Gold	
Gold, London p.m. fixing	1,772.65	1,796.95	1,891.90		-4.49%	-2.87%	-3.97%	-5.63%	-0.87%	-0.19%	-3.12%	
Silver, London Spot Price	23.24	23.84	23.94		↓	↓	↓	↓	↓	↓	↓	
Crude Oil, W. Texas Int. Spot	82.39	69.82	40.84									
Coin Prices (\$)¹					1-month							
American Eagle (1.00)	1,848	1,873	1,972	4.25	-0.10%	-0.66%	-8.09%	-0.08%	0.05%	0.03%	-0.74%	
Austrian 100-Corona (0.9802)	1,738	1,761	1,854	0.00	↓	↓	↓	↓	↑	↑	↓	
British Sovereign (0.2354)	417	423	445	0.00	1 year							
Canadian Maple Leaf (1.00)	1,818	1,842	1,937	2.54	31.88%	26.50%	18.20%	31.61%	-0.90%	0.19%	-6.83%	
Mexican 50-Peso (1.2057)	2,137	2,167	2,281	0.00	↑	↑	↑	↑	↓	↑	↓	
Mexican Ounce (1.00)	1,791	1,815	1,910	1.02	5 year (annualized)							
S. African Krugerrand (1.00)	1,818	1,842	1,937	2.54	16.85%	8.88%	9.23%	4.65%	2.94%	1.88%	5.95%	
U.S. Double Eagle-\$20 (0.9675)					↑	↑	↑	↑	↑	↑	↑	
St. Gaudens (MS-60)	1,853	1,852	1,992	8.04	15 year (annualized)							
Liberty (Type II-AU50)	1,859	1,861	2,022	8.39	10.44%	4.16%	5.68%	4.11%	4.17%	2.49%	7.41%	
Liberty (Type III-AU50)	1,839	1,836	1,997	7.23	↑	↑	↑	↑	↑	↑	↑	
U.S. Silver Coins (\$1,000 face value, circulated)					Best and worst one-year returns, Jan. 2001 - Sept. 2021							
90% Silver Circ. (715 oz.)	19,627	19,752	19,631	n/a	Best	62.5%	57.2%	91.6%	85.7%	13.8%	7.1%	54.6%
40% Silver Circ. (295 oz.)	6,917	7,426	7,950	n/a	During:	04/2020-03/2021	04/2003-03/2004	03/2009-02/2010	04/2009-03/2010	11/2008-10/2009	07/2008-06/2009	06/2005-05/2006
					Worst	-43.5%	-50.3%	-56.6%	-59.5%	-2.5%	0.1%	-28.0%
					During:	03/2008-02/2009	03/2008-02/2009	12/2007-11/2008	03/2008-02/2009	09/2012-08/2013	04/2010-03/2011	12/2012-11/2013
¹Note: Premium reflects percentage difference between coin price and value of metal in a coin. The weight in troy ounces of the precious metal in coins is indicated in parentheses. Premiums will vary; these indicated premiums are provided in The CDN Monthly Greysheet.												

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Amount (\$)	Record Date	Payable Date	Indicated Annual Dividend (\$)	Yield (%)	
	10/15/21	9/15/21	10/15/20	High	Low						
Verizon	VZ	52.27	54.57	58.16	61.95	50.86	0.640	10/8/21	11/1/21	2.560	4.90
Chevron	CVX	109.61	98.24	73.51	113.11	65.16	1.340	8/19/21	9/10/21	5.360	4.89
Dow Chemical	DOW	58.96	60.20	49.01	71.38	44.33	0.700	11/30/21	12/10/21	2.800	4.75
IBM	IBM	144.61	137.20	124.89	152.84	105.92	1.640	8/10/21	9/10/21	6.560	4.54
Walgreen's	WBA	48.92	50.12	37.64	57.05	33.36	0.478	8/20/21	9/10/21	1.910	3.90
Amgen	AMGN	207.84	218.13	235.01	276.69	200.47	1.760	8/17/21	9/8/21	7.040	3.39
Merck	MRK	78.33	72.81	79.06	84.56	68.44	0.650	9/15/21	10/7/21	2.600	3.32
3M Company	MMM	181.94	184.19	169.08	208.95	156.13	1.480	8/23/21	9/12/21	5.920	3.25
Coca-Cola	KO	54.48	55.88	49.99	57.56	47.30	0.420	9/15/21	10/1/21	1.680	3.08
Cisco	CSCO	55.25	57.56	39.97	60.27	35.28	0.370	10/5/21	10/27/21	1.480	2.68
Johnson & Johnson	JNJ	161.30	165.42	147.19	179.92	133.65	1.060	8/24/21	9/7/21	4.240	2.63
Intel Corp	INTC	54.46	55.12	53.85	68.49	43.61	0.348	11/7/21	12/1/21	1.390	2.55
Proctor and Gamble	PG	144.42	145.12	143.83	147.23	121.54	0.870	10/22/21	11/15/21	3.480	2.41
J P Morgan	JPM	166.61	158.16	101.72	171.51	95.24	1.000	10/6/21	10/31/21	4.000	2.40
McDonald's	MCD	242.25	240.98	229.64	249.95	202.73	1.380	12/1/21	12/15/21	5.520	2.28
Travelers	TRV	155.64	157.58	112.64	163.29	116.71	0.880	9/10/21	9/30/21	3.520	2.26
Caterpillar	CAT	199.02	205.73	165.04	246.69	149.63	1.110	10/25/21	11/19/21	4.440	2.23
Goldman Sachs	GS	406.07	401.95	208.60	420.76	185.52	2.000	12/2/21	12/30/21	8.000	1.97
Home Depot, Inc.	HD	350.41	333.37	287.54	359.44	246.59	1.650	9/2/21	9/16/21	6.600	1.88
Honeywell	HON	220.72	221.69	172.61	236.86	159.42	0.980	11/12/21	12/3/21	3.920	1.78
Wal-Mart Stores	WMT	140.55	144.55	144.53	153.66	126.28	0.550	12/10/21	1/3/22	2.200	1.57
Unitedhealth Group	UNH	428.07	417.52	324.57	434.66	299.60	1.450	9/13/21	9/21/21	5.800	1.35
American Express	AXP	175.81	161.34	104.43	179.67	89.11	0.430	10/8/21	11/10/21	1.720	0.98
Microsoft Corp.	MSFT	304.21	304.82	219.66	309.70	199.62	0.620	11/18/21	12/9/21	2.480	0.82
Nike	NKE	158.01	157.91	129.00	174.38	118.80	0.275	8/30/21	10/1/21	1.100	0.70
Apple	AAPL	144.84	149.03	120.71	157.26	107.32	0.220	8/9/21	8/12/21	0.880	0.61
Visa Inc.	V	230.99	223.81	199.55	252.67	179.23	0.320	8/13/21	9/1/21	1.280	0.55
Walt Disney	DIS	176.46	184.41	127.36	203.02	117.23	0.000	No dividend		0.000	0.00
Salesforce	CRM	291.66	256.16	257.72	295.53	201.51	0.000	No dividend		0.000	0.00
Boeing	BA	217.04	214.22	164.24	278.57	141.58	0.000	No dividend		0.000	0.00

*Based on indicated dividends and market price as of 10/15/21. Extra dividends are not included in annual yields.

All data adjusted for splits and spin-offs. 12-month data begins 10/15/20.

ASSET CLASS INVESTMENT VEHICLES

Data as of October 19, 2021

Fixed Income

	Security Symbol(s) (1)	Avg. Market Cap / Avg. Maturity	Number of Holdings	Expense Ratio (%)	Turnover (%)	Price-to-Book Ratio	Trailing 12-Mo. Yield (%)	Annualized Returns (%)			Tax Cost Ratio - 3 Years (%) (3)
								3-Year	5-Year	10-Year	
Short-Term Bonds	Vanguard Short-Term Bond Adm	2.90 yrs	2655	0.07	49		1.28	3.46	2.04	1.76	0.74
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.98 yrs	1140	0.07	56		1.27	3.30	2.37	2.09	0.87
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF		76	0.15	79		0.32	2.44	1.46	1.00	0.53
Interm-Term	Vanguard Total Bond Market Adm	8.70 yrs	18608	0.05	79		1.92	5.53	2.93	2.99	0.99
Interm-Term	iShares Core US Aggregate Bond ETF		9830	0.04	179		1.83	5.45	2.84	2.92	0.95
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt Inv		8666	0.17	31		1.30	2.94	1.96	1.77	0.00
Tax-Exempt	SPDR Nuveen Blimbg Barclays ST MumBd ETF	2.86 yrs	11167	0.20	20		0.97	2.53	1.50	1.38	0.01
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv		12437	0.17	16		2.13	4.88	3.09	3.52	0.00
Inflation-Protected	iShares TIPS Bond ETF		50	0.19	53		3.83	7.90	4.30	2.99	0.89
Inflation-Protected	Vanguard Inflation-Protected Securities Inv	8.00 yrs	44	0.20	48		4.07	7.82	4.21	2.94	1.05
International	Vanguard Total International Bond Adm	9.80 yrs	6399	0.11	31		0.85	3.91	2.71	n/a	0.97

Real Estate (REITs)

U.S. REITs	Vanguard REIT Adm	22.99 B	173	0.12	8	3.01	3.19	15.01	9.27	11.59	1.41
U.S. REITs	SPDR Dow Jones REIT	16.82 B	118	0.25	6	2.44	3.36	11.49	7.45	10.45	1.50
Int'l REITs	Vanguard Global ex-US Real Estate Adm (2)	6.41 B	705	0.12	11	0.93	1.96	6.62	5.80	7.19	1.46
Int'l REITs	iShares International Developed Property	6.40 B	407	0.48	16	0.96	2.89	7.47	6.15	7.40	1.75
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	12.06 B	276	0.50	18	1.67	2.80	9.01	6.09	8.42	1.43

U.S. Stocks

Large Cap (blend)	Vanguard S&P 500 Adm	216.43 B	508	0.04	4	4.09	1.33	19.86	18.24	16.37	0.43
Large Cap (blend)	iShares Russell 1000 ETF	151.81 B	1031	0.15	5	3.75	1.19	20.36	18.38	16.38	0.54
Large Cap Value	Vanguard Value Adm	104.28 B	353	0.05	10	2.50	2.24	12.78	13.35	13.86	0.64
Large Cap Value	iShares Russell 1000 Value	73.28 B	852	0.19	18	2.23	1.67	12.85	11.92	13.04	0.82
Small Cap (blend)	iShares Core S&P Small-Cap ETF	2.26 B	604	0.06	20	1.85	1.16	14.09	14.68	15.12	0.52
Small Cap (blend)	DFA US Small Cap	2.79 B	2077	0.33	3	2.03	1.08	13.97	13.20	13.95	0.80
Small Cap Value	Vanguard Small Cap Value Adm	5.62 B	971	0.07	26	1.82	1.67	13.20	12.31	n/a	0.55
Small Cap Value	iShares Micro-Cap	0.60 B	1778	0.60	35	1.65	0.64	16.12	15.18	14.68	0.38
Small Cap Value	DFA US Targeted Value	3.31 B	1394	0.33	20	1.37	1.45	14.03	12.44	13.54	0.98
Marketwide	Vanguard Total Stock Market Adm	122.63 B	3979	0.04	8	3.77	1.28	20.20	18.30	16.36	0.42
Marketwide	DFA US Core Equity Market ETF	72.34 B	2554	0.15	3	3.26	1.24	18.26	17.09	15.76	0.61

Foreign Stocks

Developed Markets	Vanguard FTSE Developed Markets Adm	31.10 B	4018	0.07	3	1.65	2.48	11.74	10.14	8.32	0.73
Developed Markets	DFA International Core Equity	12.57 B	5178	0.25	4	1.44	2.31	10.97	9.76	8.41	0.79
Emerging Markets	Vanguard Emerging Markets Stock Adm	29.00 B	4357	0.14	10	1.71	2.19	13.84	9.25	5.76	0.84
Emerging Markets	DFA Emerging Markets Core Equity	15.59 B	6313	0.39	15	1.40	2.03	12.86	9.18	6.08	0.76

Gold-Related Funds

Gold ETFs	SPDR Gold Minishares			0.18			0.00	12.81	n/a	n/a	0.00
Gold ETFs	GraniteShares Gold Trust			0.17			0.00	12.80	n/a	n/a	0.00

Data provided by the funds and Morningstar. (1) Some funds are available as mutual funds and ETFs, in which case both symbols are shown. In these cases, data represent the mutual fund. The ETF may offer a lower expense ratio and returns may deviate. For Vanguard funds, Adm indicates the Admiral share class is shown; Inv indicates the Investor share class is shown. (2) VGRX includes a 0.25% fee on purchases and redemptions, which are paid directly to the fund. (3) This represents the percentage-point reduction in an annualized return that results from income taxes. The calculation assumes investors pay the maximum federal rate on capital gains and ordinary income. The calculation comes directly from Morningstar.

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