



Berkshire

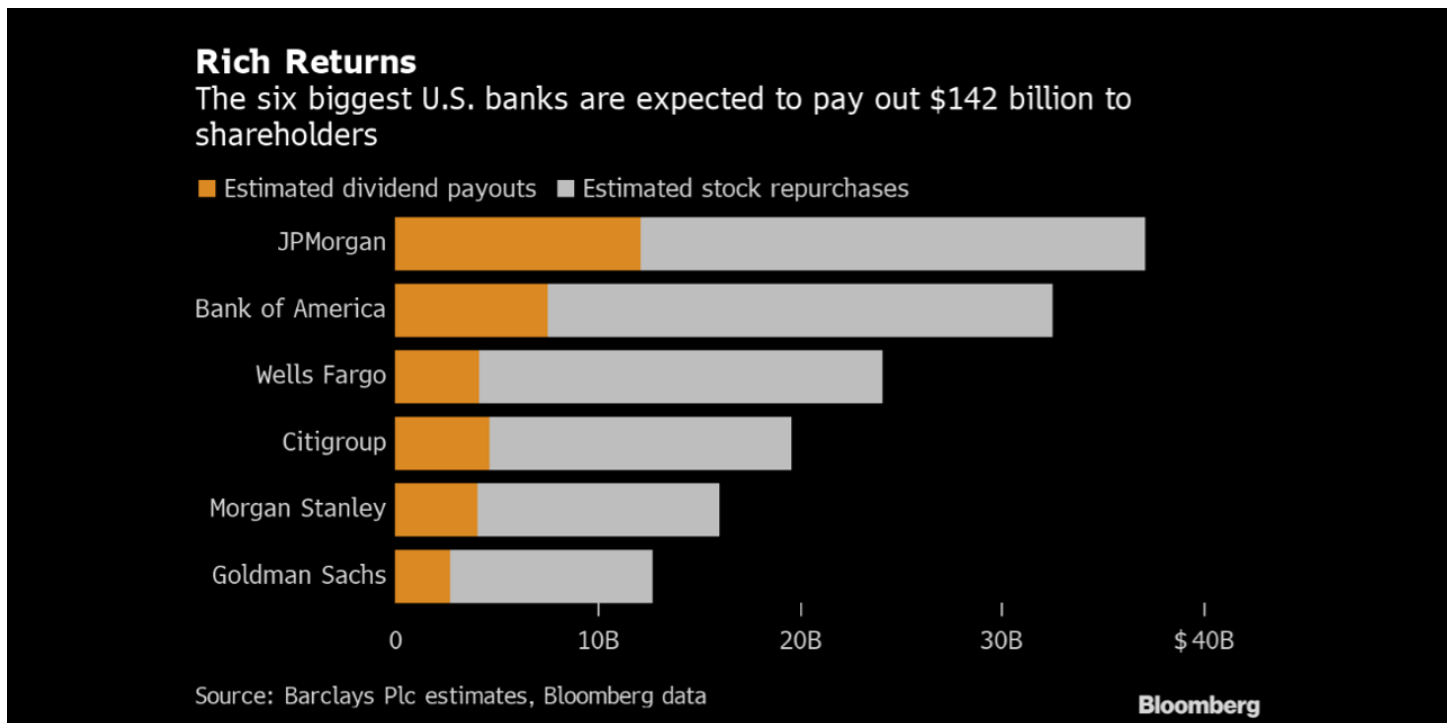
DIVIDEND STRATEGY

Berkshire Asset Management
 46 Public Square, Suite 700
 Wilkes-Barre, PA 18701
 570.825.2600

“Casual Friday” Commentary

Casual Friday: Bank Divs? + Go On Offense – June 25th, 2021

Bank stock prices plunged during Covid. Heading into the crisis we felt banks were in good shape, but the Fed clamped down on dividends and buy backs. Credit losses were not nearly as bad as feared, and the economy has recovered. Now they have emerged even stronger, with more excess capital than before the pandemic. Thursday brought the results of the stress tests, which sets the tone for buybacks and dividend increases. The Fed is anticipating most banks to wait until Monday's (June 28th) to officially announce capital plans. Bloomberg Intelligence estimates that capital increases could be as high as 40% and since about 70% is usually buy back, we are estimating our bank dividends could grow by 12% on average.



Source: Bloomberg

Go On Offense -- Taxes

Tax proposals on wealthy Americans are creating client anxiety. The next 6 months could be difficult for advisors to navigate. Clients want advice and action steps in advance, yet changes are not yet in effect.

Tax Proposal Recap on Individuals:

- "Increase the top marginal individual income tax rate to 39.6 percent."
- "Long-term capital gains and qualified dividends of taxpayers with adjusted gross income of more than \$1 million would be taxed at ordinary income tax rates."
 - "This proposal would be effective for gains required to be recognized after the date of announcement." -- An attempt to make cap gains retroactive back to date of proposal.
- "Ensure that all pass-through business income of high-income taxpayers is subject to either the NIIT or SECA tax." (Page 72 for explanation)
- "Treat transfers of appreciated property by gift or on death as realization events." -- For capital gains purposes.

Source: <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>

We believe it's mission critical to start ramping / begin discussing now if you haven't already. Wealthy clients are asking how they can prepare if these proposals come to pass:

- Should we take gains now?
- What if this ends up being retro-active?
- Should the portfolio be positioned differently / focus on low turnover?
- How does it impact my current estate plan? Trusts? FLP? ILIT? Gifting?

This creates a perfect opportunity to serve your top clients in a very thoughtful and proactive way -- Don't miss out on it. One effective approach? -- "I've been studying the proposed tax changes and how it may impact your financial plan." It's a simple PROACTIVE conversation, yet will likely be very effective in letting the client know you are considering the implications specific to them. There are a handful of planning efforts to be considering at the moment: <https://www.financial-planning.com/news/the-many-question-marks-around-tax-planning>

Summer Travel?

Business Insider put out the guide for everything you need to know about cruises.

<https://www.insider.com/what-to-know-about-vaccinated-cruises-requirement-2021-6>

Gerard Mihalick, CFA, Portfolio Manager
gmihalick@berkshiream.com or (570) 825-2600

Jason Reilly, CFP®, VP Distribution
jason@berkshiream.com or (570) 825-2600

Berkshire Dividend Growth SMA is available through various custodians, broker-dealers and UMA providers. This commentary is Intended for Institutional and advisor use only. This commentary may make information of third parties available via website links. The Third-Party Content is not created or endorsed by Berkshire nor any business offering products or services through it. The delivery of Third-Party Content is for general informational purposes only and does not constitute a recommendation or solicitation to purchase or sell any security or make any other type of investment or investment decision. In addition, the Third-Party Content is not intended to provide tax, legal or investment advice. the Third-Party Content provided to is obtained from sources believed to be reliable and that no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Berkshire Asset Management is a fee-based, SEC registered advisory firm serving the portfolio management needs of institutional and high-net worth clients. The Dividend Growth Composite contains portfolios invested in Berkshire's Dividend Growth Strategy with an equity allocation target of 90% - 100%. The Dividend Growth Strategy's primary objective is to generate a growing stream of equity income by investing in a diversified portfolio of equities with stable, high, and growing dividends. The benchmark is the S&P 500 Index. The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, does not include any trading costs, management fees, or other costs, and the reinvestment of dividends and other distributions is assumed. An investor cannot invest directly in an index. Gross returns are presented before management and other fees but after all trading expenses. Net returns are calculated by deducting actual management fees from gross returns. Returns reflect the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in U.S. dollars. To receive a complete list of composite descriptions and/or a compliant presentation, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com. Past performance does not guarantee future results.

Definitions: The S & P 500 Index is a market capitalization weighted index of the largest 500 U.S. stocks. It is a market-value weighted index (stock price times # of shares outstanding), with each stock's weight in the index proportionate to its market value. The index is designed to measure changes in the economy and is representative of most major industries. Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. You cannot invest directly in an index. BEst (Bloomberg Estimates) Earnings Per Share (EPS Adjusted) estimate returns Earnings Per Share from Continuing Operations, which may exclude the effects of one-time and extraordinary gains/losses. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios are represented as calculated by Morningstar.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

*Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned: No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's rationale for portfolio decisions or philosophy. Research or financial statistics cited regarding securities or sectors do not contain all material information about them. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed representative of the strategy; data may be compiled from Bloomberg, Baseline or Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy. *Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary. Copyright © 2021 Berkshire Asset Management, LLC, All rights reserved.*