

## ■ 2020 YEAR-END PLANNING

# *Beyond Tax: Contested Election, Trade War, and the Post-COVID World*

By *Sidney Kess and Thomas K. Lauletta*

**M**any experts are focusing primarily on the tax issues that are likely to arise as a result of the election, such as changes in the wealth tax and estate taxes. We would like to shift the focus to include possible national and international factors that are likely to impact investments resulting both from the current pandemic and also the pending election.

### Possibility of Contested Election

Everyone knows that the Market hates uncertainty. How should investors “ride out” a lingering pandemic and possibly a close election that might be contested?

Experts might suggest seeking safe havens, such as gold or even cash, especially if investments are within a tax-free vehicle, such as an IRA or pension that places low or no fees on transfers. This will enable investors to be ready to jump back into investments once the situation becomes clearer and more stable.

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### Impact of COVID-19

What will happen once vaccines are widely distributed? A significant portion of the businesses that were damaged or shut down may never re-open, to the detriment of many business owners and employees.

The damage done to our economy may take years to recover. Our future government response will determine whether things improve starting in 2021 or if the country is hit by a “great recession” or worse.

Investors will have to try to identify which companies and sectors of the economy are tailored to fill post-COVID needs. Currently, retail, travel and leisure, and the hospitality industries appear to be most at risk.

## Post-COVID Trends

It certainly looks like, post-COVID, there will be a great shift to working from home. On the macro-scale, this will impact office real-estate markets, transportation systems used by commuters, and possibly rural vs. urban residential markets.

Videoconferencing will continue to become more popular as companies try to cut costs and adapt to more employees working from home. In addition, online shopping is likely to increase. Computer security issues will loom larger.

## *Possible military confrontations in the South China Sea might disrupt the uneasy trade war calm.*

Additionally, we are likely to see employment-based lawsuits alleging that COVID was used by employers as a pretext for wrongful terminations.

## Trade War with China

Other thorny issues relating to COVID-19 will likely remain, including disputes regarding Chinese culpability for the outbreak and spread of the pandemic.

Although the United States and China paused their trade war this past January, many issues remain unresolved, including the U.S. blacklisting of Huawei. Possible military confrontations in the South China Sea might disrupt the uneasy trade war calm.

If President Trump wins the election, he may again take more aggressive stances with respect to China. This might be seen as a positive by the Markets, at least in the short term.

Former Vice President Biden's policies on China are less clear, but he seems likely to be less confrontational than President Trump and more likely to seek international consensus when dealing with China trade issues.

U.S. investors looking to invest in China stocks are likely to be interested in American Depository Receipts (ADRs), Exchange-Traded Funds (ETFs), and over-the-counter purchases of the stocks of well-known large Chinese companies, such as Alibaba Group and Tencent.

Regardless of the mode of investment, advisors must note that in addition to the risks that ordinarily attend U.S. stocks, Chinese stock investments have risks related to the Chinese government's greater control over its economy, its lax regulation of markets, and its lack of transparency, as well as risks relating to currency exchange rates.