



TAX CUTS, TARIFFS & TREATIES

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HERE'S WHAT WE'LL COVER...

I. Tax Cut and Jobs Act 2017 (TCJA)

III. Annuities

II. Tariffs and Treaties

IV. Questions



TAX CUT & JOBS ACT 2017 (TCJA)

how well did that turn out?

IT'S HARDER TO ITEMIZE NOW



- Income and RE tax deductions limited
- Miscellaneous deductions gone
- No more home equity interest deduction

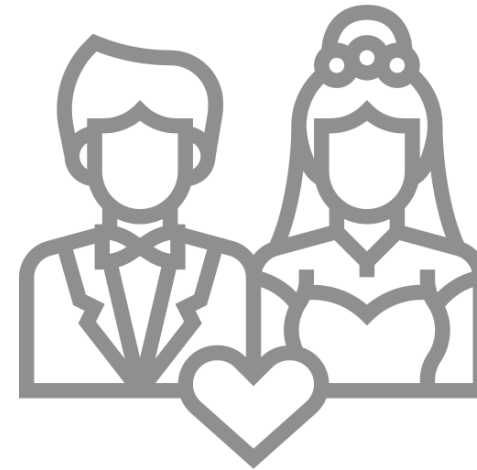
AND... No more personal exemptions

THERE IS GOOD NEWS...

The Standard Deduction Increased



Single: **\$12,200**



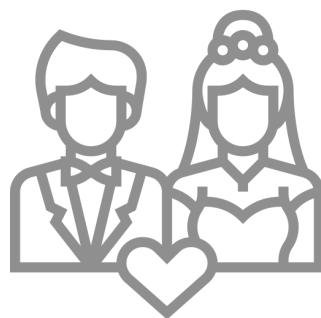
Married filing joint: **\$24,400**

AND...

Additional Standard Deduction for Age or Blindness



Single: **\$1,600**



Married filing joint: **\$1,300**

Double for age AND blindness

Example:

Single taxpayer over 65 and blind

Standard deduction:
\$15,400

DOUBLING UP DEDUCTIONS CAN STILL WORK..

- Watch for high medical combined with charitable
- Consider transfer of appreciated investment
- Beware of the \$10,000 tax deduction limitation

A DIFFERENT APPROACH..

Qualified Charitable Deduction

- Must be qualified charitable organization
- Must from an IRA, no employer plan
- The IRA owner must be 70 ½ or older
- Transfer to charity satisfies required minimum distribution
- No inclusion in income / no charitable deduction

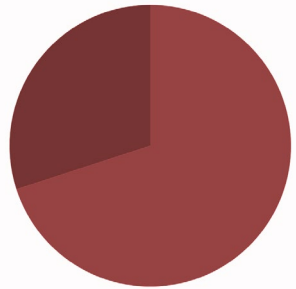
WHY DOES IT WORK?

- No income inclusion means no tax
- Adjusted gross income is lower
 - May reduce social security inclusion
 - May increase includable medical deduction
- Reduces reportable income even if not itemizing

ARE THERE STILL SOME CREDITS LEFT FOR US?

Residential renewable energy tax credit

Solar & Geothermal:



30% OF EQUIPMENT COST
on principal or secondary
residence

Non-refundable but can be carried
forward.

Fuel Cell:



Capped at
\$1000 PER KILOWATT

Personal residence only.

AND ONE MORE..

Electric and Hybrid Vehicles:



GENERALLY \$7,500

Check online for car models with limited credits

- <https://www.fueleconomy.gov/feg/taxevb.shtml>
- Some credits are phasing out in 2019
- Some credits are reduced on certain models

The Secure Act

- Passed The House but still waiting on The Senate's vote.
- Likely to pass before year end



The Secure Act....what changes?

- Required minimum distribution age would be increased to 72
- No more 70 ½ requirement
- No age restriction on contributions



Secure Act....what else will it change?

- No more stretch IRA
 - Non-spouse heirs have ten years to distribute
 - Includes Roth IRA's





TARIFFS & TREATIES

what's their impact?

WHAT EXACTLY IS A TARIFF?

Import duty (tax) on certain goods

tar·iff

/'terəf/

- Imposed on a specific country
- Imposed on specific imports
- Calculated as a percentage

WHO REALLY PAYS THE TARIFF?

Not the targeted country. One of three entities ultimately pays the tariff...



The importer

- Generally passes on to the company

The importing company

- May eat the cost or pass some or all to the consumer

The consumer

- May pay directly in higher costs
- Or indirectly through general inflation

SO WHO REALLY BENEFITS?

- The imposing country increases duty (tax) revenue
- The industry targeted may benefit
 - Consumer buys domestic
 - Corporate tax collections may increase
 - May create additional employment within targeted industry

ARE THERE ADVERSE CONSEQUENCES?

Tariffs are inflationary

- They create higher prices on goods that had been imported

Tax on the economy

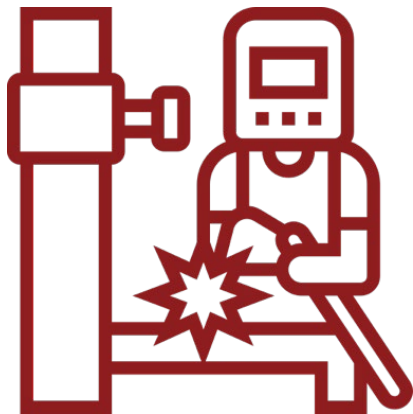
- Higher prices cause consumer to put off purchases
- Layoffs may be indirect result

Increased costs to company results in lower profits

- Reduced stock value
- Reduced dividends
- Less demand for stock

LET'S LOOK AT AN EXAMPLE

15% tariff on imported steel forces company to switch purchasing to US steel manufacturer.



- Steel was $\$X$ per ton but is now $\$X + 15\%$
- Purchasing company was an appliance manufacturer
- The steel they purchased to manufacture the appliance costs more
- Cost is passed through to the consumer
- The consumer decides against purchasing that new appliance
- Appliance company profits suffer
- They in turn order less steel as demand drops

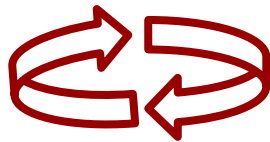
SO HOW DOES IT IMPACT THE STOCK MARKETS?



Inflation



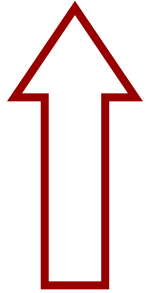
Economic slowdown/recession



Global impact

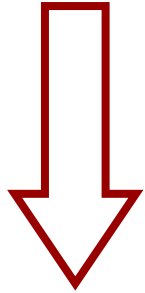
SO HOW DOES IT IMPACT THE STOCK MARKETS?

Inflation: higher prices create inflationary periods.



- Interest rates climb
- Wages must keep up

SO HOW DOES IT IMPACT THE STOCK MARKETS?

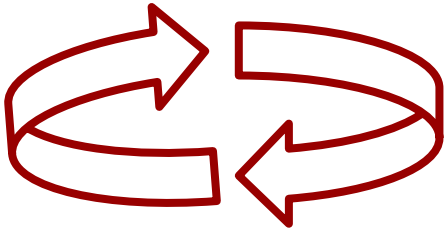


Economic slowdown/recession: economy depends on balance between supply and demand.

- Higher prices or lagging wages create constriction in demand.

SO HOW DOES IT IMPACT THE STOCK MARKETS?

Global impact: tariffs can directly impact global markets.



- Global economic contraction occurs
- Ripple effect impacts domestic stock market

AND THEN THE TREATIES...

Treaties are designed to promote:

Security against global unrest

- Iran nuclear treaty
- NATO

Economic and expansion directives

- NAFTA

World policy

- Paris Accord

SO HOW DO THEY IMPACT STOCK MARKETS?

Direct Impact

Fear of global unrest causes investors to become protective

- Move from stocks to shelters (gold, cash, bonds)

Global conflicts left unresolved disrupt supply chains

- Mideast oil
- General delivery routes for imported goods
 - Gulf of Hormuz or the Suez Strait

SO HOW DO THEY IMPACT STOCK MARKETS?

Indirect Impact

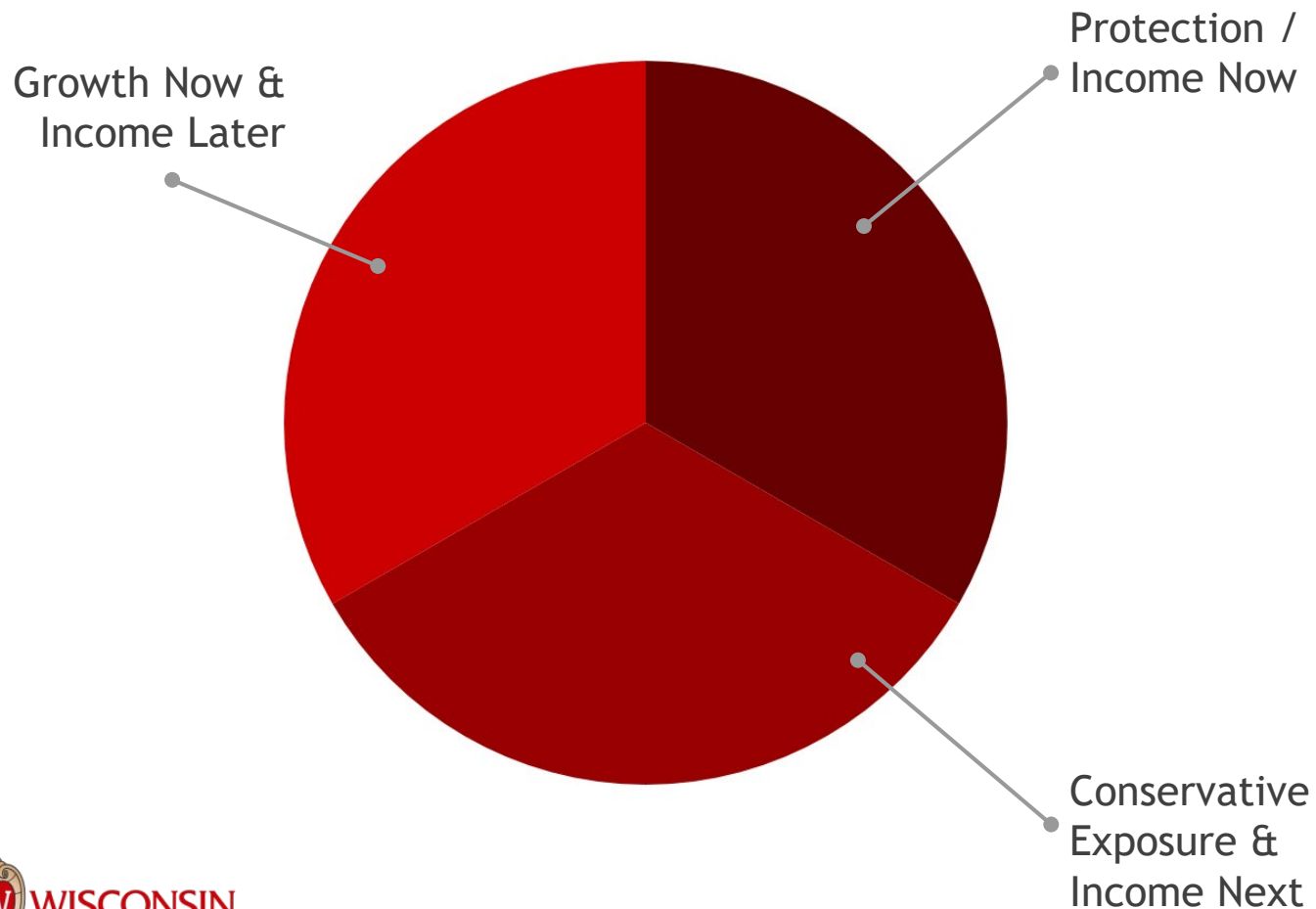
Global policy treaties incentivize certain industries

- Paris Accord was a boon to environmental companies
- Brexit impacts British and European economies

ADVICE FOR THE INVESTOR

- Pay close attention to the issues
- Keep your portfolio balanced
 - Domestic vs. Global
 - Growth vs. Value style holdings
 - Short-Term vs. Long-Term investing
 - Income vs. Growth
 - Expansion vs. Recessionary holdings
- Think globally act locally
 - Vote for candidates who consider the longer/bigger picture, not how long they can stay in office

IDEAL PORTFOLIO



Not always what you hold but how you **position** it

- 10 years plus horizon for income need
- Potentially income never needed



ANNUITIES

demystified...

DEFINING FIXED ANNUITIES

an·nu·i·ty

/ə'n(y)ooədē/

Fixed interest rate

- No market style investing
- Interest rate competitive with the bank CD market

Stated term

- Interest guaranteed for the term of the annuity
 - 3,5,7,10-year term lengths
 - Annuity company levies penalty for early withdrawal
- Money can be withdrawn at end of term period
 - Growth will be taxed when distributed
 - Can carry tax penalty for early distribution

DEFINING VARIABLE ANNUITIES

an·nu·i·ty

/ə'n(y)ooədē/

Market style investments

- This is the “variable” part of the title

Two styles of benefits

- Death benefit
 - Step up benefit preferred
 - Could be critical care provision
- Income generation
 - Annuitization
 - Withdrawal benefit

DO(S) AND DON'T(S)

Fixed Annuities

DO { Allow for taxes at distribution

DON'T {

Surrender early

Annuitize without:

- In depth consultation
- Very good reason

Overload:

- With available cash
- In one term length
- Too long of term length

DO(S) AND DON'T(S)

Variable Annuities

DO



Remember what you bought for

- If for growth or death benefit, don't annuitize
- If for income, make sure you take it

Consider what influences you

- If it's fear of market, a variable annuity is an expensive hedge
- If it's fear of risk, a variable annuity is not the right product
- If it's for a guaranteed inheritance
 - The death benefit is taxable
 - An enhanced death benefit is crucial

QUESTIONS

and comments...



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