

A 3D graphic on the left side of the header features various financial terms like 'BONDS', 'stocks', 'BANK', and 'Finance' in different sizes and orientations, creating a sense of depth and complexity. The background is a dark blue gradient.

WEEKLY COMMENTARY

For the Week of January 8, 2018

WEEKLY FOCUS

Tax Cuts and Jobs Act Changes

Last month, President Trump signed the first major tax overhaul since Ronald Reagan was in office. The Congressional Budget Office forecasts the 500-page legislation will add \$1.5 trillion to the national debt over the next decade. With sweeping changes come questions and concerns. Below is an overview of the major changes you will encounter when filing taxes for 2018.

- The 10 and 35 percent tax brackets remain the same, while the 15 percent bracket drops to 12 percent, the 25 to 22, the 28 to 24, the 33 to 32 and the 39.6 to 37. Income thresholds for the tax brackets above the new 22 percent bracket are raised. However, all individual tax cuts are scheduled to go away after 2025.
- The standard deduction almost doubles, increasing to \$12,000 for individuals and \$24,000 for married couples. This will lead less people to itemize their taxes.
- The personal exemption is eliminated.
- The state and local tax deduction now has a cap of \$10,000.
- The threshold for estate taxes is doubled. Individuals can bequeath up to \$11 million tax-free (\$22 million for married couples) in 2018.
- The child tax credit doubles to \$2,000 for children under 17, and its income threshold was raised so more parents can claim the entire credit. There's also a new \$500 credit for non-child dependents, like elderly parents.
- The mortgage interest deduction decreases from \$1 million to \$750,000.
- Up to \$10,000 a year per student can be used out of a 529 education savings account on primary and secondary education costs. Before, they could only be used for post-secondary education.

Other big changes: The corporate tax rate is now 21 percent, down from 35 percent, the largest corporate tax cut in U.S. history. The corporate alternative minimum tax (AMT) is removed, and fewer people will have to pay the individual AMT. One of the most significant changes for business owners is you can deduct 20 percent of your income tax-free if you're eligible for the pass-through deduction. However, some exclusions apply, and these changes expire after 2025.

This new law is complex. I encourage you to check with your tax advisor, and I am always happy to talk with you and answer any questions you may have about your finances. Call or email our office today.

Securities America and its representatives do not provide tax advice; coordinate with your tax advisor regarding your specific situation.

FINANCIAL FACTS

Shift in Type — In 1975, defined contribution plans outnumbered defined benefit plans two to one, i.e., 207,700 to 103,300. Forty years later in 2015, defined contribution plans outnumbered defined benefit plans 14 to one, i.e., 648,300 to 45,600 (source: Government Accountability Office, BTN Research).

For the Entire Year — The S&P 500 was positive on a total return basis during all 12 months in calendar year 2017, gaining 21.8 percent for the year. The raw index rose 19.4 percent, and the impact of reinvested dividends made up the difference (source: BTN Research).

Foreign Stocks — The international stock index EAFE gained 25 percent (total return) in 2017. EAFE is an unmanaged index generally considered representative of the international stock market. These international securities involve additional risks including currency fluctuations, differing financial accounting standards and possible political and economic volatility (source: BTN Research).

WEEKLY COMMENTARY

THE MARKETS

The three major indexes posted record gains Friday. Following the Monday holiday, the three benchmarks enjoyed their strongest first four trading days of a year for more than a decade. For the week, the Dow rose 2.37 percent to close at 25,295.87. The S&P gained 2.63 percent to finish at 2,743.15, and the NASDAQ climbed 3.38 percent to end the week at 7,136.56.

Returns Through 1/05/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.37	2.37	30.19	15.95	16.32
NASDAQ Composite (PR)	3.38	3.38	30.04	15.33	18.14
S&P 500 (TR)	2.63	2.63	23.34	13.08	15.74
Barclays US Agg Bond (TR)	-0.32	-0.32	2.75	1.94	2.12
MSCI EAFE (TR)	2.45	2.45	25.28	9.67	8.03

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.



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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright January 2018. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI# 1987432.1