

## Finding Tangible Value in Wealth Planning

Many people believe wealth planning automatically equates to investment advice. For most people, investment decision-making should be secondary to big-picture planning and decision-making. In speaking and writing about wealth planning, I feel the opportunity and challenge in discussing what wealth planning is about. As I often say, “wealth planning is more than numbers on a piece of paper, it is the intersection of both your personal and financial life coming together.”

During a recent meeting with a new client, the client commented, “I never knew that you would ask so many personal questions.” My response to her was, “but now you understand why I ask so many personal questions.” She smiled and nodded, and I knew then that we were on the right track and that working with this couple was going to be a rewarding and valuable experience for them and myself.

The opportunity with wealth planning is to help people realize that wealth planning has a real tangible value, although it can appear to be invisible. When a couple calls me and says we have something on our minds that may affect our current or future financial situation, I know that these clients see and feel the benefits of wealth planning. Here are a few examples;

1. A client not too far from retirement, has an adjustable mortgage that is coming do, they ask what she we do? We know that this is not their retirement home, so we begin ruling out options and reviewing alternative options that best fit their time horizon. I do some financial analysis to isolate the best two options, and then I connect them to a close colleague who is an expert in the mortgage industry.



2. A client who has a commission component to his salary is having a stellar year and was notified that he would be receiving a bonus payout earlier and larger than expected. The

couple calls and immediately say, “we need to figure this out because this money is dangerous in our hands.” Two things stood out to me when the couple called;

- I. I was the first person that they thought about when they received news about this bonus.
- II. They have a great understanding of how they feel about money.

I have been working with this couple for multiple years, but at that moment I realized that all the in-depth conversations that we have had about money, finances, and lifestyle choices were paying off into something real and tangible.

My challenge with wealth planning is also the same as the opportunity, to help people see that real and tangible value described in these two real-life examples. In both situations, these couples explained their sense of appreciation knowing that they had a trusted partner to not only help them through the financial decision-making process but more importantly, that the decisions I was helping them to make were in their best interest personally for the long-term.

### **State of the Portfolio**

Recently I have been fielding several questions centered around how well I think that markets will do for the remainder of this year and into next. Even clients who know that I don’t make market forecasts or predictions have asked for my thoughts on where the markets are headed. I would assume that these questions are arising from the continued noise coming out of Washington DC centered around tariffs and how other policy decisions could impact equity markets.

As I have stated previously, I do my best not to let political factors influence portfolio management. There will always be noise around geopolitical events that could have a potential impact on the markets. I stress potential as no one can truly determine what the financial impacts of these events could have. In most cases, the potential impacts are likely overblown. While the general population may look for answers to why the S&P500 dropped or gain 100 points on any given day, quite honestly, no one has the slightest idea as to why markets move up and down in the short-term. If someone tries to tell you otherwise, run, and run fast!

Over the long-term, however, equity markets are largely driven by corporate earnings growth and profitability. There have been several instances where economic data is good, but the markets are

### **Insider Trading**

**4 in 10...**number of American adults who have a will or living trust (source: AARP).

**17...**percentage of Americans who have a trust in place (source: WealthCounsel).

**47...**percentage of people who don’t have a will or living trust who say they don’t because they just haven’t gotten around to it (source: Caring.com).

**\$10,000...**Cap on the deduction for State and local tax in the Tax Cuts and Jobs Act (source: National Law Review).

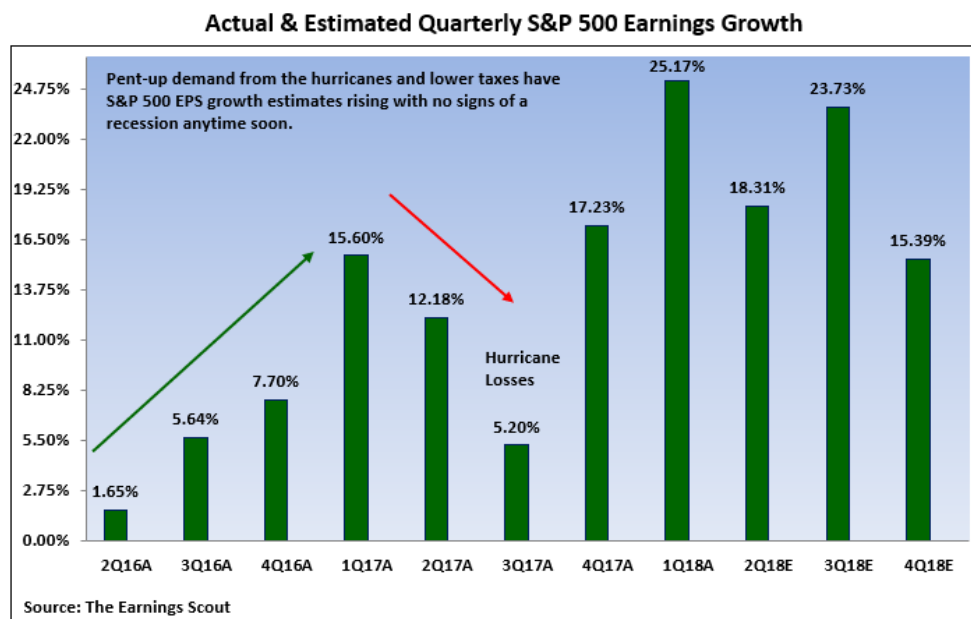
**\$22.36 million...**Federal exemption for gift, estate, and generation-skipping transfer tax per married couple, per the Tax Cuts and Jobs Act (source: National Law Review).

down because of investor sentiment. The opposite has also been true. The economy and markets aren't correlated in the short-term but are in the long-term.

This backdrop brings me to where we are today. I have no idea where the markets are headed. Are you surprised by my answer?

I can tell you that corporate earnings and future earnings data that I review by Nick Raich at The Earnings Scout every week point to future corporate earnings being cut at a reduced rate and in some cases accelerating. Recall that I just pointed out that corporate earnings are what drive market valuations long-term.

Per Mr. Raich, "we are measuring significantly better earnings expectation trends for U.S. companies, and in particularly smaller ones, over International companies. For this reason, we have been overweight U.S. stocks, with an emphasize on small caps." Raich goes on to say, "our belief is that to be bullish on U.S. stocks you must believe that we are not at the end of the economic cycle and there are several more quarters, if not years, of expansion."



My answer to clients is that I am perfectly comfortable as to where markets stand today not knowing what the exact trajectory will be tomorrow or any day in the future. Past recessions and depressions have all been different, so I would expect future downturns to not look like previous versions either. However, two consistent elements of all financial markets have been fear and greed. Having a disciplined and flexible investing strategy has proven to be a sustainable investment edge.

### Personalized Investing; 7 Items that You Should be Checking

Last quarter, I discussed in the personalized investing segment the need to review your federal tax withholdings given all the new tax changes that have now gone into effect. As we are now past the halfway point in 2018, I wanted to provide a checklist of items that you should also review which could have an impact your tax planning.

Now would be a good time to examine the following;

1. Are you on track to maximize qualified retirement contributions?
  - a. \$18,500 for 401(k)s with an additional \$6,000 for those over age 50
  - b. \$5,500 for IRAs with an additional \$1,000 for those over age 50
  - c. SEP for Business Owners - up to 25% of compensation, with a maximum of \$55,000
2. Have you been making charitable contributions or are you planning to make such contributions later in the year?
3. If you can contribute to an HSA, are you on track to reach the maximum contribution level?
  - a. \$6,900 for families with an additional \$1,000 for those over age 50
  - b. \$3,450 for individuals with an additional \$1,000 for those over age 50
4. Have you made any adjustments for the loss of your personal exemptions which could have a major impact on families?
5. Do you know what the impact will be to changes in your total itemized deductions? One key element is the \$10,000 cap on State and Local taxes.
6. Have you had the ability to refinance your mortgage to a lower rate? Remember that HELOC interest is still deductible if funds were used for home improvements.
7. Have you reviewed your taxable brokerage accounts for any tax-loss harvesting opportunities?

For questions about any wealth planning, asset management, or tax planning topics, do not hesitate to contact me to find out what options may be best for your own personal situation. Financial relationships are built upon trust. Your continued support in having conversations and making recommendations to important people in your life regarding your connection with me at TAMMA is always greatly appreciated and welcomed.



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