



Re: Quarterly Newsletter/Winter 2017

Dear Clients and Colleagues:

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In this newsletter we will review the 2016 market performance and discuss “tax loss harvesting” from non-qualified investment accounts, the repeal of the New Jersey Estate Tax, and the different types of Financial Plans.

Trivia

Now let’s shift our focus from the recent Summer Olympics to winter sports. Which American (male or female) has won the most overall World Cup alpine skiing titles?

2016 Market Performance¹

S&P 500	11.96%
MSCI EAFE (Dev.Int’l)	1.0%
MSCI EM (EmergingMrkt)	11.19%
BarclaysUSAggIndx	2.65%

Tax Loss Harvesting

Tax loss harvesting can be a relatively simple way to reduce investor taxes on taxable accounts. Assume that an investor has capital gains tax liability due to the sale of an appreciated investment. In a diversified portfolio, there are typically securities that have appreciated in value and other securities that have lost value. To offset the capital gain tax on the sale of an appreciated asset, an investor can sell all or part of a position that has a loss, and the loss can be applied against the gain to eliminate the capital gain tax. In order to maintain the investor’s asset allocation, a highly correlated substitute asset can be purchased to replace the security that was sold to generate the offsetting loss. If the same or substantially identical security is purchased within thirty days of selling the other security for a loss, the tax write-off will not be allowed. Additionally, any loss in excess of the capital gain may be applied to offset up to \$3,000 of ordinary income, adding to the tax benefit.

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¹ Indices are unmanaged and one cannot invest directly in an index. Past performance is not a guarantee of future results. MSCI EAFE Index serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia. MSCI EAFE Emerging Markets Index is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets. Barclays U.S. Aggregate Bond Index represents the US investment-grade fixed-rate bond market. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market.

Repeal of the New Jersey Estate Tax

Through 2016, New Jersey's estate tax was decoupled from the Federal estate tax and New Jersey imposed an estate tax on estates in excess of \$675,000 (the exemption amount). In contrast, the Federal estate tax exemption amount in 2016 was \$5.45 million. Legislation enacted in October 2016 increases the New Jersey exemption to \$2 million in 2017, and eliminates the estate tax completely in 2018 and thereafter. The repeal of the New Jersey estate tax was a legislative trade-off made in conjunction with the \$.23 per gallon increase in the gas tax.

Financial Planning

There are two types of Financial Plans. There is either a comprehensive analysis covering a broad range of financial planning issues, or a tailored report focusing on one or two planning areas of particular concern to the client. A comprehensive Financial Plan will contain various types of financial analysis and recommendations on a broad range of issues related to the client's financial situation (e.g., net worth, assets and liabilities), retirement, education, business, investment (e.g., asset allocation according to the client's risk tolerance and financial goals) and protection planning. A focused Financial Plan will concentrate on the client's financial situation in relation to one or two issues that are selected (e.g., retirement planning or other goal planning). For both types of Financial Plans, the client will receive a personalized written report detailing strategies and recommendations that are intended to help the client attain their stated goals and objectives.

Contact us to discuss which type of Financial Plan might suit you best.