



This Publication Brought To You Courtesy Of:

STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™, Practitioner

4225 Executive Square, Suite 1030
La Jolla, California 92037-1486
Phone: (858) 678-0579 · Fax (858) 546-0792
E-mail: steve.carter@lpl.com
www.stevencarterfinancial.com



CLIENT BULLETIN

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➤ *Good Luck with That*

The Tax Cut and Jobs Act that took effect this year limits taxpayers' combined deduction for state and local income taxes, property taxes and sales taxes (SALT) to \$10,000. This provision exposes the high tax rates of a few high profile states. Officials in those states, eager to keep their constituents happy, have come up with some creative alternatives to the SALT deduction. The most popular scheme has been to establish a charitable fund into which taxpayers could donate the amounts due for their taxes and then take a charitable deduction which remains fully deductible under the new law. There is almost no chance that the IRS will allow these strategies to work. When making a charitable contribution, there can be no offsetting benefit received in return for the gift in order for a deduction to be taken.

➤ *Tax Payers*

During the 2015 tax year (the last year for which data is available), the top 5% of US taxpayers paid more federal income tax (\$866 billion) than the remaining 95% of taxpayers (\$588 billion) combined (source: Internal Revenue Service).

➤ *Boys and Girls*

A baby girl born in the United States in 2017 has a life expectancy at birth of 81.4 years, 55 months longer than the life expectancy at birth (76.8) of an American baby boy born last year. With this life expectancy, a baby girl born in the U.S. next year can anticipate living until **the year 2100** (sources: Social Security and the National Vital Statistics Report).

➤ *A Rising Tide*

The strong economy not only benefits private citizens, it also helps reduce the federal government's budget deficit as well. The healthy job market is pulling workers off of government support programs and into the private sector. The number of people receiving Food Stamps through the SNAP program (Supplemental Nutrition Assistance Program) is down 4.7% from a year ago and is at the lowest level since 2010. Additionally, the percentage of workers collecting Social Security disability benefits (SSDI) had the biggest annual decline since 1983. Economic growth continues to be the closest thing humankind has to a magic bullet. All of this will reverse at some point when the age-old business cycle reasserts itself, but for now let's enjoy it while it lasts.

Steven F. Carter, CFP® is a Registered Principal with and securities offered through LPL Financial, Member FINRA/SIPC.

➤ ***Fewer Lines***

A draft of the new IRS Form 1040 for tax year 2018 was released in June. It has just 23 lines, far fewer than the 79 lines on the existing Form 1040 tax form. Don't get too excited however – many of the lines were simply reallocated to supporting forms.

➤ ***Repetitive Process***

40% of the robots used in the United States today are in the auto industry (source: Department of Transportation).

➤ ***Retiring Abroad***

The financial media loves lists. One of the most popular is a list of the best countries to retire to. Cheaper real estate, lower cost of living and no taxes are the usual benefits cited of retiring abroad. In practice, retiring in another country is complicated. Consider some of the unanticipated aspects:

- While it's true that becoming a citizen of a foreign nation enables you to avoid U.S. taxes, you will have to start paying local taxes. Many nations charge wealthy expatriates (yes, you will be among your adopted nation's wealthiest people) more than U.S. rates.
- If your new country doesn't assess taxes, be prepared for a decrease in municipal services such as police, fire, roads, food safety etc.
- Medicare doesn't cover you outside of the U.S. and most supplement and Medicare advantage plans cover only emergencies, not day to day care
- Your new country will most likely have lower health-care standards than what you are used to
- Institutions such as banks and the post office may not run as efficiently
- There may not be accommodations for disabilities such as wheelchair ramps or elevators which means that at some point you will probably need to undue your citizenship change if you want to come back to the U.S. at a challenging time in your life
- Most importantly, you will be thousands of miles away from your family and friends

Expatriating is inappropriate for almost everyone.

➤ ***Golden State***

If California was an independent country, it would rank as the fifth largest economy (\$2.7 trillion) in the world behind the U.S., China, Japan and Germany, according to Fortune. Texas (\$1.7 trillion) and New York (\$1.5 trillion) would rank 11th and 13th respectively. California's prosperity is largely due to its thriving technology sector and Hollywood.

➤ ***Made in China (Partially)***

A study by the Federal Reserve Bank of San Francisco concluded that, "on average, of every dollar spent on an item labeled "Made in China," 55 cents go for services produced in the United States.

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