

## Monthly Update

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*Tax Cuts and Jobs Act: Good or Bad for Me? It Depends.*

Sara B. Thomas, JD, CPA

*Financial Consultant*

Congress has been busy with tax reform this holiday season, but there is still a necessary step before the bill will reach the President's desk. The House and Senate have each passed a separate version of the Tax Cuts and Jobs Act. Congress must now work on a reconciliation bill that will pass both the House and Senate.

The current bills introduce sweeping change to the US system of taxation for both individuals and businesses. Below is a summary of some of key items addressed and identifies the current tax provision and the modifications made by both the House and Senate. As you will see, some provisions will benefit your personal tax situation, and some will not.

For me personally and you, our clients and friends, the overall impact on our personal tax burden is not readily apparent. As a CPA, I have considered the various aspects of the proposed legislation on my household and the results appear to be modestly favorable or neutral. Yes, we will all benefit from the lower rates, but the changes to personal and itemized deductions will affect each of us differently. And, how broadly will the corporate rate reduction help the economy? We will have to wait and see.

So, Tax Cuts and Jobs Act: Good or Bad for Me? It depends, but more likely than not, the positives outweigh the negatives.

	Current Law	House Bill	Senate Bill
<b>Individual Tax Rates</b>	Seven Tax Brackets: 10%, 15%, 25%, 28% 33%, 35%, 39.6%	Four Tax Brackets: 12%, 25%, 35%, 39.6%	Seven Tax Brackets: 10%, 12%, 22%, 24%, 32%, 35%, 38.5%
<b>Standard Deduction</b>	\$6,500 Single, \$13,000 Joint	\$12,000 Single, \$24,000 Joint	\$12,000 Single, \$24,000 Joint
<b>Personal Exemptions</b>	\$4,150 each	Repealed	Repealed
<b>Child Tax Credit</b>	Up to \$1,000 per child based on income	Up to \$1,600 with higher income limits	Up to \$2,000 with higher income limits
<b>State and Local Itemized Deduction</b>	Real estate, personal property and either income or sales tax are deductible	Only real estate taxes up to \$10,000 are deductible	Only real estate taxes up to \$10,000 are deductible



	Current Law	House Bill	Senate Bill
<b>Mortgage Interest Itemized Deduction</b>	Interest payments on up to \$1.1 million in debt are deductible for primary and secondary home	Limits deduction for new mortgage interest payments on debt up to \$5,000,000	Unchanged
<b>Charitable Giving</b>	Deductible if itemized	Unchanged	Unchanged
<b>Alternative Minimum Tax</b>	Yes	Repealed for both individual and corporate taxpayers	Increases exemption for individuals
<b>Top Capital Gains Tax Rate</b>	23.8% (20% + 3.8% Net Investment Income Tax)	Unchanged	Unchanged
<b>Top Corporate income tax rate</b>	35%	20%	20% beginning in 2019
<b>Top Rate for Passthrough</b>	39.6% (top individual tax rate)	25%-39.6% depending on "type" of income.	Deduction of up to 23% of passthrough income
<b>Estate Tax</b>	Top Rate of 40% on estates above \$5.6 million; \$11.2 million (couples)	Top Rate of 40% on estates above \$11.2 million; \$22.4 million (couples). <i>Tax repealed after 2024.</i>	Top Rate of 40% on estates above \$11.2 million; \$22.4 million (couples).

Sara is a Financial Consultant with an extensive background in estate and tax planning. She graduated from the University of Kentucky College of Law in 1995. Sara obtained her Certified Public Accountant designation in 1997.

## Key Points From Our Investment Meeting – 12/12/17

### Macro Viewpoint

- Will Congress pass tax reform? Lower rates and less regulations?
- The positive steroids of quantitative easing are over and slowly reversing. An unprecedented experiment!
- GOP tax plans appear positive for growth, but we feel much is priced into the market.

### Asset Class Comments

- Most equity valuation metrics are in the top most expensive decile.
- The markets continue higher on positive equity earnings. Priced for perfection!
- Volatility will return soon per 80% of investment managers – more opportunities for hedge fund managers.
- Please consider your risk at this stage in the cycle, as we are in the 9<sup>th</sup> year of an expansion versus an average 6<sup>th</sup> year.

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# Performance Update

Investment Vehicle	Total Return (%)							
	November	QTD	YTD	1-Year	Annualized			
					3-Year	5-Year	7-Year	10-Year
<b>TRADITIONAL ASSETS</b>								
<b>Cash</b>								
Vanguard Reserve Prime Money Market	0.1%	0.2%	1.0%	1.0%	0.6%	0.3%	0.3%	0.6%
<b>Fixed Income</b>								
Domestic (Barclays US Agg)	-0.1%	-0.1%	3.1%	3.4%	2.0%	1.9%	2.9%	3.9%
Vanguard Total Bond Market	-0.2%	-0.1%	3.0%	3.3%	2.0%	1.8%	2.8%	3.8%
RiverNorth Doubleline	-0.6%	-0.9%	3.4%	4.4%	3.6%	3.8%	4.2%	4.9%
Eaton Vance Floating Rate	0.2%	0.8%	4.1%	5.6%	4.1%	3.8%	4.4%	4.1%
US Preferred Stock ETF	0.7%	0.3%	8.1%	8.4%	4.5%	5.3%	5.9%	5.6%
High Yield (Barclays US Corp HY)	-0.4%	-0.1%	6.2%	8.2%	4.3%	3.2%	3.9%	5.6%
Short Term High Yield	-0.2%	0.1%	5.6%	7.4%	3.7%	3.8%	5.3%	6.6%
<b>Equities</b>								
Domestic Large Cap (S&P 500 TR)	3.1%	5.5%	20.3%	22.7%	10.8%	15.6%	14.6%	8.3%
S&P Equal Weight	3.8%	4.9%	17.1%	18.4%	9.4%	15.6%	14.1%	9.3%
Domestic Mid Cap (S&P 400 TR)	3.7%	6.1%	16.0%	18.6%	11.1%	15.3%	13.7%	9.8%
Vanguard Mid-Cap ETF	3.2%	4.6%	18.1%	18.9%	9.1%	15.3%	13.5%	8.8%
Domestic Small Cap (S&P 600 TR)	3.5%	4.5%	13.8%	17.6%	13.0%	16.7%	15.0%	10.3%
Vanguard Small-Cap ETF	3.1%	4.7%	15.7%	18.0%	10.2%	15.0%	13.5%	9.6%
Developed Intl. (MSCI EAFE)	0.9%	2.4%	22.5%	26.6%	5.7%	8.1%	6.9%	1.5%
MSCI EAFE	0.7%	2.4%	23.4%	26.8%	5.9%	8.1%	6.9%	1.5%
Emerging Intl. (MSCI EM)	0.2%	3.6%	32.2%	32.5%	6.0%	4.5%	3.0%	1.3%
Vanguard FTSE Emerging Markets ETF	-0.3%	2.1%	26.8%	25.8%	4.5%	4.1%	2.5%	0.9%
<b>Real Assets</b>								
Real Estate (FTSE NAREIT US REIT)	2.6%	2.5%	8.5%	13.1%	6.3%	10.0%	11.2%	6.9%
Mortgage Real Estate	0.4%	-2.6%	15.9%	16.7%	7.6%	7.6%	8.1%	2.3%
REIT ETF	2.7%	1.6%	5.1%	10.1%	6.0%	10.1%	11.1%	7.1%
Commodities (Thomson Reuters/Jefferies CRB Index)	1.5%	6.3%	7.6%	13.4%	-9.8%	-9.0%	-6.6%	-5.8%
DBC	0.9%	4.9%	2.0%	6.2%	-6.2%	-11.3%	-8.1%	-6.9%
BlackRock	0.3%	1.7%	3.9%	5.7%	-2.8%	-5.6%	-4.1%	-4.1%
Gold	0.4%	-0.4%	10.5%	8.4%	5.0%	-4.1%	-0.7%	4.8%
<b>DIVERSIFYING STRATEGIES</b>								
<b>Hedge Funds</b>								
HFRI WCI	0.5%	1.7%	8.2%	9.3%	4.0%	5.2%	4.0%	3.3%
INFINITY*	-0.4%	0.3%	4.3%	5.3%	4.7%	7.0%	7.0%	6.3%
Boston Partners Long/Short Equity	1.0%	-0.1%	-0.2%	1.4%	6.5%	6.6%	8.0%	11.0%
QIM Tactical Aggressive*	0.9%	10.8%	69.8%	57.2%	27.4%	20.6%	20.7%	22.1%
Citadel*	0.1%	2.0%	11.2%	13.3%	10.2%	13.4%	15.0%	10.3%
Millennium*	-0.1%	0.7%	6.2%	6.9%	7.8%	9.1%	8.6%	8.3%
Renaissance*	2.6%	6.9%	16.1%	22.0%	18.1%	16.2%	17.6%	20.9%
Third Point*	0.1%	2.9%	16.8%	17.4%	5.4%	9.6%	9.8%	8.5%
Hedge Fund Plus*	0.4%	3.5%	18.6%	18.1%	11.6%	11.7%	11.7%	12.2%
Boston Partners Global Long/Short	1.5%	2.8%	7.0%	8.3%	5.1%	5.9%	4.5%	3.6%
<b>Managed Futures</b>								
Barclays CTA Index	0.1%	1.6%	-0.4%	-0.4%	1.3%	1.9%	1.1%	2.6%
WINTON*	0.3%	3.8%	-0.8%	0.2%	-3.3%	0.3%	-0.6%	0.8%
QIM*	-2.6%	-0.1%	1.6%	4.8%	8.4%	1.2%	1.3%	1.6%
AQR Managed Futures Strategy	1.3%	4.4%	-1.5%	-1.8%	-2.0%	2.4%	1.3%	2.6%
Natixis ASG Managed Futures Strategy	0.7%	5.0%	6.4%	7.3%	0.7%	6.6%	3.5%	4.4%

■ = Benchmarks  
□ = Lanier Selections

\* For Accredited Investors

## Our Team



Mark R. Hoffman  
CEO, Principal



Junius V. (Trip) Beaver, III  
Co-Chief Investment  
Officer, Principal



Carl W. Hafele, CFA, CPA  
Co-Chief Investment  
Officer, Principal



John E. Thompson  
Director, Private Client  
Group



Dr. Daniel L. Bauer  
Financial Consultant



Sara B. Thomas, JD, CPA  
Financial Consultant



Deidre M. Durbin  
Chief Compliance Officer



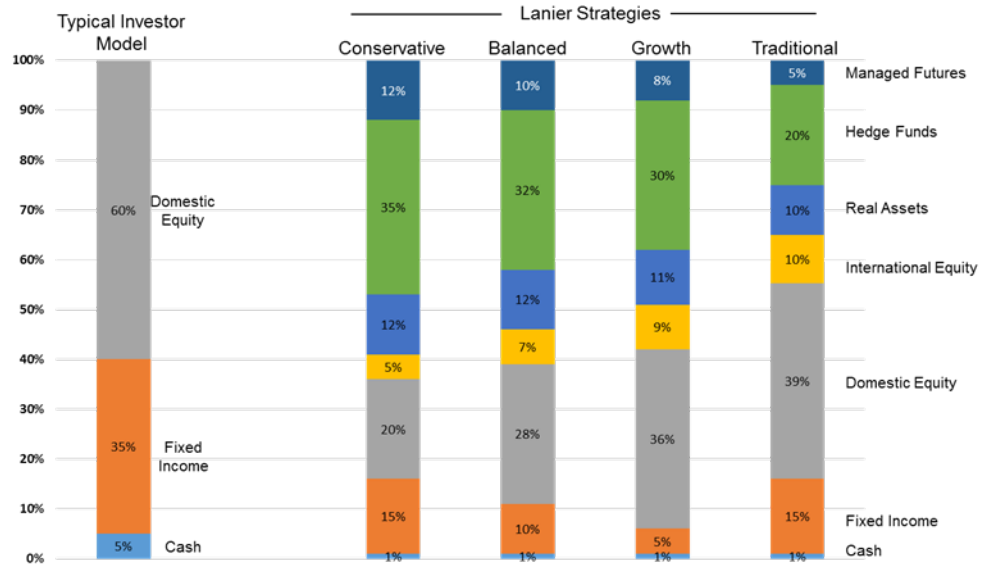
Stephanie E. Milby  
Investment Associate

Building Confidence and Security in Your Financial Future



## Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: **To Build Confidence and Security in our Clients' Financial Future.** We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- **People:** we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- **Investment Philosophy:** we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
  - Focus on projected returns rather than historic for all asset classes
  - Similar to the largest U.S. endowments
- **Investment Process:** combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- **Conviction:** we believe in our approach – this is how we invest our own money

Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.

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