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CARTER FINANCIAL

CLIENT BULLETIN

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➢ *Tax Mish-Mash*

If you have been following the tax proposals winding their way through Congress in an attempt to determine how they might affect your personal tax situation, you likely have been frustrated. There's a reason for that. The centerpiece of the proposed legislation is a reduction in CORPORATE tax rates to make them competitive with the rest of the world. The personal income tax changes that affect you directly are just along for the ride. Without going into all of the bloody details, Congress must use a procedure called "reconciliation" to get a tax bill through a partisan Congress. In order to comply with the arcane rules of reconciliation, a tax bill cannot decrease tax revenue to the government by more than $1.5 trillion over 10 years. The corporate tax rate reduction is expected to reduce tax revenues by close to the $1.5 trillion cap all by itself. This means that any changes for individuals and families must be tax neutral - for every dollar of tax cuts there must be an offsetting tax increase. As a result, the proposed bills cut across a broad spectrum of individual tax situations with winners and losers that even out in the end.

➢ *The Results Are In*

Cyber Monday marked the end of one of the largest online shopping events in the US and the results are mind-boggling. Monday's sales alone totaled $6.6 billion, nearly 30% more than those on Black Friday. Total sales from the Thanksgiving weekend (Thanksgiving, Black Friday and cyber Monday) are expected to reach roughly $15 billion this year, a 17% increase over 2016. This momentum is occurring not just in the United States. China's Singles Day, the largest shopping event of the year, saw roughly 40% higher sales than last year's figure. Chinese online retailer Alibaba recorded record-high sales of ***$25.4 billion*** in one day! (Source: Adobe Digital Insights).

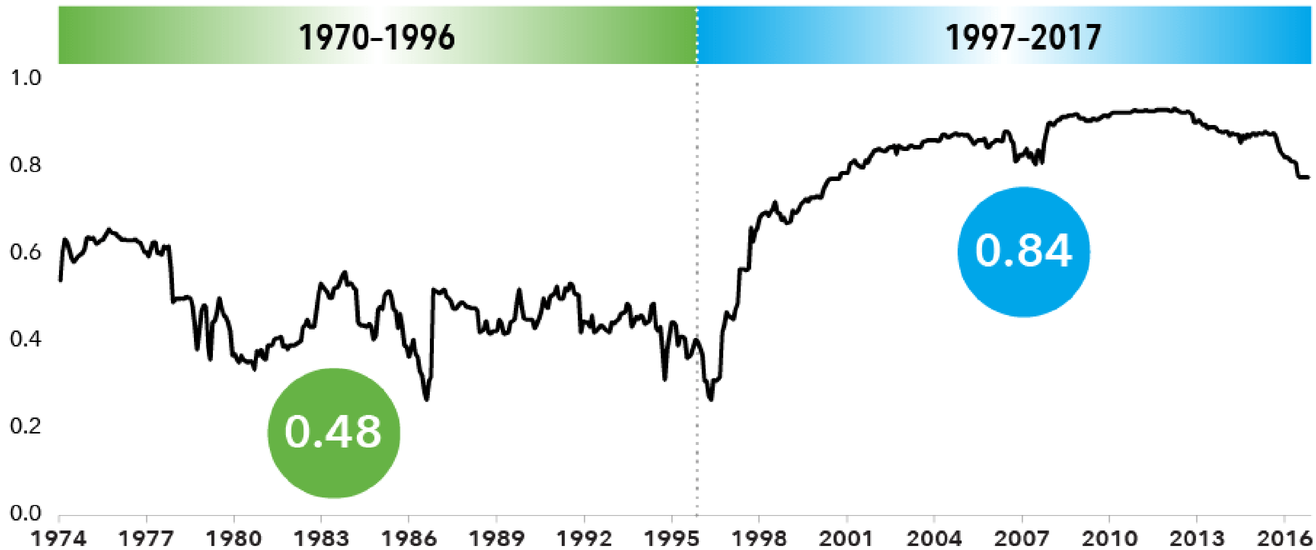
➢ *Not Much Change*

Janet Yellen took over as Federal Reserve Board chairperson on 2/3/14. Since then, she has presided over 30 Central Bank meetings. During that span, 8 different Board of Governor members have cast 20 dissenting votes to Yellen's interest rate recommendation made at the 30 meetings. None of the 20 dissenting votes were cast by Jerome Powell, recently appointed as Yellen's successor beginning in February next year. (Source: Federal Reserve).

➢ *International Considerations*

Historically, international investments have been a source of diversification and risk mitigation in a well-constructed investment portfolio. As the accompanying chart shows, up until 1996 the correlation between U.S.-only investment indexes and non-U.S. only investment indexes was a relatively low .48. Since 1996 however, globalization and increasingly open trade have had a significant impact on the universe of investment opportunities. Many companies headquartered in Europe, Japan and the United States don't necessarily generate most of their revenue in their home country like they used to. As a result, monthly return correlations between U.S. and non-U.S. investment indexes have almost doubled to .84 over the past 20 years. These days the role of international investing has switched from diversification to accessing a broader opportunity set.

Rolling 5-Year Correlation Between U.S. and Non-U.S. Equity



Sources: Capital Group, MSCI, Standard & Poor's. S&P 500 Index and MSCI EAFE Index used to represent U.S. and non-U.S. equities, respectively. Includes all 5-year rolling periods ending between 12/31/74 and 9/30/17.

All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly

➢ *When Is an Increase Not an Increase?*

Social Security benefits will receive a 2% cost-of-living increase in 2018. So why won't many Social Security recipients see bigger checks in 2018? Counterintuitively, the answer lies in a "hold harmless" provision designed to protect retirees from a decline in net Social Security benefits from one year to the next. The provision prohibits annual increases in Medicare premiums from exceeding the dollar amount of annual Social Security cost-of-living adjustments. The provision applies to roughly 70% of retirees who have their Medicare premiums deducted directly from their monthly Social Security payments. Thanks to minimal or no cost-of-living increases in Social Security benefits the past few years, many Medicare enrollees pay less than the current $134/month rate for Medicare part B premiums.
The upcoming 2% increase in Social Security benefits will allow the monthly Medicare premium to increase to the $134 per month rate in 2018 which will offset the 2% increase in Social Security benefits in many cases. If all of this is as clear as mud, please contact our office to determine how these provisions apply in your situation.