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CLIENT BULLETIN

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➢ *Tax Changes?*

For the first time in 30 years, enactment of comprehensive tax reform legislation is a realistic possibility. “Tax reform” typically has two goals: simplifying the tax code and reducing tax rates. This is the easy part – virtually everyone agrees that the tax code is far too complex and not many people feel that their tax rate is too low. The tricky part is “paying for” the tax cut (which ***may*** decrease revenue to the federal government if you believe tax cuts do not affect behavior) and swell the already burgeoning federal budget deficit. Tax cuts are typically offset by eliminating or curtailing existing deductions and exemptions. But each deduction and exemption benefits a particular group or economic sector and objections from affected groups is what makes the passage of comprehensive tax reform a political challenge. No one wants their ox gored. We’ll continue to track the process as details emerge.

➢ *Good Credit Pays*

Everyone knows that investing for retirement is critical. Many people may not be aware, however, that maintaining a high credit score can be a sizeable contributor to a nest egg. Over the life of a 30-year mortgage, if borrowers with the highest credit score saved and invested the difference between their payment and the monthly payment for borrowers with the lowest credit score, they could accumulate an additional $540,000 towards retirement assuming a 7% rate of return on the invested difference (Source: FICO and www.Interest.com).

➢ *No More Delay*

A retirement-savings regulation known as the fiduciary rule will take effect June 9 without further delay, Labor Department Secretary Alexander Acosta said recently. The federal rule, which has been six years in the making, requires stockbrokers and insurance agents to put their client’s interests before their own when giving retirement investment advice. It’s about time. (Source: U.S. Labor Department).

➢ *Worst State, Best State*

From a tax standpoint, New Jersey is the least desirable state to retire in. Between state income tax, property tax and sales tax, the average retiree there pays approximately 16% of their income in state–specific taxes. The most favorable state is Alaska where an average retiree pays just a little over 1%. (Source: J.P. Morgan Asset Management)

- ***Jobs, Jobs, Jobs***

The Commerce Department estimates that each 1/10 of 1% increase in the growth rate of our nation's economy as measured by its gross domestic product (GDP) translates into +80,000 new American jobs. As a result, if a policy is implemented that helps GDP grow at 2.1% vs 2.0% it will change 80,000 households for the better.

- ***Vive la France***

The victory by Emmanuel Macron in France's presidential election on May 7 was a victory for the pro – Europe camp. The result stands in sharp contrast to the United Kingdom's 2016 vote to leave the EU. The strongest statement by Macron, who is a political newcomer, was the music he chose to accompany his entrance to his victory party. Instead of the traditional "La Marseillaise", the French national anthem, he chose "Ode to Joy," the European anthem. With Angela Merkel strengthened in her bid to remain Germany’s chancellor in September, the European common market project will most likely live on well into the future.

- ***Think Long***

"People who think 10 or more years into the future have, on average, eight times the retirement savings of people who just think a few years or less." Morningstar behavioral economist Sarah Newcomb, Ph.D.

- ***Not Made in China***

Historically, low-cost labor has been a crucial factor when multinational companies decide where to locate plants and production facilities. Rising wages in China are reducing the labor cost advantage that the country has enjoyed over the past three decades however. More importantly, rising automation in production lines across a host of industries is likely to further diminish the benefits of any cross-border labor arbitrage. With automation reducing the importance of labor costs, we could see production moving closer to end markets rather than toward the lowest-cost locations. It is this transformation in the economics of labor that could bring more overseas jobs back to the US. Unilever and Nestlé have been moving production and distribution facilities closer to end-markets over the years to gain a deeper understanding of local markets and compete with domestic companies.

- ***Stick to Your Knitting***

Federal Reserve chair Janet Yellen made headlines two years ago (on 5/6/15) when she said that "equity market valuations at this point generally are quite high" and "there are potential dangers there." For the two years from 5/6/15 to 5/6/17, the S&P 500 has achieved 36 all-time record closing highs. Former federal reserve chair Alan Greenspan proved no better at prognostication – after his famous "irrational exuberance" comment about stock prices the S&P 500 continued to advance for two more years. These examples serve as good general reminders that making predictions is perilous, as Mark Twain warned us, especially about the future. (Source: Standard & Poors).