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## CLIENT BULLETIN

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### ➤ *2017 Tax Filing*

It's that time of year again. If you are like me, you may prefer to pull together all of the information needed to prepare your tax returns as soon as possible and get it over with. In some cases, however, it may pay to wait. 1099 forms, which financial institutions use to report taxable income from non-retirement investment accounts, are notoriously subject to being revised as late as the end of March. Not all 1099 forms are subject to revision, so we will be communicating with you and your tax preparer so you don't end up wasting time and money filing an amended tax return.

### ➤ *Low-SALT Diet*

From a personal income tax standpoint, the most significant aspect of the recently-passed Tax Cuts and Jobs Act in my opinion is the \$10,000 cap on the deductibility of combined state and local taxes (SALT for short). For generations, taxpayers have been able to deduct these taxes from their federally taxable income, but this part of the Act was needed as a revenue-raiser to offset tax cuts in other parts of the Act.

### ➤ *State Taxes Exposed*

The end result of deductible state taxes was that a state could raise their tax rates and up to 40 percent of the cost would be carried by taxpayers in other states. The change makes it far more expensive to live and work in states with high income taxes. In California, for example, the top marginal income tax rate is 13.3%. Under the old tax system, taxpayers really only paid an 8% state tax rate (13.3% state tax saved 5.3% of federal tax at a 40% marginal federal rate). Now, however, a 13.3% state income tax rate really is a 13.3% tax rate. California, New York and New Jersey now look a lot less attractive than states like Texas, Florida and Nevada. Hopefully this will lead to an overdue scrutiny of the policy choices of high tax states.

### ➤ *Missing out*

46% of Americans have no money invested in stocks today, either through the ownership of individual stocks, equity mutual funds, or through holdings inside a pretax retirement plan (source: Gallup).

### ➤ *Missed It by That Much*

In January of 2007, the Congressional Budget Office (CBO) forecasted a \$249 billion **surplus** in fiscal year 2017 for the federal government. Fiscal year 2017 actually produced a \$666 billion **deficit** (Source: CBO).

### ➤ *Chronic Issues*

Chronic diseases account for **75%** of health care spending in the United States. These conditions include hypertension, high cholesterol, coronary heart disease, diabetes and Alzheimer's. It is difficult to pinpoint what percentage of these costs could be reduced through behavior modification including diet, exercise and medication adherence, but something is needed. Our strained federal and state budgets cannot shoulder the majority of the projected \$42 trillion of cost for the treatment of chronic diseases projected between 2016 and 2030. Approximately 80% of adults over age 65 have at least one chronic disease and 77% have at least two (sources: The National Council on Aging and the Rand Corporation).

### ➤ *Work Longer, Live Longer*

Conventional wisdom used to be that working too long shortened your life, but new research challenges that assumption. A recent study found that people who work past age 65 actually **add** years to their life. Working, the study says, provides two things that people need in order to live longer - economic stability and social activity. The findings show that those who worked a year longer than the typical retirement age had an 11% lower risk of death at younger ages than peers who retired earlier. Of course, individual economic, health and work environment conditions must inform the decision to retire or not, but it is looking like some extra time in the workplace can buy you some additional years of life (Source: at the University of Michigan funded by the National Institute on Aging).

### ➤ *Both to Blame*

President Obama is routinely cited as presiding over the national debt growing by nearly \$10 trillion during his eight years in office. During George W. Bush's 8 years as president, however, the national debt grew at nearly the same rate – approximately 8% per year. The dollar amount of the increase during President Bush's tenure (roughly \$5 trillion) was smaller only because the debt started at a lower amount at the beginning of his presidency (source: Treasury Department).

### ➤ *Filial Love*

A recent court case demonstrates the breadth of how courts enforce filial laws, which basically establish that children have a duty to care for their parents. The case pitted a brother, Joseph, who provided care for his ninety-year-old widowed mother, against his sister Paulette and brother Joshua because they weren't helping with financial assistance for their mom. Joseph sued his sister and brother under Pennsylvania's filial laws in 2014. The court mandated that Paulette and Joshua make monthly support payments to their mom. That ruling was recently upheld on appeal. Hopefully your family can avoid similar situations with some upfront discussions and good communications, but as lifespans increase and healthcare costs swell, cases like these may become more commonplace.

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