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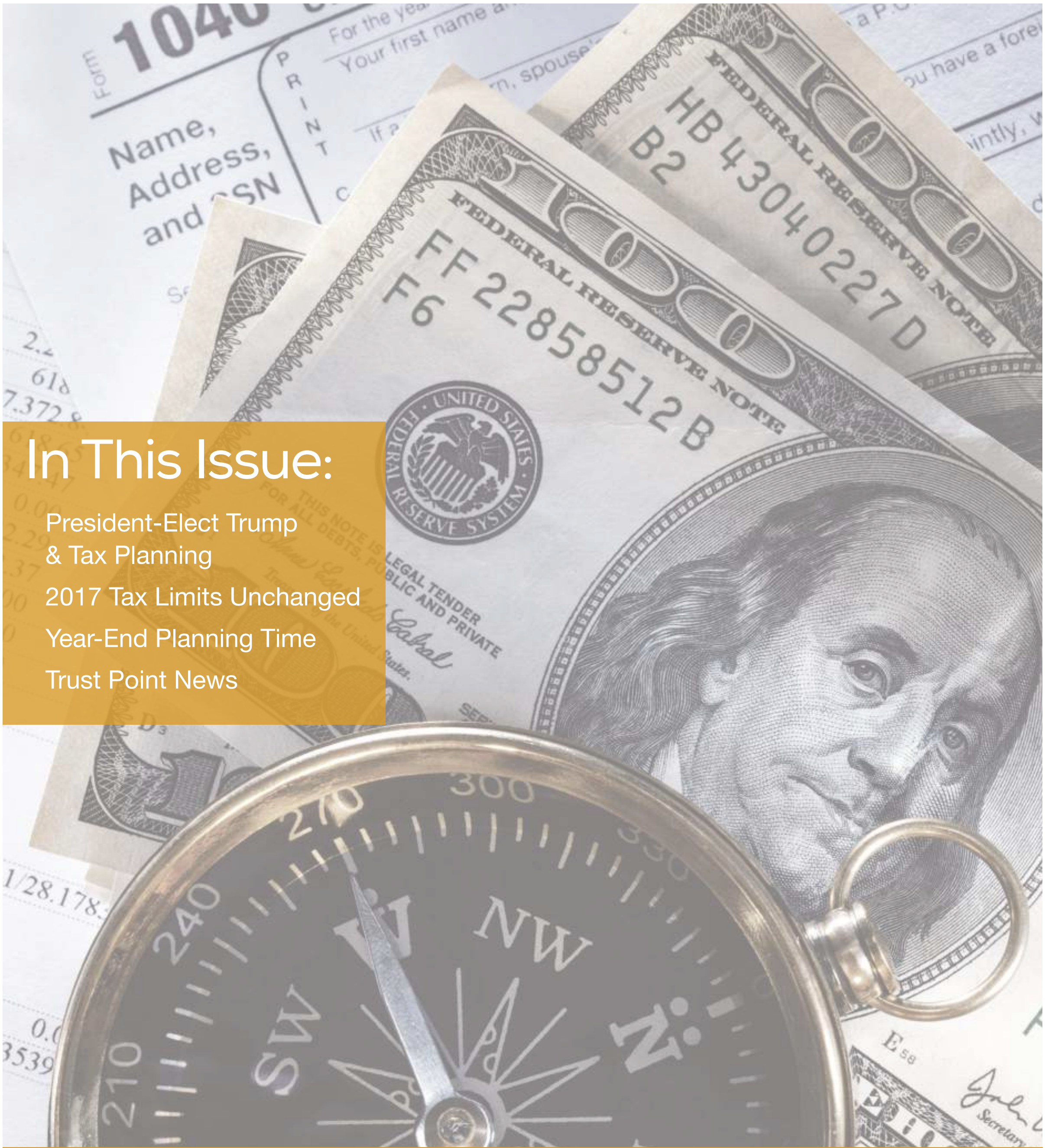
Point of Interest

Fourth Quarter 2016



In This Issue:

The Newsletter from Trust Point's Wealth Management Group

President- Elect Trump and Tax Planning

The presidential election victory of Donald Trump, coupled with Republicans retaining control of the House and Senate, could signal major changes in both fiscal and tax policy in 2017.

One important consideration for year-end tax planning is the likelihood of comprehensive tax reform in the year ahead. The possibility of lower tax rates for both businesses and individuals appears very real. While such things never end up passing into law exactly as presented during a campaign, President-elect Trump has promised to cut income tax rates and eliminate both the alternative minimum tax (AMT) and the 3.8% Medicare surtax on investment income (NIIT) for wealthier people.

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Also included in Trump's proposed tax plan is a reduction in corporate tax rates from 35% to 15%. The same 15% rate would apply to business income from pass-through entities such as Sub S corporations, partnerships, and LLC's. Such pass-through entities account for the majority of small businesses in the U.S. Cutting taxes on income from those businesses would be a huge boost to the nation's economic growth.

Actually implementing all of these changes could be difficult, as Republicans lack the supermajority in the senate that might be needed to overcome opposition. However, we believe that comprehensive tax reform—perhaps also including a multi-year national infrastructure spending program—is likely to pass sometime in 2017.
Stay tuned!

2017 Tax Limits Unchanged

Several key ceilings on retirement plans will not change next year. The maximum 401(k) and 403(b) contribution will remain $18,000 in 2017, while the catch-up contribution limit also stays the same at $6,000. This means that individuals born earlier than 1968 can contribute as much as $24,000 in 2017. The contributions limit for IRAs will also remain steady in 2017 at $5,500, or $6,500 for people ages 50 and up.

On the other hand, tax limits and benefits pertaining to Social Security will increase substantially next year. The Social Security wages base cap will increase to $127,200, up from $118,500 in 2016. Earnings limits will increase as well: Individuals between ages 62 and 66 can earn up to $16,120 in 2017 without losing any Social Security benefits. However, Social Security recipients will receive only a meager 0.3% hike in benefits next year.

Year-End Planning Time

It is time to start making your year-end tax plans; do not wait until December 31. Bear in mind that year-end tax planning must be integrated with your investment, retirement, and estate-planning strategies if you want to achieve favorable long-term outcomes.

The immediate goal is relatively simple: Try to cut your tax bill for both 2016 and 2017, if possible. Since the tax laws have remained unchanged from last year, most people will save by accelerating deductions, such as charitable donations or property taxes, from 2017 to 2016. This strategy also makes sense if income tax rates are reduced next year. However, if you find yourself paying the alternative minimum tax (AMT) you may need to revise your strategy, since certain itemized deductions (such as income and property taxes) provide little, if any, tax benefit under the AMT. This is especially true if the AMT is repealed as part of comprehensive tax reform. The bottom line is that it makes sense to consult with a tax professional to run the numbers before making financial decisions.

Your investment portfolio sometimes can provide tax-saving opportunities. Capital losses you harvest in 2016 or have carried forward from prior years can offset realized gains. Any excess losses also can shelter up to $3,000 of other taxable income. What's more, taking losses to offset gains can reduce the bite of the 3.8% Medicare Surtax (NIIT) on investment income. Harvesting losses or reducing gains realized this year could be an effective tax-planning strategy if the NIIT is repealed as part of tax reform in 2017.

We think that investors could see some capital-gains distributions before year's end from equity mutual funds, but probably less than last year. For the last few years, distributions were muted from these funds due to carryforward losses incurred during the bear stock markets of 2008 and 2009. Now, after several years of rising markets, those losses have been used up. Therefore, realized gains are being distributed even though some mutual funds have modest returns.

These capital-gains distributions don't pose a problem for tax-sheltered retirement accounts such as IRAs, but they can be a tax surprise for investors holding funds in other accounts. While the stock market recently has risen to record highs, we will be monitoring the situation for opportunities to harvest tax losses (if any) in our wealth-management accounts as year-end approaches.

Trust Point News

We are pleased to announce that Jason Munz in our La Crosse office has been publicly recognized as a Rising Star in the 7 Rivers Region. The River Valley Media Group and the 7 Rivers Alliance teamed up to recognize Rising Stars Under Age 40. Jason was selected from an outstanding group of nominees across three states and 14 counties making up the 7 Rivers Region. Jason joined Trust Point in 2007 and currently serves as Assistant Vice President Regional Account Executive in our La Crosse office.

The 2017 issue of the Coulee Region Women Business and Resource Directory features articles on several notable businesswomen in the La Crosse Community. We are proud that Ilene Kernozek, Allyson Krause, and Jill Taylor from Trust Point were among the business leaders honored.

Ilene has been a financial professional in our Personal Trust division since 2011. Allyson specializes in the administration of company retirement plans. Jill joined the Trust Point team in 2004 and currently is human resource manager.

We congratulate Jason, Ilene, Allyson, and Jill for this recognition. And we thank them for all they contribute to our community!

Meet our Team

Pictured:

Left to Right; Brenda Stuhr, CPA, CTFA; Dar Isaacson, CPA, PFS; Brian Koopman CFP®, CPA, CTFA; Janet Bahr, CTFA; Debbie Seiler; Christine Schmidt, CFP®

Seated; Randy Van Rooyen, CFA® ; Cassie Feller, CPA; Mark Chamberlain, JD, CPA; Leslie Klinski

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