



## Welcome to 2018 from API!

### **Market Trends and Outlook** by Carol

The stock market continued to stay strong in 2017. The best thing about the market was how calm it was. There were no corrections over 3% and 1% movements were also rare. I have been reading and listening to the 2018 market outlooks from many different sources and there seems to be a consensus that we are in the last leg of a 10-year bull market or in the middle of a 20-year bull run. Bottom line – growth should continue in 2018, but prepare for the retreat. The best way to do this is to stay diversified in our asset allocations. Many of our allocations have drifted to higher equity allocations due to its outperformance. A 60/40 allocation has drifted to 65/35, etc. Mutual funds paid more in capital gains in December and we were actively selling and buying in your taxable accounts as we tried to offset the gains with any losses. As always, we appreciate your confidence in us as your trusted advisors and we look forward to working with you in the new year!

### **Estate Planning** by Samantha

This November, I lost my grandma. She was 94 and a collector of just about everything. She had multiple figurine collections, jewelry and other sentimental items. Ever since I can remember, she would always tell my cousins, my brother and me what she wanted us to have when she passed on, but she never wrote any of it down despite us telling her she needed to. She insisted that we all knew what she wanted us to have and writing it down wasn't necessary. Now that she is gone her things seem to mean more and everyone's recollection of what was intended for each child and grandchild has blurred. I would encourage each of you to write down instructions if there are specific items you would like to go to specific people or places. This will help direct items as you intended and will, hopefully, avoid any arguments or fighting as items seem to have more sentimental value after a loved one passes away. While API recommends a trust and/or a will to be written out by an estate attorney, this list of items is not something that would need to be included within the formal trust or will documents, but should be kept with those documents and can be updated as needed without the assistance of an attorney.

	YTD
	Dec 2017
60% Equity/40% Fixed	13.28%
50% Equity/50% Fixed	11.18%
Barclays US Agg Bond	1.18%
S&P	18.97%
DOW	25.08%
iShares (EFA)Foreign	21.79%

### **Ancestry & Genetic Testing** by Sandy

Many people are interested in their ancestry and genetic testing and the popularity of DNA test kits shows this new trend. The most popular tests are AncestryDNA, National Geographic genetics and 23andme. 23andMe has over 2 million customers that have given consent to have their data used for research. Yes, the data is sold. The premise is that the data is sold for research and the buyers are institutions and nonprofits. You do have to consent to your data being used and 80% of their customers do give consent. So, what are the dangers? For a young person who may be applying for health insurance or life insurance in their future, I would advise that their data not be shared and their

*continued on next page...*

## Tax Reform by Carol

President Trump signed the Tax Cuts and Jobs Act of 2017 in December, set to take effect in 2018. Here's a broad summary of the changes that will affect you:

**1. Reductions in individual tax rates.** The bill retains the current structure of seven tax brackets, but lowers rates in five of them. Here's the breakdown of the new vs. current marginal tax rates:

Current Marginal Tax Rate	Proposed Marginal Tax Rate	Income Level (Single Filers)	Income Level (Couples Filing Jointly)
10%	10%	\$0 -- \$9,525	\$0 -- \$19,050
15%	12%	\$9,525 -- \$38,700	\$19,050 -- \$77,400
25%	22%	\$38,700 -- \$82,500	\$77,400 -- \$165,000
28%	24%	\$82,500 -- \$157,500	\$165,000 -- \$315,000
33%	32%	\$157,500 -- \$200,000	\$315,000 -- \$400,000
35%	35%	\$200,000 -- \$500,000	\$400,000 -- \$600,000
39.60%	37%	\$500,000 and up	\$600,000 and up

*Note: capital gains tax remains at 0%, 15% and 20% depending on your tax bracket.*

**2. Personal exemption ending, Standard Deduction is increased and many itemized deductions are eliminated.** For married couples filing jointly, the standard deduction rises to \$24,000 from \$12,700; for single filers, it moves to \$12,000 from \$6,350.

**3. Changes to Itemized Deductions.** These vary, and some might be more impactful than others. Note: most people will end up taking the higher standard deduction and will not itemize.

- **Limits to state and local taxes ("SALT").** Under the bill, you may only deduct up to \$10,000 in state and local taxes, including sales, income, and property taxes. This deduction was not previously subject to limitation. Impact: This will impact Californians who own a home and have a high income that they pay CA tax on.
- **Caps on mortgage interest.** The bill allows mortgage interest deductions for current homeowners, but caps the interest deduction at \$750,000 in mortgage debt for homes bought in 2018 and beyond. It eliminates deductions for moving expenses.
- **Expands medical deductions.** Current law allows for deduction of medical expenses over 10% of adjusted gross income (AGI). The bill lowers the threshold to 7.5% through 2018 only.

Overall, most of our retired clients should see a reduction in their taxes, while those who work and earn more than \$200,000/year will see little or no reduction and will probably pay more due to SALT deduction limitation.

**4. Reduction in corporate tax rate to a maximum rate of 21% (a reduction from 35%).** Also, corporate income earned abroad and brought back to the United States will be taxed between 8 and 15.5%, instead of the current 35%.

The corporate tax reduction should be reflected in a company's bottom line and higher earnings. We feel the stock market already has priced most of the benefits of the tax reform in and there will be a correction to the stock prices of companies that do not show increased cash flow and earnings due to these changes.

## Ancestry & Genetic Testing

...continued by Sandy

sample not be kept for future testing. Despite genetic privacy laws, life insurers can request genetic testing information and thus deny coverage based on your disease risk profile. Law enforcement also has the right to your data.

For people living to age 85, there is a 34% chance of having Alzheimers. Age is also a big risk factor for Parkinson's disease. If you find you have the APOE gene, your risk of Alzheimer's is increased. How the research can help is that the right patients could be put in specific clinical trials. Carol and her kids have been tested. I spit in the tube and sent my sample off to 23andMe to be tested for ancestry results just because I am curious even though all my maternal side came from Sweden. I have not given consent for learning my genetic risk for diseases yet. If you have an interest in this topic, email us for our links to the articles and research.

## Happy New Year! by Erin

After ringing in the New Year in Nashville, I returned home to start 2018 in bed and sick. Hope 2018 treats y'all great with much happiness and health!