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Weekly Market Commentary
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The Markets

It’s time to turn your mind to taxes.

Last week, President Trump signed tax reform, officially titled ‘An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,’ into law.

The legislation provides significant permanent tax cuts for businesses, including reducing the corporate tax rate from 35 percent to 21 percent. Most individual taxpayers will also receive tax benefits, including lower marginal tax rates. However, all of the individual tax breaks will expire before 2026.

In addition, “…the standard deduction has been raised from $6,350 for singles and $12,700 for couples filing jointly to $12,000 and $24,000…With the standard deduction raised to $24,000, many folks will take the standard deduction rather than itemize. Taxpayers itemize their deductions when total deductions exceed the standard deduction,” wrote *Barron’s*.

The new rules won’t go into effect until next year, and that gives you a small window of opportunity. If you act by the end of the year, you may be able to minimize the amount you pay Uncle Sam. For example, you may want to consider:

- Deferring income until 2018, if possible, when ordinary income tax rates may be lower
- Accelerating 2018 planned charitable giving into 2017
- Paying your January mortgage payment by December 31, 2017 as it includes interest for December
- Consider prepaying real estate taxes due in the first quarter and other state and local property taxes before December 31, 2017
- Harvesting capital losses in taxable investment accounts in 2017 and applying net capital losses against ordinary income in 2017 up to $3,000
- Waiting until January to send invoices for payments you typically receive in December, if you are self-employed

One problem with end-of-the-year tax reform is it leaves little time to act. Before making any decisions or taking any actions, please consult with a tax or legal advisor. This is not intended as legal or tax advice.

Data as of 12/22/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.3%	19.9%	18.7%	8.9%	13.5%	6.0%
Dow Jones Global ex-U.S.	1.5	23.2	24.6	5.3	4.7	-0.2
10-year Treasury Note (Yield Only)	2.5	NA	2.6	2.2	1.8	4.2
Gold (per ounce)	1.1	9.4	12.1	2.0	-5.3	4.6
Bloomberg Commodity Index	2.0	-2.0	-0.7	-7.1	-9.2	-7.3
DJ Equity All REIT Total Return Index	-2.3	7.1	9.1	5.7	9.6	7.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

PERHAPS IT'S BEST TO USE OLD NEWSPAPER AND STRING. Here's something to keep in mind next holiday season when you get ready to wrap gifts. If you have any doubts about whether your spouse will appreciate the workout gear, your daughters-in-law will love the bathroom rugs, or your adult son will value the hand-crocheted vest you made for his hunting dog, then you should not wrap your gifts in beautiful paper and ribbons. Perhaps, you shouldn't wrap them at all!

Researchers from Yale and the University of Miami recently reviewed the work of economists and psychologists who have explored what produces lasting happiness and its implications for gift giving. They also conducted some field trials. The findings were unexpected, as *The Economist* explains:

> "Americans spend $3.2bn a year on wrapping paper. Yet their work not only fails to enhance joy, it creates unrealistic expectations that lead to discontent. Gift wrappers may think they are transforming the mundane into the magnificent; recipients seem to experience the process in reverse, with disappointment the result."

It brings to mind that old saying about putting lipstick on a pig.

Of course, few people select an undesirable gift on purpose. The good news is that researchers can offer some insight into gift giving, too. In general, there are two gifting strategies: recipient-focused and giver-focused. If you rely on the former, you choose gifts based on what the person you're buying for likes. If you prefer the latter, you give things you like.

It may seem counterintuitive but studies show that, "You and the recipient will likely feel closer to one another if you buy them a gift that says something about you, not them."

Now, for the bad news: It's not a definitive solution. Researchers caution that giving a gift you like "could signal self-obsession or narcissism."

If you find the challenges of gift giving to be too much, consider giving a nice IRA or a college fund.

Weekly Focus – Think About It

"We elves try to stick to the four main food groups: candy, candy canes, candy corns, and syrup."

--Buddy, Main character in the movie Elf

P.S. Please feel free to forward this commentary to family, friends, or colleagues.

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