

A quick look at the Tax Cuts and Jobs Act

One of the major news stories of late 2017 was Congress' passage of the 2017 Tax Cuts and Jobs Act, referred to as "tax reform" by investors and lawmakers alike. The new law bears a number of changes that investors may want to know.

"The Tax Cuts and Jobs Act (TCJA) is meant to help stimulate the economy, as well as to give businesses incentives to create jobs here and to reinvest profits within the United States," said Steve Guinn, CIMA®, AIFA® and Client Advisor for Regency Investment Advisors. "It's also meant to put a little more money in people's pockets."



Steve Guinn

Here's a look at some of the details:

- **Tax brackets:** While the TCJA maintains the same seven income tax brackets, it lowers most of the tax rates within those brackets and increases the dollar thresholds that define brackets, which should translate into a reduction in Federal income taxes for most.
- **Standard deductions:** The TCJA nearly doubles standard deductions for individuals and families,

raising it to \$12,000 for an individual and \$24,000 for a family. It also doubles child tax credits to \$2,000 per qualifying child under age 17. Finally, it adds a tax credit of \$500 per qualifying dependent that does not qualify for the child tax credit.

- **Capital gains:** The TCJA does not make major changes to taxation of long-term capital gains or qualified dividend income. Instead it increases the phase-out periods, which is important for investors.
- **Alternative Minimum Tax:** The TCJA eliminates AMT for corporations, and increases the AMT threshold for individuals, allowing individuals to make more money while reducing the risk of getting bumped into AMT territory.
- **529 Plans:** Previously, 529 Educational Savings Plans were meant to fund only college-level expenses. But the TCJA now allows investors saving into 529 plans to pull out \$10,000 per year for qualified elementary- and secondary-school educational expenses as well, which may provide a benefit for those utilizing private schools.
- **Estate taxes:** The TCJA doubles the exclusion amounts for estate and gift taxes to \$10 million in 2017, and increases it further to \$11.2 million in 2018. It also retains the stepped-up basis in estate property.

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Schwab will mail out their 1099 Composite Reports reflecting 2017 tax reporting information between mid and late February. This should minimize the number of corrected Form 1099s you may need to receive. Any corrected 1099s should be mailed in March.

The SEC recently updated parts of the Form ADV for Advisors, and Regency will file additional new and updated responses by the end of March. Want to review ours? Visit www.adviserinfo.sec.gov or call Regency for a copy.

While headlines appearing as the law was crafted may have raised concerns, in the end the Tax Cuts and Jobs Act made no drastic changes to tax-deferred retirement savings plans. Contribution limits and tax deferrals on IRAs and 401(k)s did not change. Exemptions to interest paid on some municipal bonds did not change. And changes to the tax cost of securities really didn't happen. The TCJA still maintains investors' ability to harvest losses and use them to potentially reduce taxes.

So how might all of this affect individual investors? "The Tax Cuts and Jobs Act is certainly not a cookie-cutter law, and while Regency knows a lot about taxes we do not provide tax advice," Steve said. "Even with raised awareness about these highlights, it'll be important for clients to contact their tax advisor to learn how the TCJA could affect their situation."

Have a question about your investment accounts? Contact your Regency advisor today at (559) 438-2640.

REGENCY MARKET COMMENTARY: THROUGH JANUARY 31, 2018

Key Indexes Source: Morningstar	YTD	1 yr	3 yr	5 yr	10 yr	20 yr	2017
DJ Industrial Average – Large Cap	5.88%	34.80%	17.98%	16.36%	10.41%	8.66%	28.11%
S&P 500 – Large Cap	5.73%	26.41%	14.66%	15.91%	9.78%	7.44%	21.83%
Russell 2000 – Small Cap	2.61%	17.18%	12.12%	13.33%	9.76%	8.12%	14.65%
MSCI EAFE – Foreign Large Cap	5.02%	27.60%	9.39%	7.85%	3.44%	5.27%	25.03%
Barclays US Aggregate – Bonds	-1.15%	2.15%	1.14%	2.01%	3.71%	4.86%	3.54%
USTREAS 3-Month T-Bills	0.11%	0.78%	0.37%	0.24%	0.33%	1.94%	0.71%
IA SBBI US Inflation	0.03%	1.55%	1.81%	1.38%	1.57%	2.14%	2.11%

In looking back at 2017's market performance, two conclusions become clear. First— perhaps obviously — returns in 2017 were good:

- U.S. large caps (S&P 500) returned 21.83 percent;
- U.S. small caps (Russell 2000) rose 14.65 percent;
- Foreign developed markets (MSCI EAFE) grew 25.03 percent; and
- Emerging markets (MSCI EM) rose 37.28 percent.

Even bonds had good returns. The Barclays Aggregate bond index rose 3.54 percent and the Credit Suisse High Yield index increased 7.03 percent. It's not often investors experience that level of growth in both equities and bonds.

Second, from a volatility standpoint the markets were pretty tranquil. The VIX (a measure of market volatility) hit several record lows in 2017, so investors did not suffer through too many bumps in 2017.

The driver for 2017's performance was economic growth, characterized by analysts as a "synchronized global expansion". Inflation is showing signs of increasing, demand across developed and emerging countries is on the rise, and unemployment is well below 5 percent in the U.S. and is falling rapidly across Europe. These economic improvements are the engine for this synchronized global expansion.

The dollar was weaker in 2017, declining about 7 percent when measured against a basket of diversified currencies around the world. A weaker dollar was good for U.S. investors with exposure to foreign markets. Comparing returns of foreign developed and U.S. domestic markets in 2017, foreign markets performed better as demonstrated by the MSCI EAFE's 25.03 percent rise against the S&P 500's 21.83. This represents a reversal from 2016, when U.S. markets significantly outperformed foreign markets. At the end of 2016, some investors were curious as to why they should remain invested in the then-lackluster foreign markets

while U.S. market returns were strong. The reversal of comparative performance in 2017 illustrates the importance of remaining diversified.

Regency remains committed to diversification. Our portfolios are diversified on multiple levels as we seek to reduce their vulnerability to any one asset class, sector, or country. That emphasis on remaining diversified — not just between asset classes or U.S. vs. foreign markets, but also among our manager's investment styles (growth vs. value) — keeps Regency away from the practices of attempting to time markets or chase "hot" trends.

Looking ahead, market prognosticators believe 2018 will be a positive year for equities. The expectation for 2018's returns are not as resoundingly positive as they were in 2017, but they could land in the mid to upper single-digit returns, with domestic equities likely to be outperformed by foreign and emerging markets as economic growth and recovery continues to gain strength overseas.

Update: As always market sentiment can turn quickly. The first few days of February have seen the return of volatility in a dramatic fashion. The S&P 500 has fallen 7.8 percent over the past six trading days (as of 02/05/18). But it is important to keep things in perspective. This pullback takes the market back to its level on Dec. 15, 2017, so it has erased about two months' gains of a roaring bull market. The downturn represents a "healthy correction" for the S&P 500 which was "up" for 15 straight months generating a return of 36.22 percent. The economy and earnings growth are strong and the global economic expansion should continue pushing ahead. Declines of 10 percent or less are very normal, and allow investors who have missed out on gains an opportunity to invest in the market at a cheaper price.

Regency's portfolios are not always going to be the top performers in terms of generating gains. To Regency, in addition to investing for the long term, the entire point of diversification is to prepare your portfolio and investments for an unknown future. We believe that remaining in a diversified portfolio with an appropriate risk level allows investors to weather the "ups and downs" of the market. Want to know more? Contact your Regency advisor at (559) 438-2640.

FOCUS 360 Disclosure: Past performance is not indicative of future results, and inherent in any investment in the market is a possibility of loss. There are inherent limitations in making assumptions due to the cyclical nature of the market.



Comfort for the Story's End

From time to time Focus 360 will include profiles of people and organizations making a difference in our community. It is not known whether those profiled approve or disapprove of Regency Investment Advisors or its advisory services provided. This article reflects the opinions of those interviewed and should not be taken as a request for you to donate to any particular organization.

For some, the end of life is the end of a story. Picture the family elder, surrounded by family and friends, sharing tales of their younger years. Or picture the middle-aged, telling stories of how they succeeded or failed, the joy and pain they experienced in life, and of how they miss those loved ones who've gone before them. Or the child, listening to stories of family and friends, hearing comforting tales of seeing those loved ones again as they move into a better place. Such stories bring comfort, warmth, even within moments of unimaginable sorrow.

But all such life stories come to an end. It's that ending — which brings losses both unimaginable and inevitable to those left behind — that gives purpose to local nonprofit Hinds Hospice.

Hinds Hospice has been helping the Central Valley find healing from those losses for nearly four decades, softening endings and guiding survivors through so many a story's end throughout the Valley. And while many hear the word "hospice" and think of a facility that serves the terminal, Hinds Hospice helps the living cope with losses and endings in ways many have never considered.

"Hinds Hospice touches thousands of people experiencing loss each year, and many of those we help may not have had a loved one in hospice care," said Amy Tobin, Chief Executive Officer for Hinds Hospice. "They may have just lost someone and are grieving, and need a safe place where they can get help with their grief. Thanks to our area's generous support, we're able to do outreach and open up our services to the community as a whole. We do it because it's part of our mission."

Tobin said that when most people think of Hinds, they think of the six-bed Hospice Home, which remains an important part of what they do. "In addition, we generally see approximately 250 patients every day in their own homes. We maintain our Center for Grief and Healing, for people who have experienced the loss of a loved one, an infant or child," she said. "We also offer Hinds Kids Concurrent Care, the only hospice in the Fresno



Amy Tobin

area with a full spectrum of care for children diagnosed with a potentially life-threatening illness."

Among the next chapters in Hinds' story is a limited roll out of our palliative care program. "It's a newer area for us, and an opportunity to provide pain and symptom management for patients with a serious health issue," Tobin said. "Patients still receive medical care and get many of the benefits of hospice care even when they are still seeking a curative treatment for their illness." Hinds has also grown geographically, expanding its staff and its services offered beyond Fresno, into Madera and Merced Counties.

Of course, the story of expanding care requires an engine for providing that care. "We're a 501(c)(3), so our funding comes from anywhere and everywhere," Tobin said. "Medicare and other payer sources pay a certain amount for patient care, and we need to generate approximately \$2 million every year in donations to help bridge the gap." The Hinds Hospice organization accomplishes this through events, grants, gifts from individuals and businesses, as well as through revenue from volunteer-staffed thrift stores in Chowchilla, Clovis and Merced.

"We couldn't do what we do without an army of volunteers," Tobin said. "We have more than 300 volunteers who do everything from assisting in homes, administrative tasks, event help, sustaining the Hospice Home itself, and staffing our thrift stores. And we're always seeking and welcoming new volunteers."

The organization's next major event is the Angel Babies Walk Run, a 5K walk and two-mile run scheduled April 21, 2018. "Many of the families who participate have lost a baby," Tobin said. "It's really a touching day, and a great event for people who have experienced that loss, to be with others who understand the journey they're on and the pain they've experienced. It also provides essential operation revenue that helps to make the Angel Babies program possible."

Tobin added that the demand for hospice care is increasing due to an aging population. "Hinds Hospice is in phase two of a feasibility study exploring building a larger inpatient hospice home. The results of this study will help to shape what a new community based hospice care center might look like, and what it could cost."

So how would Amy Tobin tell the Hinds Hospice story? "I would say that Hinds Hospice truly is the valley's hospice. Our founder Nancy Hinds began the story by caring for people in her own home before hospice was even a recognized form of care" Tobin said. "For 37 years we've really been at the forefront of defining what an ethical and mission-driven nonprofit hospice can be. And we're proud of that."

For more information about Hinds Hospice — including details on the Angel Babies Walk Run — visit the Hinds Hospice website at www.hindshospice.org.



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Hot Topics: Betting on Bitcoin?

By Alex Amundson, Servicing Advisor & Paraplanner

You've likely seen headlines recently about Bitcoin. Those headlines seem to treat Bitcoin as an investment, touting values that climb and fall wildly almost by the hour. Some of those stories even claim that "The time to invest in Bitcoin is now."

So what exactly is Bitcoin? Despite the headlines it's not an investment. Instead it's simply a *currency*, a means by which people exchange units of value, similar to the Dollar, the Euro and the Pound. But as a currency Bitcoin is unusual in that it exists only in cyberspace without physical form. Called "cryptocurrencies," Bitcoin and similar online value exchanges have no tangible backing in the real world like gold or silver, and no backing from any governmental body.

Right now cryptocurrencies are accepted as a means of value exchange, but only by those who choose to use them. Some are touting the way cryptocurrencies could change international money movement. They carry an advantage in the fact they're free of regulation, so there are no hoops to jump through when moving the money. It's almost like bartering online with "money units"



Alex Amundson

invented by your IT department. But unless your local grocery store or auto dealer starts accepting Bitcoin or other cryptocurrencies, you'd be hard pressed to use them to pay for anything tangible.

Bitcoin is grabbing headlines because of its price actions. When a stock, bond, commodity or currency experiences wild price fluctuations — when it's worth 21,000 one day, 10,000 the next and rebounds to 16,000 the next — it's bound to grab a few headlines, as well as the attention of speculators. That's more or less what Bitcoin has been doing. But aside from speculation there's no tangible factor driving or supporting those values. As such, Regency does not see a place in well-planned investment portfolios for such speculation. We focus on investing for the long term, not on short-term speculation.

It's an old narrative; a story investors have encountered a million times, from dotcoms in the early 2000s all the way back to tulip bulbs in the 17th Century. Someone anoints something as "the next big thing" and promotes it to the point where bandwagon investors drive the value sky-high. Until demand evaporates, that is, and the bubble bursts. And as to whether such cryptocurrencies will even exist in a few years, well, no one can say.

Have questions about Hot Topics in investing? Call your Regency advisor at (559) 438-2640.
