

First quarter 2018

FYI

Bringing you the inside news from Arnerich Massena's Wealth Management Team



by Glen Goland, JD, CFP
Senior Wealth Strategist

2018 launched with busy accountants and lawyers, as both groups work hard to interpret and apply the Tax Cuts and Jobs Act of 2017 ("the Tax Reform Act"), signed into law on December 22. The speed at which the bill was drafted has left taxpayers with more questions than answers. Reams of paper and many gigabytes of data have been spent looking at the big picture and comparing tax brackets, corporate structures, exemptions, and deductions. We'd like to take this opportunity to instead focus on two less-discussed areas of the Tax Reform Act which may present planning opportunities for our clients: charitable giving and education funding.

One of the most gratifying aspects of the work we have done at Arnerich Massena over the last few years has been helping our clients give over \$100 million to charitable causes. It is an honor to work with such generous families as they make these gifts. Charitable giving may require a different strategy under the Tax Reform Act for two reasons:

The federal estate tax exemption has been doubled.

The larger estate tax exemption means that families may now pass up to \$22 million to their heirs free of estate tax. Given how much Congress and the President have eased the federal estate tax burden under

the Tax Reform Act, families with assets between \$10 and \$20 million may want to reconsider the provisions of their documents, as charitable gifts may no longer be necessary to avoid federal estate tax. Be warned, however: the changes to the estate tax exemption are scheduled to sunset in 2025, with the federal exemption dropping to a range of about \$6 million/person on January 1, 2026. The changes also only affect federal estate taxes; state estate taxes remain largely unchanged.

Many of the non-charitable itemized deductions that taxpayers have utilized for years have now been reduced or eliminated.

The Tax Reform Act doubles the standard deduction and reduces or eliminates the deductibility of state taxes, professional expenses, and mortgage interest. The deductibility of charitable contributions is largely unchanged. Congress expects that, under the Tax reform Act, 95% of taxpayers will be electing the standard deduction (and therefore realizing no tax benefit for their charitable gifts).

Families may want to consider maximizing the tax impact of annual gifts by making a larger, one-time gift to a donor-advised fund (DAF) and taking the charitable deduction as an itemized deduction in that year. Assets may then be gifted to charities from the DAF over the next few years (while the taxpayer takes the standard deduction).

(cont.)

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Practical Planning in the New Year

Quick steps to get your financial house in order



by Katherine Fox
Paraplanner

The start of a new year is often looked at as an opportunity to start fresh. If you are the resolution-making type, or if you just like to “take stock” of things each January, here are a few quick steps to help get your financial house in order:

1. Gather and organize all information on medical expenses, charitable gifts, professional service fees, mortgage interest, and other deductible items.

The 2018 tax year is going to be full of radical changes to the itemization of deductions, but taxes filed for the 2017 tax year will still fall under the old rules. Collect all of your receipts and gift confirmation letters, and list each item on those Goodwill receipts while

the data is fresh in your head — those deductions are worth more now than they will be going forward.

2. Set your employment-based retirement accounts to maximize your contributions.

An individual may contribute up to \$18,500 of his or her earnings to a 401(k) in 2018 (about \$1,500/month). If you don't have a 401(k), you can still contribute \$5,500 to an IRA. There is no more powerful tool in wealth building than compounding interest — especially in a tax-deferred retirement account — so make this the first “bucket” you fill each year as you save for retirement.

3. Create/update a net worth statement and talk about it with the appropriate people.

The starting point for all of our planning projects here at Arnerich Massena is the devel-

opment of a document that lists all assets and liabilities, their value, and whose name is on what (how things are titled). A net worth statement can act as a foundation when setting annual savings goals. It can also serve as an estate attorney's roadmap for preparing planning documents, and can save the family legal expenses if an individual passes away during the year, as it will reduce the time spent gathering and inventorying assets. Once you've created the net worth statement, share it with your family. One of the best ways to ensure your finances are spent as planned is to maintain clear lines of communication with everyone involved — make 2018 the year you communicate with your family about finances.

4. Check your credit. It is likely that there will continue to be breaches in data security in

2018. We are each entitled to a copy of our credit report annually from Experian, Equifax, and TransUnion — the three major credit reporting agencies — and each has instructions on their respective websites for how to access your report. We recommend that clients check their credit with one agency in January, another in May, and the third in September; this allows you to check it every four months at no cost. If you do not need to access credit in the immediate future and wish to prevent anyone from opening an account in your name, you can freeze your credit with each agency. That process takes about a half hour and will cost you \$50-\$60.

Please contact our team if you'd like assistance preparing a net worth statement, monitoring your credit, or navigating your retirement account at work.

A Look at Tax Reform (cont.)

529 savings can now be used for K-12 education.

Families that are putting funds aside for future educational expenses were granted an unexpected gift from the Tax Reform Act: up to \$10,000 of private K-12 expenses may now be paid (tax and penalty-free) from 529 savings accounts. 529 plans offer the ability to make large up-front tax-free gifts with tax-free growth, for a child's future college education. Now, they offer tax-free withdrawals for qualifying expenses through the child's entire educational journey. If you have done education planning in the past and you have an eye on private primary or secondary school for your child, you may want to revisit that planning to make sure you are making the most tax-efficient use of your education dollars.

When Congress passes massive legislation, like this tax reform package, there are invariably problems that arise — especially when there is a lot of last-minute horse trading as there was in December 2017. Historically, the IRS or judges in the tax court would review the notes from the legislative sessions leading up to the bill when interpreting its provisions and providing guidance to taxpayers. Additionally, Congress usually passes technical corrections bills when it becomes apparent that a new law is producing unintended consequences.

The manner in which the Tax Reform Act was passed left no time for public comment or debate, so the “legislative history” of the bill is largely a collection of Tweets and comments from interviews. In addition, any technical corrections bill will have to clear a Democratic filibuster, which seems unlikely. The result? The version of the bill that President Trump signed is probably going to be difficult for taxpayers to interpret and difficult for Congress to modify. We will keep you informed as we hear about new developments. Please call us if we may be able to help you navigate these changes.





Where in the world are our analysts?

An interview with co-CIO Bryan Shipley and senior analyst Matt Bryant



by Kate Deines
Investment
Advisor

Where have you been recently?

Bryan Shipley, Co-CIO, and Matt Bryant, senior analyst, spent two weeks traveling last fall, visiting Singapore, Hong Kong, and Mumbai. With a huge proportion of the world's population, these countries are all massive global economic forces. Emerging markets are currently experiencing major transitions, and this was an ideal time for a due diligence trip to the region.



Bryan P. Shipley,
CFA, CAIA
Co-CIO



Matt Bryant
Senior Research
Analyst

Why travel across the world to meet with our managers?

There is nothing quite like having a firsthand experience with a team that has boots on the ground in a specific country or region. Traveling reinforces the fundamental difference between hopping on a phone call and getting the opportunity to build rapport with our managers face to face, and provides a deeper understanding of trends, influences, opportunities, and challenges in different parts of the world. It also gives us peace



Singapore

Arnerich Massena



Hong Kong skyline

of mind knowing there continues to be a strong alignment of interests between our investors, firm, and managers.



India

Was there anything different from the expectations you had going into the trip?

The transition from a manufacturing economy to a consumer-driven economy throughout Hong Kong and China is tangible. It was fascinating to see this change occurring firsthand.

The juxtaposition between highly developed companies versus small microfinancing opportunities underscores a huge divide within India's economy. Despite one of the world's fastest growing populations, Mumbai is significantly lacking modern infrastructure to support its rapid growth.

Actually being there and experiencing the massive change and growth in these areas gives us direct evidence to support our emerging markets investment thesis and strategy.

What was the highlight of the trip?

We arrived in Mumbai the night before Gandhi's birthday. In the midst of fireworks, rituals, and celebrations, we spontaneously joined the endless parade.



Gandhi's birthday celebration, Mumbai

Final takeaways?

Our trip reinforced the reality of globalization and the importance of continuing to build globally diversified portfolios for our clients. Being there in person allowed us to get a flavor of the nuance and environment, reminding us how important it is that our managers be immersed in the culture, politics, and industries of the places where they invest. We continue to be impressed by our international managers' exclusive access to global investment opportunities.



PHILANTHROPY
FOCUS

Current Capital Calls and Fundraising Events

The Freshwater Trust is hosting "Faces of Freshwater," a benefit for the trust, at Castaway Portland on March 8, 2018.

Oregon Episcopal School is holding their fundraising auction, Aardy's Enchanted Auction, on March 10, 2018.

Clackamas Community College Foundation has several current bond initiatives, including facilities and campus upgrades and an industrial tech center. For more information, [click here](#).

The Dougy Center is holding its annual Porsche Boxter Raffle — the winning ticket will be drawn on May 11, 2018.

PeaceHealth Southwest Medical Center Foundation is launching a \$10 million fundraising campaign to increase access and quality of care for cancer patients. See the *Philanthropy Focus* article for additional details.



www.arnerichmassena.com



Philanthropy Focus:

PeaceHealth Southwest Medical Center Foundation: Saving Lives in Southwest Washington



PeaceHealth
Southwest Medical Center
Foundation

PeaceHealth Southwest Medical Center has served the southwest Washington community since its founding in the 1850s by Mother Joseph. Now one of ten hospitals run by the Sisters of St. Joseph of Peace, PeaceHealth Southwest continues to serve all who come through its doors, providing safe, compassionate care regardless of ability to pay.

Philanthropy has played a vital role at PeaceHealth Southwest since its inception. Gifts from donors allow us to enhance medical programs and services, provide charity care, and purchase the technology and equipment that can save more lives every day.

PeaceHealth Southwest Medical Center is southwest Washington's regional center for cancer care and is known for its rare and highly-utilized cancer treatment technologies such as the Cyberknife and daVinci Robot. Its skilled medical oncologists create



Sean Gregory, Chief Executive, PeaceHealth Southwest Medical Center (Vancouver, WA) and Peace Health St. John Medical Center (Longview, WA)

“Our cancer campaign will be successful thanks to support from generous people throughout our region. Donations will help us defeat cancer and restore health to thousands of future patients in our southwest Washington community,” Sean Gregory, Chief Executive.

clinical treatment plans rooted in their deep experience and the latest research to deliver treatment outcomes superior to national averages.

Cancer is tied with heart disease as the #1 killer in our region. The PeaceHealth Southwest Foundation is embarking on a \$10 million fundraising campaign to increase access and quality of care for all cancer patients. While advances in cancer care are producing higher cancer survival rates, there is an opportunity for us to do more.

Throughout our community, our family members, friends, and neighbors rely on PeaceHealth Southwest to provide the very best cancer treatments. With this campaign we will strengthen access to cancer care for our community. We invite you to partner with us to continue to provide comfort, healing and access to cancer care for all who come through our doors. Learn more at www.peacehealth.org/givingstrength.



PLEASE JOIN US

On May 31st, donors of \$1000+ or who have PeaceHealth Southwest in their estate plans are celebrated at our annual Cascade Society Dinner in Vancouver, Washington. For more information about becoming a part of our donor society, please contact, Jennifer Wilkerson 360-514-3314 or jwilkerson@peacehealth.org.



PARTNERING IN OUR COMMUNITY

Arnerich Massena's advisors are committed to staying involved. Here are a few of the activities we participated in the fourth quarter:

- Reegan Rae, CPWA, sits on the Board of the Oregon Ballet Theatre and chairs their Investment Committee. 
- Ryland Moore and Glen Goland, JD, CFP, sit on the Endowment Committee of the Cascade Pacific Council of the Boy Scouts of America. 

- Ryland Moore is President of the Board of the Oregon Wildlife Foundation and a Board and Investment Committee member of Parkinson's Resources of Oregon. He also serves on the Headwaters Council for The Freshwater Trust. 
- Terri Schwartz sits on the Board of the OR & SW Washington American Cancer Society and on the Board of Trustees of the Randall Children's Hospital Foundation. 
- Chris Van Dyke, CFA, CAIA, volunteered with Benson Tech Foundation, the Institute for Philanthropic Excellence, and World of Speed. 

Arnerich Massena sponsored the JE Dunn "Who Dunit?" Golf Tournament to benefit PeaceHealth Southwest, the PSU Foundation Simon Benson Awards, the Scouting Heritage Society Reception, the Shooting Star Foundation launch party, the Umpqua Community College Foundation Legacy Ball, the Randall Children's Hospital Foundation MyRCH event.