Scott & Stringfellow

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DECEMBER 2017

*market*DATA

	Price	YTD	1 Month	3 Months
Dow Jones [1]	23,458	18.70%	2.18%	6.51%
S&P 500 [2]	2,585	15.49%	1.09%	4.76%
NASDAQ [1]	6,793	26.20%	2.56%	7.06%
Russell 2000 [3]	3,695	9.56%	-1.05%	7.47%
Wilshire 5000 [4]	26,678	14.63%	0.82%	4.98%

Data as of: Nov. 16, 2017
[1] Source: Google Finance
[2] Source: StandardandPoors.com
[3] Source: Russell.com
[4] Source: Wilshire.com

*quick*SHARE

We wish our valued clients a wonderful holiday season and a happy, healthy and prosperous 2018. We look forward to continuing our relationship with you in the coming year and for many years to come. Happy Holidays!

As we approach year-end, it seems the conversation has turned to the unavoidable…taxes. Both the House and the Senate are headed down a road to reduce taxes for many, if they can agree amongst themselves on what and how to reduce, a task once thought straightforward but already becoming a bit tangled. The likelihood of simplification seemed to be lost in the 429-page proposed "Tax Cuts and Job Act," but it's possible it takes a lot of pages to undo loopholes. Maybe increasing the standard deduction and removing exemptions does make it simpler?

The markets seem to be embracing a call for lower tax rates on corporations, but it's far from a bear hug given the uncertainties that still swirl around whether a reduction in any form can actually be passed. The likely delay of any rate reduction until 2019 could provide companies with 12 months to load up on deductible capital expenditures, which could provide a boost to the U.S. economy in 2018. It could also provide a boost to equity markets, as we are hearing a rate cut could equate to $7-$15 in additional annual earnings per share for the S&P 500.

Markets were further buoyed by the nomination of Jerome Powell as the next chairman of the Federal Reserve. His approval is seen as a continuation of current policies, and consistency is usually calming to any market. Even though a rate increase is widely anticipated at the Fed meeting in December, with more probably later in 2018, the strength of the economy and a tepid inflation environment would seem to allow the Fed to be measured in its future actions.

There are lots of reasons to be optimistic: Global synchronous growth with low interest rates as equity markets around the world mostly move higher, tax cut possible, low volatility just to name a few. But worries remain and should not be dismissed out of hand. What if the tax bill doesn't pass? What if Brexit becomes a mess? What if politics (i.e., Alabama election, staff departures, Mueller investigation) muck up the works? NAFTA negotiations, North Korea, OPEC…the wall of worry is in place. But Santa Claus is just around the corner, possibly with rally in hand, or at least it's been that way historically. And this time, it would seem economic growth provides the necessary base for market decorations.

Wishing you and yours all the joys of the season and prosperity over the long-term.

Source: Sterling Capital Management – Nov. 16, 2017

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NON SPOUSAL INHERITED ANNUITIES

Beneficiary Options

Before cashing out your inherited annuity by choosing the lump sum, you may want to explore other options. Appreciation that exceeds the original investment amount will be taxable to you as ordinary income. Since annuity distributions are taxed using a “last in, first out” (LIFO) methodology, gains are distributed first.

You may want to consider exercising the five-year option to give you time to amortize this taxable gain and control your annual tax liability. The total value of the gain must be distributed within five years. The cost basis can be withdrawn tax free once all of the gains have been removed.

The annuitization option is tax efficient since each payment is part return of principal and part gain. The payments can also be set up as lifetime payments for up to two lives. Since the calculation is based on life expectancy, it is possible to receive more than the lump-sum option if you live long enough. This option provides little or no liquidity as the value is converted to a stream of income and no longer available for cash withdrawals.

The non qualified stretch is a lesser known option that allows you to receive payments similar to a required minimum distribution but for non-IRAs. You can stretch your required withdrawals out for your lifetime and spread the tax burden over many years. You still maintain control of the account value so if you need to withdraw more than the minimum required you are allowed to do so.

If you have inherited an annuity, please read the contract carefully and consider consulting a tax advisor to determine what works best for your financial and tax situation.

2018 LIMITS

Here is a handy guide to the annual limits and other numbers of interest to get you ready for 2018.*

IRAs	
Contribution Limit (Traditional and Roth)	$5,500
Catch-up Contribution Limit (ages 50 and older)	$1,000
401(k)s	
Elective Deferrals	$18,000
Defined Contribution Limit	$55,000
Compensation Limit	$275,000
Catch-up Contribution Limit (ages 50 and older)	$6,000
Highly Compensated Employees	$120,000
Non-401(k) Related	
403(b)/457 Elective Deferrals	$18,500
SIMPLE Employee Deferrals	$12,500
SIMPLE Catch-up Deferrals (ages 50 and older)	$3,000
SEP Defined Contribution Limit	$55,000
SEP Minimum Compensation	$600
SEP Annual Compensation Limit	$275,000
Defined Benefit Plan	$220,000
Social Security Wage Base	$128,700

**Source: irs.gov*

Please note, this general listing of the referenced plan limits is meant for information purposes only. Other requirements and/or restrictions may apply.