

MONTHLY
NEWSLETTER

The Advisor

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I am happy to present this month's market commentary from our Investment Team. The goal is to give our clients and friends a simple way to see everything they need to know about the financial markets on a weekly basis, in 5 minutes or less. After all, investing should be simple, not complicated.

THE RECENT FRENCH ELECTION

Preventing future terrorist attacks was apparently not on the minds of the French people as they went to the polls and voted for Emmanuel Macron as the country's next president. Macron had run on a pro-Europe, pro-EU platform, but it was his opponent who ran on the need for stricter vetting of refugees.

At 39, Macron is the youngest person to hold the position since Napoleon.

The French presidential election occurs in two phases and Emmanuel Macron and Marine Le Pen were the top two finalists who survived the first round two weeks before and sought political victory in a second round that happened two weeks later. Election result projects in France gave Macron two thirds of the vote.

Instead of leading another country to exit the European Union, Macron embraces the EU and campaigned on his commitment to the union.

Macron's competitor's campaign for the presidency never had a chance, since media around the world did not print her name without amending it with the term "far-right." The image of an extremist, instead of a patriot or nationalist dealt the decisive blow that ended Marine Le Pen's chances for victory.

Macron was characterized throughout the campaign by all media sources as a "pro-EU centrist." The French have more of an appetite for remaining in the EU than their neighbors in the UK. Macron has made clear that he won't make the UK's exit from the EU an easy one.

Background and Future

Macron has been in government and in the private sector. He has worked as the Deputy Secretary General and



Economy Minister for former French president Francois Hollande. Macron has held other governmental posts. He spent four years with Rothschild Bank, which has allowed the media to cast him as an "outsider." He ran as the candidate for the En Marche! party.

As an insider, Macron has pledged to keep the status quo and keep France in the EU.

The French presidential campaign had the lowest turnout since 1969 at 74 percent. More than 12 million registered voters abstained. There was little or no "cross-over" vote as the Macron campaign had hoped.

Now, Macron has to install enough of his supporters in the French parliament election. His party is hoping to achieve

a majority in France's 577-seat National Assembly. This would allow him to push through legislation with little resistance.

Macron's agenda includes plans to make domestic changes to France's entitlement and unemployment insurance programs. This would include government pensions.

The polling numbers indicate that the new president's party would get 31 percent of votes with Le Pen's party in second place.

The new president comes into office with some controversy, although the French newspapers are mostly mute on the issue.

Macron's 64-year old wife is his former teacher. They met in 1992 when Macon was 15-years old. She was his literature teacher and a married mother of three at the time. Rumors that have sprung up from these facts were not enough to sidetrack his campaign though.

THE TRUMP ADMINISTRATION TAX REFORM PLAN

Reducing personal and corporate tax rates was a centerpiece of the new Trump tax proposal which came out April 26, 2017. The changes are meant to stimulate domestic corporate profits and hiring while giving the middle class a tax break. The other goal of the proposal is simplification of a process that has grown far too complex for the average person.

With any changes to the current tax code and the way personal taxes are collected, there is substantial interest in how tax revenues might be affected and what taxpayers can expect for popular deductions.

According to Treasury Secretary Steven Mnuchin, the structure is "a tax plan that will count partly on revenue from economic growth spurred by tax cuts and partly on revenue from limiting deductions and other tax breaks."

The White House blog states that the focus of tax reform has centered on: "job creation, economic growth, and

helping low and middle-income families who have been left behind by this economy."

The U.S. has the highest corporate tax rate among developed countries. This was an issue the president addressed regularly on the campaign trail. Also, there have been nearly 6,000 changes to the U.S. Tax Code since 2001.

With this in mind, the tax reform proposal seeks to cut taxes for business to increase competitiveness and cut taxes for taxpayers to increase household income.

Some Specifics

The new tax proposal is also about simplification. The administration points out that "In 1935, we had a one-page tax form consisting of 34 lines and two pages of instructions." Today, the basic 1040 form has 211 pages of instructions and the IRS offers 199 tax forms just for individual tax payers. The White House blog states that taxpayers spend nearly 7 billion hours complying with the tax code each year.

Part of the reform package would reduce the current seven



marginal tax brackets to only three; 10, 25 and 35 percent. The plan proposes doubling the standard deduction. For married couples, there is a zero percent tax rate on the first \$24,000 of earnings. The plan also eliminates the Alternative Minimum Tax (AMT). The doubling of the standard deduction means that fewer people will need to itemize, further reducing the complexity of filing.

The top tax rate on capital gains and dividends would be 20 percent. (which would repeal the 3.8 percent Obamacare tax) The death tax would be repealed also. This would help with reducing all of the strategies required to save heirs from a big tax bill.

The cut in capital gains is intended to ignite more capital investment to stimulate growth. Mnuchin said in a recent interview that "We're going to make sure this is tax

reform, not just tax cuts, and that they're paid for."

The plan, Mnuchin says, will rely on new revenues generated by a more robust economy. He anticipates that tax revenues will remain buoyed by the new reforms. The plan calls for comprehensive tax reform to grow the economy, simplify the tax system and not reduce government revenues.

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K Richard Douglas has worked in the financial services industry for 26 years, with an additional 10 writing about financial and economic topics. He's a former series 9, 10, and 26 registered principal and series 6, 7, and 63 registered representative. Richard has held many financial service industry designations, especially in the retirement planning and compliance mechanism areas.