Majority of Investors’ Portfolio Decisions Unimpacted by Tax Act

Last month’s Asset Allocation Survey special question asked AAII members how the Tax Cuts and Jobs Act is influencing their portfolio decisions. Four out of five respondents (80%) say the new tax law either isn’t currently having any impact or only a limited effect. Several of these respondents say they have much of their portfolio in tax-advantaged accounts such as IRAs, note the lack of change in long-term capital gains and dividend tax rates or are following a long-term approach. Some say they haven’t altered their allocations due to a lack of understanding of how the tax law will affect them.

Slightly more than 11% say they are either altering their allocation or the type of account their investment dollars are held in. Several of these respondents are boosting their exposure to U.S. stocks on the expectation of growth in corporate profits. Others are using the lower tax rates to make Roth IRA conversions.

Here is a sampling of the responses:

- “Not at all. There is no significant change to the treatment of capital gains, dividends and bond interest.”
- “I am withdrawing from tax-deferred accounts sooner than I originally planned due to the reduced marginal tax rates.”
- “It has no effect because the vast majority of my portfolio is in my IRA.”
- “I have never invested based on my tax return. I invest in the expectation of dividends and growth in value.”
- “I foresee large increases in income for many corporations. Thus, it is wise to have a heavier allocation to U.S. stocks.”

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