

# Tax Planning In an Uncertain World

✘ It is admittedly difficult to write a tax guide when tax rates are uncertain. It is even harder to make tax planning decisions when future tax rates are uncertain. Yet with just a little over seven weeks left in 2017, this is the world we live in.

As the horse trading is occurring in Washington, D.C., I am moving forward with publishing our annual **Individual Investor's Guide to Personal Tax Planning** in the next month's *AII Journal* (the link goes to our 2016 guide which contains 2017 information). I do this while being fully cognizant of the possibility of a massive update being required. Postponing the guide risks waiting on legislation that may or may not pass and getting year-end 2017 information out after it's too late to act upon the numbers. So, as an editor, I'm damned if I do and damned if I don't.

**POTENTIALLY  
AFFECTED BY  
TAX REFORM**

**\*ROTH IRA  
CONVERSIONS**

**\*0% CAPITAL GAINS  
TAX RATE**

**\*CHARITABLE  
DONATIONS**

**\*MEDICAL EXPENSES**

**\*PRIVATE ACTIVITY  
BONDS**

Taxpayers—both individual and business entities—face the same conundrum: make plans based on current tax law, or wait to see what happens? The correct decision won't be known until after the fact. We do have an idea of the possible outcomes, however. If no significant changes are made to the tax code, inflation-adjusted deductions, exemptions and credits subject to inflation adjustments will increase by an approximate average of 2% next year. If significant legislation is passed, it will likely reduce the headline tax rates and alter or eliminate many credits, exemptions and deductions. Based on this, there are some steps individuals can take now, without trying to place odds on what will or will not be the eventual outcome for tax legislation.

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- **Converting to a Roth IRA Can Minimize RMDs** - A Roth IRA conversion reduces the amount of future retirement income subject to taxation, potentially increasing your lifetime wealth.
  - **Minimizing Taxes With Asset Allocation** - Regardless of what does or does not happen with tax legislation, the tax-treatment of the account where you hold a given investment will continue to matter.
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Highlights from this month's *AII Journal*

- **Birth of an Idea: How AII Got Started** - James Cloonan shares what led him to start AII,

along with the inside story of AAI's Model Shadow Stock Portfolio.

- [AAII Timeline: Approaching 40 Years of Investment Education for Individual Investors](#) - A look at the association's milestones and other significant events in AAI's history.
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## AAII Sentiment Survey

Pessimism has fallen by 10.0 percentage points over the past two weeks and is now at its lowest level since mid-September. [More about this week's results.](#)

### **This week's results:**

- Bullish: 45.1%, no change
- Neutral: 31.8%, up 5.4 points
- Bearish: 23.1%, down 5.5 points

### **Historical averages:**

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

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## The Week Ahead

The number of earnings reports will decline, but next week will still be an active week in terms of quarterly releases. The calendar lists 17 S&P 500 companies, including Dow Jones industrial average components Home Depot Inc. (**HD**) on Tuesday, Cisco Systems Inc. (**CSCO**) on Wednesday and Wal-Mart Stores Inc. (**WMT**) on Thursday.

The week's first economic report will be the October Producer Price Index (PPI), released on Tuesday. Wednesday will feature the October Consumer Price Index (CPI), October retail sales, the November Empire State Manufacturing Survey and September business inventories. On Thursday, the November Philadelphia Fed Business Outlook Survey, October import and export prices, October industrial production and capacity utilization and the November housing market index will be

released. October housing starts and building permits will be released on Friday.

Five Federal Reserve officials will make public appearances: Chicago president Charles Evans on Tuesday and Wednesday; St. Louis president James Bullard on Tuesday; Governor Lael Brainard, Cleveland president Loretta Mester and Dallas president Robert Kaplan on Thursday; and Governor Lael Brainard will speak again on Friday.

The Treasury Department will auction \$11 billion of 10-year treasury inflation-indexed securities (TIPS) on Thursday.

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## Local Chapter Meetings

AII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AII members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)