

Sun City Summerlin Computer Club

**Internet Investing
SIG**

Tom Burt

February 15, 2018

SIG Meeting Schedule

- The Internet Investing SIG meets every other “even” month on the third Thursday morning at **9:30 AM**.
- The next six meeting dates will be:
 - *April 19, 2018*
 - *June 28, 2018*
 - *August 16, 2018*
 - *October 18, 2018*
 - *December 20, 2018*
 - *February 21, 2019*

Fundamentals Review – Dec 21, 2017

- Dollar has strengthened a bit against foreign currencies.
 - *Oil priced in dollars (for now) – around \$57.30 / barrel.*
 - *Stock indexes at/near record highs – still very topy*
 - *Dow 30: 24,666, S&P 500: 2677, Nasdaq: 6936*
 - *S&P PE ratio is 24.9 vs 16.9 long term historical average*
 - *Defense stocks (ITA) up. Healthcare (XLV) up, Big Tech (QQQ) up.*
- Headlines: Iran, Russians in Syria, North Korea, terrorism.
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has eased bond yields down. The 10 year Treasury note now yields about 2.37%
The 30 year Treasury note yield is about 2.68%.*
- CA fires likely impacting economy.
- Eurozone – still in **BIG** trouble due to hoards of refugees.
- Federal Reserve raised Fed Funds rate by .25% to 1.5% in Dec.
- Gov’t Claims US Job Situation is Improved.
 - *But BLS just makes up numbers, so who really knows.*
- Official Inflation rate as of October 1 was 2.2% / year
 - *NV Gasoline holding (\$2.46 at Costco)*
 - *Medical care & insurance is NOT cheap*

Fundamentals Review – Feb 14, 2018

- Dollar has strengthened a bit against foreign currencies.
 - *Oil priced in dollars (for now) – around \$60.96 / barrel.*
 - *Stock indexes well off highs – may be time to go shopping.*
 - *Dow 30: 24,893, S&P 500: 2699, Nasdaq: 7144*
 - *S&P forward PE ratio is ~26 vs 16.9 long term historical average*
- Headlines: Iran, Russians in Syria, North Korea, terrorism.
 - *“Flight to quality” (Selling stocks and buying US Govt. debt) has eased bond yields down. The 10-year Treasury note now yields about 2.91%
The 30 year Treasury note yield is about 3.17%.*
- Disaster rebuilding likely helping economy.
- Federal Reserve expected to raise Fed Funds rate by .25% 3 times in 2018. Also selling off lots of treasury debt, pushing rates up.
- Crypto-currencies all way off highs (Bitcoin: 9430)
- Gov’t Claims US Job Situation is Improved.
 - *But BLS just makes up numbers, so who really knows.*
- Official 2017 Inflation Rate as of December 31 was 2.1% / year
 - *NV Gasoline holding (\$2.55 at Costco)*
 - *Medical care & insurance is NOT cheap*

The New Income Tax Law - Updated

- **Passed in late-December, 2017**
 - <https://www.fool.com/taxes/2017/12/12/how-tax-reform-treats-dividends-and-capital-gains.aspx>
- **Effective for Tax Year 2018**
- **Major Provisions for Individual Filers:**
 - *Seven tax brackets with slightly lower rates (see next slide)*
 - *Standard deduction increased to \$12,000 SF, \$24,000 MFJ*
Over 65 gets additional \$1300 SF, \$2600 for MFJ
 - *Personal exemptions (\$4050 each) are GONE*
Replaced with \$300 credit per adult dependent, \$2000 credit per child
 - *Most itemized deductions are GONE except ...*
 - Mortgage interest on first \$750,000 (new mortgage), first \$1 million (existing mortgage)
 - First \$10,000 of state & local sales, income or property taxes
 - Medical deductions exceeding 7.5% of AGI
 - Charitable contributions
 - *Obamacare penalty for no health insurance repealed*
 - *Alternative minimum tax repealed*
 - *Estate tax exemption doubled (to about \$22 million when inherited by surviving spouse)*
 - *Dividends and Cap Gains still receive favorable treatment, but complex rate structure*
- **Corporate Tax rate drops from 35% to 21%**
- **Pass-through businesses can deduct 20% from first \$315,000 of income**
- **Because of reconciliation rules, sunsets in 2025**
(but will likely be renewed or made permanent before then)

The New Income Tax Rates

- New law features 7 tax brackets for taxable income:
Note the marriage penalty starts at 37% rather than 28%
(Rate tables copied from an Agora Financial newsletter)

Bracketology, Old and New							
<i>How individual tax brackets would change</i>							
Current Law				Republican Tax Bill			
Seven-bracket progressive rate income tax with a top marginal rate of 39.6%				Retains seven brackets, but at reduced rates, including a top marginal rate of 37 percent. Provisions sunset at end of 2025.			
Rate	Single	HoH	Joint	Rate	Single	HoH	Joint
10%>	\$0	\$0	\$0	10%>	\$0	\$0	\$0
15%>	\$9,525	\$13,600	\$19,050	12%>	\$9,525	\$13,600	\$19,050
25%>	\$38,700	\$51,800	\$77,400	22%>	\$38,700	\$51,800	\$77,400
28%>	\$93,700	\$133,850	\$156,150	24%>	\$82,500	\$82,500	\$165,000
33%>	\$195,450	\$216,700	\$237,950	32%>	\$157,500	\$157,500	\$315,000
35%>	\$424,950	\$424,950	\$424,950	35%>	\$200,000	\$200,000	\$400,000
39.6%>	\$426,700	\$453,350	\$480,050	37%>	\$500,000	\$500,000	\$600,000

Source: Tax Foundation

AGORAFINANCIAL.COM

2017 vs 2018 Tax Comparison

John & Mary Smith 2017 Tax Return

TAX SUMMARY	
Federal Tax Summary	
Income	\$36,559
Adjustments	- \$0
Adjusted gross income	\$36,559
Deductions	- \$16,735
Exemption(s)	- \$8,100
Taxable income	\$11,724
Tax withheld or paid already	\$1,013
Actual tax due	- \$69
Refund applied to next year	- \$0
Refund	\$944

John and Mary Smith - Married Filing Jointly			
2018 Tax Estimate by Tom Burt			
	John	Mary	Total
Income			
Wages	5465	2975	8,440
Interest			1,100
Dividends			6,728
RMD	7947		7,947
Total Ordinary Income			24,215
LT Cap gains			4,310
AGI ...			28,525
Gross Social Security	18648	17088	35,736
Taxable Social Security			8,034
Modified AGI ...			32,249
Itemized Deductions			
Health Ins. (Part B)	1332	1332	2,664
Humana	540		540
Health Care	3235	2865	6,100
Property Tax			3,275
LT care	2056	2056	4,112
Total Health Care ...			16,691
Deductable Health Care			11,871
Car Licenses	290	217	507
Charitable Contribs			1,275
NV Sales Tax			1,001
Total Itemized Deductions			14,654
Std Deduction			24,000
Over 65 Deduction			2,600
Taxable Income			5,649
Total Tax Due ...			\$ 565
Tax Withheld			\$1,013
Tax Refund ...			\$ 448

Open Discussion