

# WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

## Market Insights

*A periodic newsletter from Idaho Trust*

*President Trump has nominated a new head of the Federal Reserve Bank. The nominee's background is somewhat different from the individuals that have held the top position at the Fed over the past few decades. Another interesting development is the possible reform to the U.S. tax code. This initiative was driven in part by the fact that corporate tax rates in the U.S. are among the highest levels compared with the world's 20 largest economies.*

### Federal Reserve Bank

President Trump nominated Jerome Powell to be the next chairman of the Federal Reserve Bank (Fed). Powell does not have a formal economics background, which would make him the first leader of the Fed without an economics degree since the late 1970s.

The last Fed chairman without an economics degree was G. William Miller, who ran a tech company before President Jimmy Carter recommended him for the top Fed spot. His one-year tenure had many challenges and was viewed as unsuccessful due to a combination of rising unemployment and double-digit inflation under his watch. Many of these factors were already firmly in place when Miller took over the position. In contrast to Miller, Powell has served on the Fed's interest rate-setting board of governors for the past 5 years.

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

Many market observers are hopeful that without formal economics training, Powell will be able to address monetary issues in ways that fall outside of traditional academic thinking. Overall, Powell is expected to continue to follow the gradual rate hike approach of Fed Chairwoman Janet Yellen but have a somewhat different view on financial regulations.

One of the biggest challenges facing the Federal Reserve Bank is understanding what factors are now driving inflation in the current U.S. economy. The traditional thinking of what drives inflation rates has proven to be inaccurate in the current economic expansion.

From what we know about Jerome Powell so far, his beliefs appear to be very similar to the current Chairperson, Janet Yellen. It is likely that President Trump would like to have his own candidate running the central bank. Moreover, Powell is somewhat more likely to favor Trump's deregulation agenda. Yellen has been more supportive of the regulatory constraints put in place by the Dodd-Frank rules following the credit crisis nearly a decade ago. Generally speaking, in our view, there will be no major changes at the Fed and the proposed Chairperson is likely to institute modest adjustments rather than major reforms.

## Tax Reform

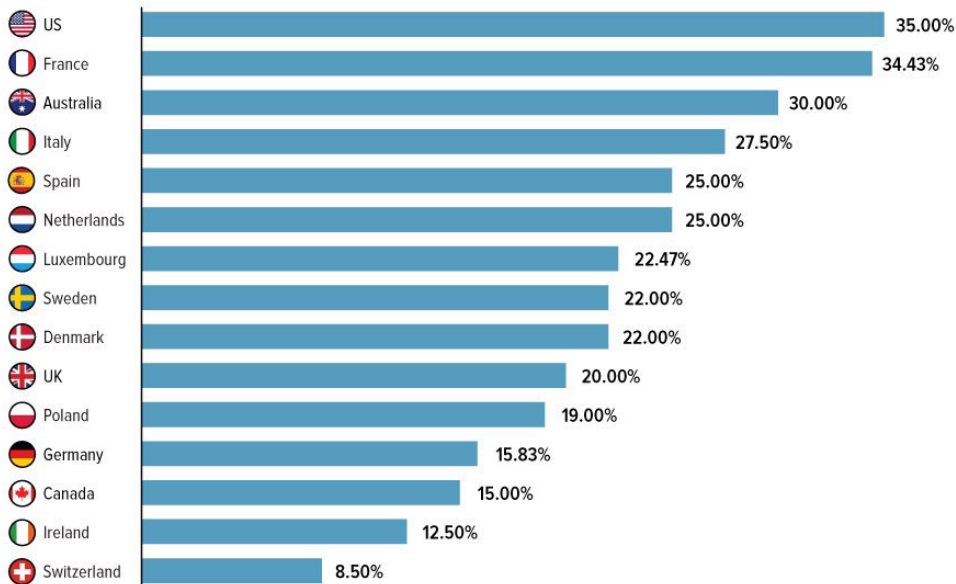
House Republicans have just recently released the initial version of their Tax Cuts and Jobs Act. This highly anticipated new legislation reduces corporate tax rates as well as repeals the estate tax, albeit over a phase-in schedule. Until now, we have just had an outline of the GOP tax reform proposal. Though the bill now has a long journey before becoming law, some of the major impacts on individual taxes are listed below. The proposed changes in the GOP bill would not likely take effect until next year. So these proposed changes are unlikely to have any impact on the 2017 federal income tax returns.

- There will be four tax rates: 12%, 25%, 35% and 39.6%. For single people, the brackets would be up to \$45,000, up to \$200,000, up to \$500,000, and over \$500,000. For married people, those brackets will be up to \$90,000, up to \$260,000, up to \$1 million, and over \$1 million.
- The standard deduction would be increased to \$12,000 from \$6,350 for individuals and to \$24,000 up from \$12,700 for married couples. But there will be no personal exemptions allowed under the proposal.
- The child tax credit will be raised to \$1,600 from \$1,000 per child, and there will be a credit of \$300 for each parent to help with expenses.
- The mortgage interest deduction will be preserved for existing mortgages but capped at \$500,000 for newly purchased homes.

- State and local income taxes will not be able to be deducted from the federal tax returns, but state and local property taxes would be, up to the limit of \$10,000.
- Individual Retirement Accounts and 401(k) plans will not change.
- The alternative minimum tax will be repealed.
- The estate tax exemption will be increased to \$10 million up from \$5 million per individual and in six years, would be entirely repealed.
- The deduction for interest on education loans and the deduction for qualified tuition and related expenses would be repealed.
- The corporate income tax rate will be reduced to 20% down from 35%, which currently is one of the highest in the developed global economies (see chart below).

**Corporate Tax Rates in Select OECD Countries**

As of August 2016



Source: OECD, U.S. Global Investors

**Conclusion**

Under its current version, the GOP bill would make big changes for individual taxpayers and appears as if a majority of taxpayers would benefit in some way. However, there is always resistance to change, and some of the proposals may not make it into the final bill. Certainly a change in the corporate tax rate would make domestic rates more competitive with foreign competitors.

**S&P 500 Index**

3 Month	4.51%
Year-to-Date	16.91%
1 Year	24.47%
3 Year	10.75%
5 Year	14.92%

**MSCI EAFE Net Index**

3 Month	3.14%
Year-to-Date	21.78%
1 Year	23.47%
3 Year	6.08%
5 Year	8.39%

**Barclays Aggregate Bond Index**

3 Month	0.24%
Year-to-Date	3.20%
1 Year	0.84%
3 Year	2.40%
5 Year	2.06%

As of 10.31.2017

**Boise Branch**

888 W. Broad St.  
Boise, Idaho  
208.373.6500

**Coeur d'Alene Branch**

622 E. Sherman Ave.  
Coeur d'Alene, Idaho  
208.664.6448

**Las Vegas Trust Office**

2850 W. Horizon  
Ridge PKWY, Ste 200  
Henderson, Nevada  
702.430.4747

[Info@IdahoTrust.com](mailto:Info@IdahoTrust.com)  
[www.IdahoTrust.com](http://www.IdahoTrust.com)

1. Consult an Idaho Trust Bank financial consultant for more details. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIP. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Investment accounts generally under \$300,000; Insurance and Annuities of all sizes.

2. Please see the Idaho Trust Bank Schedule for Fees. Investment accounts generally over \$300,000.

3. Please see the Idaho Trust Bank Schedule of Fees. Investment accounts generally over \$500,000.

Certain products may be provided by a Financial Consultant of Idaho Trust Financial is utilized: (1) Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC; (2) Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial; and, (3) Idaho Trust Bank is a separate company from LPL Financial, Idaho Trust Bank does not provide tax or legal advice. Overlay Asset Management utilizes external and/or internal managers selected by Idaho Trust Bank.

4. Certain products may be provided by a Financial Consultant of Idaho Trust Financial. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Idaho Trust Bank does not provide tax or legal advice.

5. Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, and differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fee before you invest.

6. Portfolios are illustrative only. ActualLifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest. Past performance is no guarantee of future results.

Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. For more information about performance of Idaho Trust Strategies and our performance calculation methodology, please contact us. Actual client performance may vary from the performance of model portfolios and/or any strategy. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest.

Portfolios are illustrative only. Actual LifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. The Idaho Trust investment strategies will vary from time to time as determined by Idaho Trust Bank. The information and analysis expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Information contained herein has been obtained by sources we consider reliable, but is not guaranteed. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice.

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK • MAY GO DOWN IN VALUE

Rev. 10.31.17 ©Idaho Trust Bank, 2016. All Rights Reserved.