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Seven Key Components Of Trump's Tax Reform Plan

On November 8, 2016, Donald Trump was elected the 45th president of the United States, culminating a two-year campaign. It is expected that it will take considerably less time for the former business mogul to push tax proposals through a Republican-led Congress. Although these provisions likely will be tweaked during congressional debate and negotiations, here are seven key items on Trump's tax agenda:

1. Individual tax rates. One cornerstone of Trump's tax plan is a restructuring of individual income tax brackets. The seven-bracket system now features a bottom tax rate of 10% and a high of 39.6%. Trump would replace the system with one having just three tax brackets: 12%, 25%, and 33%. Most taxpayers could pay less with this structure, but the largest benefits will be for those in the higher tax brackets.

2. Corporate tax rates. Another consistent theme in Trump's campaign was a pledge to reduce corporate income tax rates. Corporations currently pay tax at rates as low as 15% and as high as 35% (with a 38% bubble on some income). Under Trump's plan, all businesses would be taxed at a 15% rate, providing a tax cut to the majority of corporations. At the same time, Trump hopes to eliminate "double taxation" for C corporations, while preserving benefits such as liability protection.

3. Itemized deductions. Although Trump is offering tax relief to individuals with one hand, he would take it away with the other by eliminating some itemized deductions or limiting the total amount of itemized deductions. However, exceptions could be carved out for certain deductions, such as those for charitable donations and mortgage interest. The loss of the state income tax deduction could have an adverse effect on upper-income residents of states with high tax rates, such as California and New York.

4. Business write-offs. Under Section 179 of the tax code, a business currently may deduct up to $500,000 of the cost of assets placed in service during the year, subject to a phase-out threshold of $2 million. Plus, a business may be entitled to a bonus depreciation of 50% on qualified property. As part of his plan to boost business growth, Trump would double the Section 179 deduction to $1 million and provide an immediate deduction for business investments. This could be accompanied by a repeal or modification of the depreciation rules.

5. Estate taxes. Trump has proposed to repeal the federal estate tax. In addition, he has called for eliminating the tax rule allowing heirs

(Continued on page 4)

Why Go To Cash?

When the financial markets get turbulent or uncertain, it is natural for human emotions or reaction to want to get out. Flee before the "big storm" hits! It is part of our survival instinct.

There are times when it is prudent to increase your cash position — a large upcoming purchase or upcoming expense. There are times when it is prudent to change your allocation, more conservative or aggressive. All of these changes can be well thought-out and good when driven by life events. **Otherwise, don't go to cash because of uncertainty!** It is almost always the worst time.

Last August, many clients were nervous about the market and upcoming election. Several wanted to sell everything and go to cash. With poor returns to that point in 2016 and the negative chorus of ads, articles and economic problems, why wouldn't you?

Looking back today it is clear that going to cash was very costly. Most stock asset classes over the past 12 months (February 2016 to February 2017) have increased 22-38%. 2016 started out with negative returns, but turned out to be very positive. For those who stayed invested, the results are clear. For those who didn't, maybe now is a good time to get back in.

With our broadly diversified portfolios it is usually best to **"stay the course"** and not try to zig-zag in and out of the market!

Honored to be your financial advisory team:

Ron Howard, Mike Demko, Chris Cox, Mike Weakley and Billy Boulett

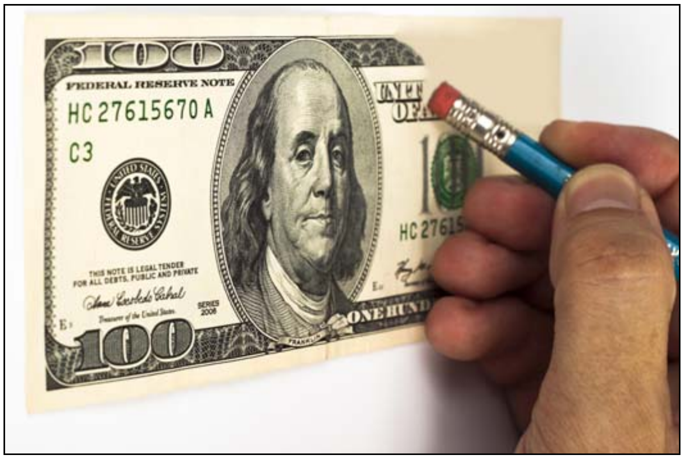
5 Retirement Mistakes You Can Fix

To err is human, but some mistakes are worse than others, and slip-ups that occur while you're planning for retirement can come back to haunt you financially.

But it may not be too late for you to fix some common mistakes. Here are five prime examples:

1. Saving too little. It seems obvious, but not setting aside enough money could become a big problem if you underestimate the amount you'll need to live on—all the more likely as life expectancies continue to rise. So if your employer offers a 401(k) plan with matching contributions, try to take full advantage of it, even though your take-home pay will be reduced by deferrals. And you can supplement these savings with IRA contributions.

2. Starting too late. From the start of your career there are many financial priorities competing for a share of your salary. You may be saving to buy a home or to put your kids through school. Yet while early contributions to a retirement plan can produce outsized benefits, you may be able to make up for lost time if you put as much as the law allows into your retirement savings. For 2017, the maximum 401(k) deferral is $18,000 or $24,000 if you're age 50 or over. The IRA limit is $5,500 or $6,500 if age 50 or over. You also might decide to work a few years longer than you'd originally planned. That can boost your savings while reducing the length of your retirement.



3. Ignoring taxes. Taxes are an essential part of the retirement planning equation. When you take money out of your retirement plans you'll likely owe federal and state income tax on those distributions. Part of your Social Security benefits also is subject to taxation. And your tax rate during retirement might be higher than you expect if you don't get some of the deductions you were able to claim while you were working. Factoring in taxes when you plan for retirement will help you create a more realistic scenario.

4. Not diversifying your investments. While you've undoubtedly heard about the benefits of spreading your investment dollars across many kinds of holdings, it's often tempting to stick with investments that have been doing well for you. But there's no guarantee that gains on a particular stock or fund will continue, and creating a diversified portfolio can help reduce the risk that you'll be hurt by losses in one or two investments. Just keep in mind that diversification doesn't provide guaranteed protection, especially in declining markets.

5. Ending retirement planning when you retire. Even after you retire you'll have important decisions to make. You'll need to make sure your portfolio stays diversified, and you'll likely need to allocate some money to stocks or other investments that may help you keep pace with rising costs.

Maybe the biggest overall mistake you can make is assuming you know it all. Reach out for expert assistance to avoid the common traps. ●

This Type Of Trust Is A Failure

Trusts come in many shapes and sizes, but you could divide them into two broad groups—grantor trusts and non-grantor trusts. There's also a third type, however—the "intentionally defective grantor trust," or IDGT, that is designed to break tax rules for estate planning purposes.

With a grantor trust, the grantor—the person who creates it—retains considerable power over how it's administered, including the rights to amend, revoke, or terminate the trust. The grantor also maintains control over the trust assets. Typically, the grantor is a beneficiary of the trust income and principal. For instance, the grantor could be the primary beneficiary, with other family members entitled to the remainder. The grantor also can act as the trustee responsible for administering the trust.

With non-grantor trusts, however, grantors give up all of those rights. They aren't entitled to the income or the principal and, usually, payouts from the trust go to other family members. Also, the grantor cannot be the trustee of a non-grantor trust.

Now consider the tax implications. Because grantors retain control over grantor trusts, they're taxed for the income the trusts produce. For grantors in higher tax brackets—including the top bracket, with its 39.6% tax rate—the income tax consequences can be significant. In contrast, income earned by a non-grantor trust is taxed to the trust itself, not to the grantor.

But that can be a problem because trusts pay comparatively high tax rates. For instance, that top 39.6% rate kicks in when trust income exceeds $12,500 in 2017. Compare that to the $470,700 threshold for the top rate for a married grantor who files a joint return, or $418,400 for a single filer. That can translate into very high taxes for a non-grantor trust.

But that's where an IDGT may

7 Retirement Saving Ideas You Can't Ignore

Everyone knows it's important to save for retirement. But what are the best ways to do it while minimizing the impact of taxes on your savings? These seven practical strategies can help:

1. Focus on 401(k) salary deferrals. If your employer offers a 401(k) plan, allocate as much of your salary as you can to payroll deductions. For 2017, the IRS allows you to defer as much as $18,000 of your compensation, or $24,000 if you're age 50 or over. If you've been putting in the bare minimum the past few years, it may be time to dig a little deeper. The impact of investing your contributions, which compound without current tax, may far exceed your expectations.

2. Take advantage of your employer's match. Many companies agree to match part of what you contribute to a 401(k), up to a stated percentage. For instance, your employer may match half of the first 6% of your compensation that you put into your plan. So if you earn $100,000 a year that would add $3,000 to the account each year. And while employer contributions sometimes are subject to a vesting schedule, with some money held back until you've worked for a company for several years, there's no downside to increasing your contribution to take advantage of this benefit.

3. Learn the rollover trick. If you've been building up your 401(k) or another kind of employer-sponsored account, you'll need to decide what to do with that money when you leave the job. Although you could take part or all of the payout in cash, you'll be depleting your retirement savings and owe income tax on the money you withdraw. It's usually better to leave the funds in the existing plan, transfer them to a plan at your new company, or "roll over" the funds to a traditional IRA—any of which can let you continue the tax-deferred earnings. You won't be taxed as long as you complete the rollover within 60 days. To avoid having tax withheld, which you would have to recoup on your tax return, you can arrange a "trustee-to-trustee" transfer.

4. Consider a Roth conversion. Your traditional IRA could come to represent a significant portion of your retirement savings, particularly if you've rolled over funds from other accounts. Deferring taxes on that money until you withdraw funds during retirement can be beneficial, but another approach is to convert some or all of your IRA to a Roth IRA. Though you'll have to pay taxes now on the conversion, future distributions after age 59 may be tax-free. You could spread out that tax hit by making the conversion over several years.

5. Go directly to a Roth. If you meet the requirements, you can establish and contribute directly to a Roth IRA. For 2017, the maximum contribution (to all of your IRAs, Roth or traditional) is $5,500, or $6,500 if you're age 50 or over. So if you're age 55, you could decide to contribute $4,000 to a Roth and $2,500 to a traditional IRA. The sticking point here is the income limit for contributing to a Roth IRA—in 2017, the phase-out begins at $118,000 of modified adjusted gross income (MAGI) for single filers and $186,000 of MAGI for joint filers.

6. Maximize benefits from taxable accounts. Although the tax law favors 401(k) plans and IRAs, "taxable" accounts can bring tax benefits, too. Long-term capital gains from securities sales are taxed at a maximum rate of 15%, or 20% if you're in the top ordinary income tax bracket of 39.6%. And you can use losses from asset sales to offset capital gains (both long-term and short-term) and up to $3,000 of ordinary income.

7. Balance your portfolio. Beyond choosing the right kinds of accounts for your retirement savings, it's also important to have a solid long-term plan for investing that money. Try to make sure that you strike a good balance between meeting your objectives and staying within your personal risk tolerance. Then review your portfolio choices at least once a year and adjust as needed to reflect changes in your circumstances or the performance of different kinds of assets. ●

come to the rescue. As long as the grantor retains certain powers, the grantor, rather than the trust, will be taxed on trust income—even if none of that income goes to that person. An IDGT trust is set up so that it will purposely fail to qualify as a non-grantor trust, thus avoiding the higher taxes that come with the non-grantor designation.

What about estate and gift taxes? Money you transfer to an IDGT is treated as a taxable gift, but there's a current individual exemption of $5.49 million in 2017 that could reduce or eliminate your tax liability for the gift. (There also are other ways to structure this transfer so that it's not considered a gift at all.) In addition, the assets you transfer into the trust are no longer in your taxable estate, whose value will be reduced further by the annual taxes you pay on trust assets.

But IDGTs are complex arrangements, and you'll need the help of an experienced estate planning professional to create a trust that fits your needs. Seek expert assistance. ●

Teach Employees About Computer Scams

Computer criminals seem to be stepping up their efforts to steal your personal and financial information—and your money.

The two most common approaches are the "tech support" scam, aimed primarily at individuals, and the "ransomware" scam, mostly used against businesses.

In a typical tech support scam, unsolicited phone callers say they are calling about "Windows," the popular operating system of computer software giant Microsoft. Don't believe it.

Microsoft says it never makes unsolicited phone calls about Windows computer problems.

Do not allow such a caller to take control of your computer. Hang up the phone immediately. This scam has been around since 2009.

Ransomware schemes have been around even longer, since 1989 when a disturbed biologist sent infected floppy discs to an AIDS conference sponsored by the World Health Organization.

This scam is aimed at businesses primarily because all it takes is for one employee to click on a link that then allows a scammer to take control of a business's computer system by shutting down the system or paralyzing it with encrypted, unintelligible jargon.

The scammer then demands a ransom, usually to be paid through an untraceable virtual currency such as bitcoin, to unlock the system and return it to normal.

The Federal Bureau of Investigation estimates that since 2015, U.S. companies have paid a total of $25 million to ransomware scammers.

The ransomware scam can start with a phone call much like the ones used by tech support scammers. In such a case, an employee is urged to allow the caller to obtain access to a business's computer system. Again, don't do it! Ever!

Today's version of the increasingly complicated scam also can start with a "phishing" email that asks a business computer user to click on a link to a website, article, or photograph that appears to be legitimate.

Scammers, in fact, are adept at creating legitimate-looking company names, fake caller IDs, and bogus company logos.

Business owners may be able to avoid these pitfalls by educating their employees about ransomware scams and how they work.

First, tell your employees never to take an unsolicited phone call from a stranger and then allow the caller access to your company's computer system.

Tell your employees not to rely on caller ID numbers to authenticate calls.

Also tell them about phishing emails that offer information or rewards if an enclosed link is clicked on.

Tell them never to click on a link from an unknown source, even if the email contains a legitimate-looking company name and logo.

If your employees don't know the source of an email, tell them not to click on a link or attachment – ever! ●

Trump's Tax Reform Plan

(Continued from page 1)

to adjust the taxable basis of inherited property to its value at the death of the person making the bequest. This so-called step-up in basis may reduce capital gains taxes on inherited assets. The proposed changes could cause income tax complications for some taxpayers.

6. Repatriation tax. Tax revenue has shrunk in recent years due to so-called "tax inversions," through which multinational companies relocate their headquarters in a foreign country to avoid paying higher U.S. taxes. Trump has advocated a one-time tax repatriation holiday rate for corporations that would let them pay a tax rate of 10% on income brought back to the U.S.

7. Child care. The current tax law attempts to help beleaguered parents through a child tax credit (CTC) and a dependent-care credit for certain child-care costs. Low-income families may benefit from the earned income tax credit (EITC). Trump would overhaul the rules and institute a new deduction for child-care expenses, increase the EITC, and create tax-favored dependent care savings accounts, among other changes.

Many more changes could be in the works. For instance, Trump has advocated repealing the alternative minimum tax (AMT), the benefits for "stretch IRAs" that let inheritors spread out distributions over their life expectancies, and the 3.8% surtax on "net investment income" authorized by Obamacare. ●