

**Sun City Summerlin Computer Club**

**Internet Investing  
SIG**

**Tom Burt**

**December 20, 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:
  - *February 21, 2019*
  - *April 18, 2019*
  - *June 20, 2019*
  - *August 15, 2019*
  - *October 17, 2019*
  - *December 19, 2019*

# Fundamentals Review – October 18, 2018

- **Dollar has strengthened a bit against foreign currencies.**
  - *Oil priced in dollars (for now) – around \$70.03 / barrel.*
  - *Stock indexes choppy after dropping from record highs – still very topy*
  - *Dow 30: 25,707, S&P 500: 2809, Nasdaq: 7643, Gold: 1226*
  - *S&P PE ratio is 22.5 vs 15.7 long term historical average*
  - *Defense stocks (ITA) down. Healthcare (XLV) down, Big Tech (QQQ) down.*
- **Key interest Rates:**
  - *10 year Treasury note - about 3.18%; 30 year Treasury note - about 3.3%.*
  - *30 year fixed mortgage - 4.9%; 15-year fixed mortgage - 4.3%*
- **Federal Reserve raised Fed Funds (Sept 26) by .25% to 2.0-2.25%.**
  - *Expected to raise Fed Funds rate again by .25% in December, 2018.*
  - *Fed selling off lots of treasury debt (QT), pushing rates up.*
  - *Foreign governments also unloading U.S. Debt.*
- **Gov't Claims July US Job Unemployment at record low 3.7%.**
  - *But BLS just makes up (estimates) numbers, so who really knows.*
- **Official 2018 CPI Inflation Rate as of Sept 30 was 2.3% / year**
  - *NV Gasoline creeping up, but holding (\$3.03 at Costco)*
  - *Medical care & insurance is NOT cheap*

# Fundamentals Review – December 20, 2018

- **Dollar has strengthened a bit against foreign currencies.**
  - *Oil priced in dollars (for now) – down at around \$47.96 / barrel.*
  - *Stock indexes very choppy after dropping well off record highs*
  - *Dow 30: 23,324, S&P 500: 2507, Nasdaq: 6637, Gold: 1246, Bitcoin: 3751*
  - *S&P PE ratio is 19.25 vs 15.7 long term historical average*
  - *Defense stocks (ITA) down. Healthcare (XLV) down, Big Tech (QQQ) down.*
- **Key interest Rates Down Slightly:**
  - *10 year Treasury note - about 2.78%; 30 year Treasury note - about 2.99%.*
  - *30 year fixed mortgage - 4.5%; 15-year fixed mortgage - 3.9%*
- **Federal Reserve raised Fed Funds (Dec 19) by .25% to 2.25-2.5%.**
  - *Fed plans to raise Fed Funds rate by .25% twice in 2019.*
  - *Fed selling off lots of treasury debt (QT).*
  - *Foreign governments also unloading U.S. Debt.*
- **Gov't Claims November US Job Unemployment at record low 3.7%.**
  - *But BLS just makes up (estimates) numbers, so who really knows.*
- **Official 2018 CPI Inflation Rate as of November 30 was 2.2% / year**
  - *NV Gasoline (\$2.75 at Costco)*
  - *Medical care & insurance is NOT cheap*

# End-of-Year Tax Moves

- **New tax laws & rates have changed the game**
- **2018 standard deduction for seniors married filing jointly: \$26,600**
- **Most itemizers can't exceed this amount**
  - *7.5% of AGI exclusion for medical expenses (10% in 2019)*
  - *No state income tax*
  - *Mortgage interest deduction capped at interest on 1<sup>st</sup> million*
  - *Property taxes, vehicle registration, sales taxes capped at \$10,000*
- **Look at moving income into one year, expenses into next and alternating itemized vs standard**
- **Still good to offset capital gains with capital losses (sell losers)**
  - *Only do this in taxable accounts*
- **If taxable income well below \$77,400, may make sense to sell stock winners & then buy back.**
  - *Cap gains taxed at 0%. Establishes a new, higher basis.*
- **Be sure to take Required Minimum Distributions**
  - *Consider Qualified Charitable Donations (excluded from AGI)*
- **See 2018 tax rate tables on next slide ...**

# 2018 Income Tax Rates

- New 2018 tax law features 7 tax brackets for taxable income: Note the marriage penalty beginning at 35% and worse at 37% (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

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# Rebalancing Your Portfolio

- December is a good time to look at investment allocation and make adjustments to reduce risk, sustain return.
- No “right” allocation – depends on circumstances, your estate plan, risk tolerance, needs, tax situation.
  - *General idea is to minimize risk of large capital loss while maintaining a sufficient income stream to allow a satisfactory life-style.*
  - *Might want to **hedge** against a downturn by buying listed PUT options on the S&P 500 ETF or buying the VIX ETF (moves opposite the market)*
- Bond and other fixed-income yields have improved.
  - *Bank CD yields much better – especially on Internet 2.9% on 2-yr CD*
  - *Corporate bond ETFs better – LQD - 3.6%*
  - *Some risk if Fed keeps raising rates*
- Stock dividend yields also good, but stocks are riskier.
  - *Favor low volatility (low Beta), dividend-paying stocks*
  - *Look at Preferred ETFs*
  - *Look at Utilities – PPL 5.23%, SO 5.02%*
- Difficult at present – Both stocks and fixed income dropping

# **Open Discussion**