YOUR FINANCIAL FUTURE

Your Guide to Life Planning

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Bond Market Perspectives | Week of January 22, 2018

Key Takeaways

- Treasury yields have seen a significant increase since early September 2017, but credit markets aren't showing any signs of stress.
- Higher Treasury yields have caused spreads on investment-grade corporate and high-yield bonds to tighten to the lowest levels of the recovery, though it's possible they could still tighten further.
- Spreads have a history of staying at tight levels for long periods during economic expansions.

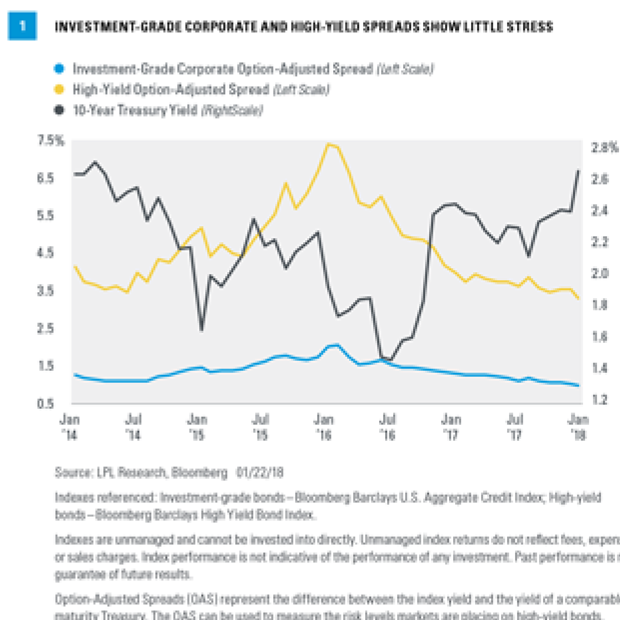
Bond Market Not Stressing About Higher Yields

The 10-year Treasury yield has seen a strong move higher since September 2017, and recently surpassed its March 2017 post-election highs. A combination of higher global rates (driven by more hawkish central bank expectations), rising growth expectations due to tax reform, and an increase in inflation expectations have been the major forces driving rates higher over the past several months.

Rising rates have hurt bond prices over this period, with the Bloomberg Barclays U.S. Aggregate Treasury Index seeing a loss of 2.3% since the 10-year Treasury yield bottomed on September 7, 2017. The broader bond market has also been affected, but investment-grade corporate bonds have lost significantly less (-0.5% as measured by the Bloomberg Barclays U.S. Aggregate Credit Index) than Treasuries, and high-yield bonds have actually increased in value (1.8% as measured by the Bloomberg Barclays High Yield Bond Index), partially due to higher yields and lower interest rate sensitivity (known as duration) relative to Treasuries and investment-grade corporate bonds. Even though spreads have tightened to cycle lows, we still believe investment-grade corporate bonds offer value relative to Treasuries, and a small allocation to high-yield bonds may be appropriate for investors who are seeking the potential for additional yield and are able to deal with potentially higher risk levels.

FEW SIGNS OF STRESS

In addition to their impact on bond prices, higher rates can cause worries about the potential effect on broader economic growth. Though rates remain low relative to history, expectations of higher short-term rates (driven by Fed policy) and higher long-term rates (driven by economic growth and inflation outlooks) can cause investors to worry that higher borrowing costs for consumers and businesses could cause a slowdown in growth. However, higher rates haven't seemed to spark these concerns so far, and credit markets (and the stock market for that matter) appear to show few signs of stress [Figure 1].



Source: LPL Research, Bloomberg 01/22/18

Indexes referenced: Investment-grade bonds – Bloomberg Barclays U.S. Aggregate Credit Index; High-yield bonds – Bloomberg Barclays High Yield Bond Index.

Indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

Option-Adjusted Spreads (OAS) represent the difference between the index yield and the yield of a comparable maturity Treasury. The OAS can be used to measure the risk levels markets are placing on high-yield bonds.

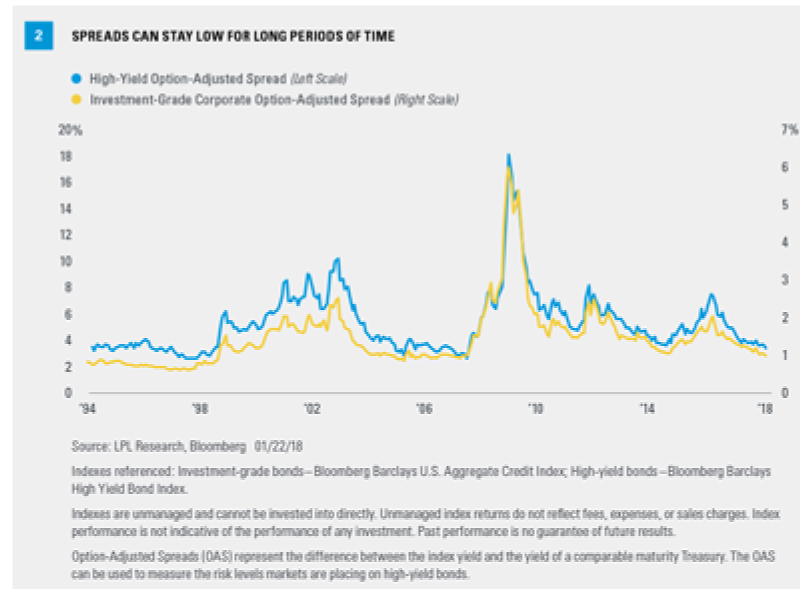
Credit default swaps (CDS), which are contracts that are purchased to protect investors against the risk of default, provide another way to gauge market stress. If default expectations are increasing, those selling CDS protection may demand

higher prices to compensate for the increased risk. On this front, markets also appear to show few signs of stress, as both investment-grade corporate and high-yield bond CDS spreads remain low relative to history.

SHOULD INVESTORS FEAR TIGHT SPREADS?

Yields on investment-grade and high-yield bonds have moved higher, but not to the degree that Treasuries have. This has caused spreads for both investment-grade and high-yield bonds to trade at the lowest levels of the current expansion.

Importantly, tight spreads by themselves are not necessarily a reason to fear these asset classes. Investment theory states that we should "buy low and sell high," but low rates (relative to history) and tight spreads make it difficult to say that we are buying low. However, a steady economy and low default expectations offer some fundamental support to tight spreads. And as Figure 2 shows, spreads have been even tighter than they are today and tight spreads have the potential to continue for years during economic expansions.



Even if spreads do tighten further, we believe yield may be the main driver of return for investment-grade and high-yield fixed income this year. The fundamental backdrop suggests that today's tight spreads have the potential to move marginally tighter, and could stay that way for some time before making a major move higher. However, even if spreads move tighter, we don't expect the kind of moves (and resultant capital appreciation) that we've seen in recent years for these asset classes given that spreads are lower than they were in previous years, leaving less room for compression. However, any spread tightening could partially offset the impact of Treasury yields if they move gradually higher in 2018 as we expect.

It's also important to keep in mind that the purpose of bonds in a portfolio context is to provide income and manage the risk to portfolio's value during times of equity weakness. Although high-yield bonds can offer the potential for additional income and less interest rate sensitivity than their higher-quality counterparts, high-quality corporate bonds have historically provided better protection during equity market pullbacks. As communicated in our *Outlook 2018*, we do expect stock market volatility in 2018 to increase from current historically low levels. If this happens and stocks see a pullback, there is a possibility that investors would demand additional yield from investment-grade corporate and high-yield bonds to compensate for higher perceived risk levels, causing spreads to comparable Treasuries to widen. If such a scenario were to unfold, Treasuries could perform better than investment-grade or high-yield bonds.

CONCLUSION

Although rates have risen recently, credit markets appear to show few signs of stress. We continue to believe investment-grade corporate bonds, even at tight current spreads, offer value relative to Treasuries. Where appropriate, high-yield bonds can also help provide additional income, though their higher exposure to credit risk warrants a smaller allocation in most cases. Keeping the yield and risk characteristics of these two asset classes in mind, and being mindful that (now higher yielding) Treasuries have historically provided the most protection in case of stock market weakness, can help investors balance the need for yield with the need to manage risk in down markets.

IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance reference is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values and yields will decline as interest rates rise, and bonds are subject to availability and change in price.

Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

High-yield/junk bonds (grade BB or below) are not investment-grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

DEFINITIONS

Option-Adjusted Spreads (OAS) represent the difference between the index yield and the yield of a comparable maturity Treasury. The OAS can be used to measure the risk levels markets are placing on high-yield bonds.

A credit default swap (CDS) is designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings and risk.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest-rate risk or reward for bond prices.

INDEX DESCRIPTIONS

Bloomberg Barclays U.S. Aggregate Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include T-bills (due to the maturity constraint), zero coupon bonds (strips), or Treasury Inflation-Protected Securities (TIPS).

Bloomberg Barclays U.S. Aggregate Credit Index measures the performance of U.S. dollar-denominated U.S. Treasury bonds, government related bonds, and investment-grade U.S. corporate bonds.

The Bloomberg Barclays High Yield Bond Index measures the market of USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging markets debt.

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Weekly Market Commentary | Week of January 22, 2018

KEY TAKEAWAYS

- We expect a solid fourth quarter earnings season and believe a 14-16% year-over-year increase in S&P 500 earnings is achievable.
- Economic surprises, strong manufacturing activity, and a weak U.S. dollar are a few of the primary reasons results may come in above expectations.
- Our positive earnings outlook for 2018 is well supported by our forecast for accelerating global growth and the new tax law.

FOURTH QUARTER EARNINGS SEASON: OFF TO A GOOD START

It's early in the season, but with about 50 companies having reported fourth quarter results, S&P 500 Index earnings are tracking a 12% year-over-year increase **[Figure 1]**. A solid 79% of the companies have bested earnings estimates, while 87% have topped revenue targets, both well above recent and long-term averages. In this week's commentary, we preview fourth quarter earnings season and reiterate our optimism for corporate profits in 2018.

1 ANOTHER STRONG EARNINGS SEASON EXPECTED IN Q4

Source: LPL Research, Thomson Reuters consensus estimates 01/18/18

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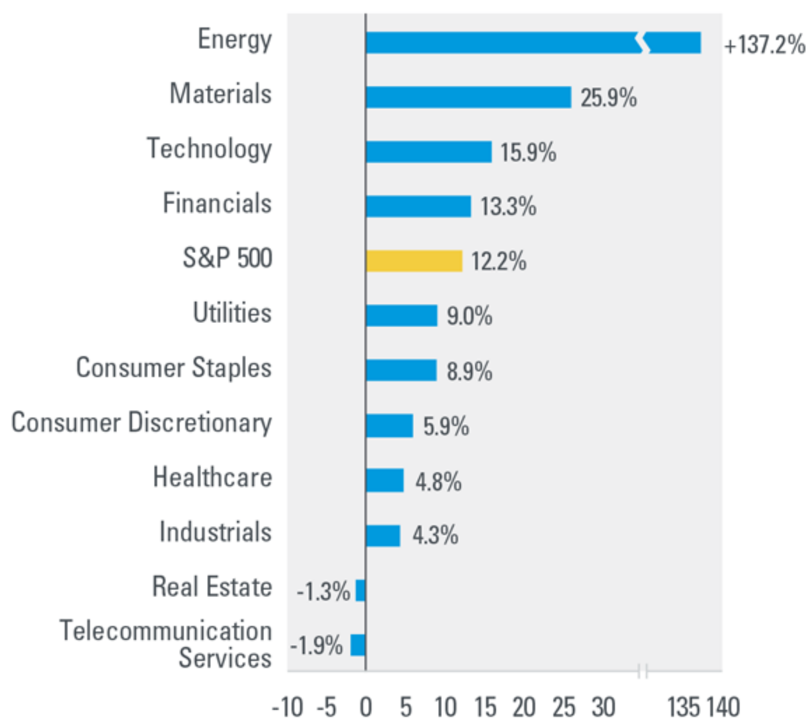
Consensus estimates may not develop as predicted.

SIX REASONS FOR OPTIMISM

The S&P 500 has exceeded quarterly earnings expectations for 34 straight quarters and we see no reason why the fourth quarter of 2017 won't make it 35. We believe an increase in the 14-16% range may be achievable, based on a 3-4% average upside to estimates historically. Though earnings growth may be driven mostly by technology and energy, growth is expected to be broad based, with a reasonable chance that all 11 sectors will report growth in earnings when all results are in **[Figure 2]**. Even excluding the sharp rebound in energy sector profits, and despite tougher comparisons against improving late-2016 earnings, a double-digit gain in S&P 500 earnings appears likely.

2 ENERGY AND TECHNOLOGY ARE KEY EARNINGS GROWTH DRIVERS

S&P 500 Sector Q4 2017, Year-over-Year Earnings Increases, %



Source: LPL Research, Thomson Reuters consensus estimates 01/18/18

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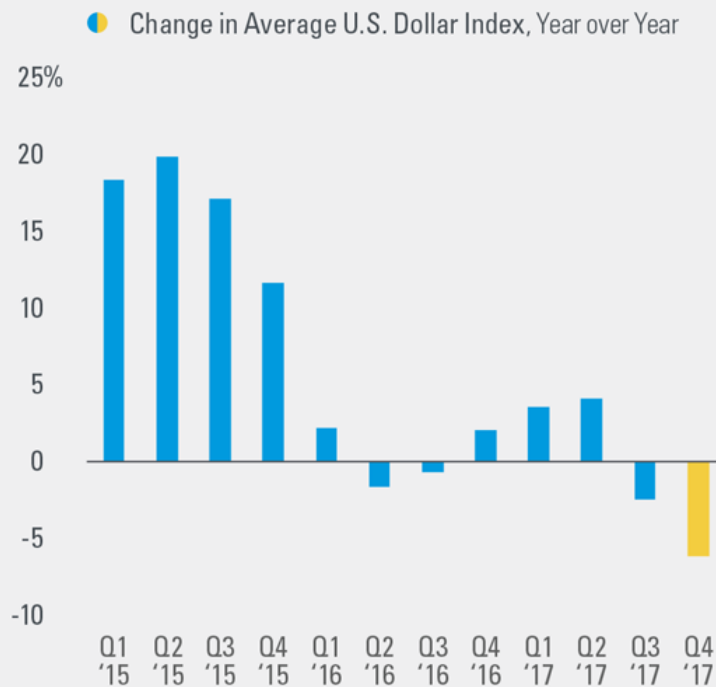
Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

CONSIDER THE SOURCE

Different sources such as Bloomberg, FactSet, and Standard & Poor's have different calculations than Thomson Reuters for S&P 500 earnings, based on various methodologies and different interpretations of what constitutes operating earnings.

Here are the six primary reasons why we expect another good earnings season this quarter, relative to expectations:

1. **Economic surprises:** The U.S. Citi Economic Surprise Index, a measure of economic data relative to expectations, is near record highs. When economic activity surprises to the upside, as it has consistently done in recent months, companies tend to beat estimates. Global economic surprises are also strongly positive, supporting multinationals' earnings. This unexpected tailwind, combined with management teams' tendency to be conservative and the lack of negative macroeconomic surprises, points to good upcoming results.
2. **Strong manufacturing activity:** Manufacturing surveys (such as the Institute for Supply Management's [ISM] Purchasing Managers' Index) have historically been well correlated with earnings growth. That means the strong and generally rising global manufacturing indexes are a positive indicator for upcoming earnings reports. The U.S. ISM Manufacturing Index has been above 58 for five straight months, which is strongly expansionary. As with economic surprises, this is not just a U.S. story; manufacturing activity has picked up steam recently in Europe, Japan, and China too.
3. **Weak U.S. dollar:** During the fourth quarter of 2017, the U.S. Dollar Index fell about 6% year over year, based on average prices [Figure 3]. Dollar weakness props up overseas earnings for U.S.-based multinationals and could present a tailwind for fourth quarter earnings given that roughly one third of S&P 500 companies' revenue is earned outside of the United States.



Source: LPL Research, FactSet 01/18/18

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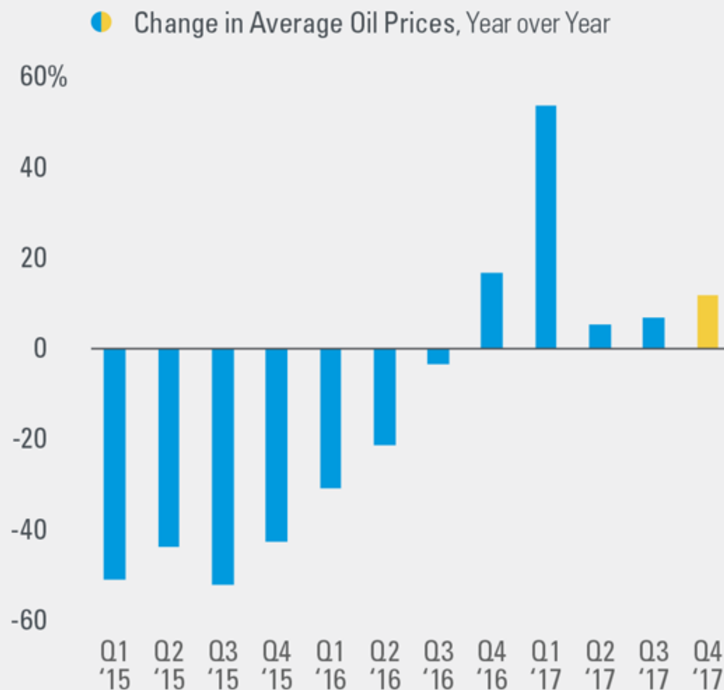
4. **Pre-announcements:** The ratio of negative to positive pre-announcements for the fourth quarter, at 1.6, is as favorable as it has been throughout the entire economic expansion. Though in line with last quarter, this ratio is better than the year-ago quarter (1.9) and the long-term average (2.8). Fewer negative profit warnings have historically led to better-than-expected earnings results.
5. **Stable estimate revisions:** Analysts typically reduce earnings estimates during the quarter being reported. However, throughout the fourth quarter of 2017, estimates remained largely unchanged (while 2018 estimates rose, in part due to the tax law). Resilient estimates are a positive sign for fourth quarter results.
6. **Higher energy prices:** Average crude prices were 12% higher in the fourth quarter of 2017 than the prior year [Figure 4]. If consumers pay more at the pump, and consumer spending is two-thirds of the U.S. economy, then how can higher oil prices help earnings? The answer is that S&P 500 earnings are more manufacturing and capital spending oriented than the U.S. economy. Higher oil prices mean more profits for energy companies (6% of the S&P 500 weighting) and also more investment in energy infrastructure via the industrial sector.



We believe these six factors will be the biggest drivers of potential earnings upside this earnings season. However, there is also a potential lift from hurricane-related rebuilding efforts, a positive, following the weather-related earnings drag in the third quarter, mostly from insurance losses.

And though not a clear negative, write downs related to the new tax law, particularly in the financials sector, have been garnering a lot of attention. We expect the market to look past these tax hits and focus on the benefits of the lower corporate rate, but the headlines aren't helping investor sentiment. A lower tax rate leads to reductions in the value of future tax assets, and taxes paid up front for repatriating overseas cash, are both in the "pay now, benefit later" category.

ROBUST 2018 EARNINGS OUTLOOK

With the passage of the new tax law in late December, we upgraded our forecasts for earnings in 2018 (as well as our economic growth and S&P 500 return forecasts). Specifically, the new tax law and the potential boost to corporate profitability led us to raise our 2018 S&P 500 earnings forecast from $142.50 to $147.50, representing annual growth in the 12-13% range, which may prove conservative.

As noted in our *Outlook 2018: Return of the Business Cycle*, we believe 2018 earnings will be supported by stronger global economic growth, a pickup in business spending, and strong manufacturing activity in the United States. We also think operating margins will remain strong and stable, thanks to our expectation for only modest upward pressure on wages and other input costs. The increase in 2018 estimates, even if largely due to analysts factoring in the new tax law, is encouraging as 2018 begins.

CONCLUSION

We expect a strong fourth quarter earnings season and a mid-teens increase in S&P 500 earnings. Looking ahead, we believe our forecast for low teens earnings growth in 2018 is well supported by our forecast for accelerating global economic growth and the new tax law. Although we may see a pickup in volatility in the near term, we believe our earnings expectations for 2018 support further gains for stocks over the balance of this year.

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Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

All investing involves risk including loss of principal.

INDEX DESCRIPTIONS

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Institute for Supply Management (ISM) Manufacturing Index is an economic indicator derived from monthly surveys of private sector companies, and is intended to show the economic health of the U.S. manufacturing sector. A PMI of more than 50 indicates expansion in the manufacturing sector, a reading below 50 indicates contraction, and a reading of 50 indicates no change.

The U.S. Citi Economic Surprise Index measures actual economic surprises relative to expectations. A positive reading means that data have been stronger than expected, while a negative reading means that data have been worse than expected.

The U.S. Dollar Index measures the performance of the U.S. dollar against a basket of foreign currencies: EUR, JPY, GBP, CAD, CHF and SEK. The U.S. Dollar Index goes up when the dollar gains "strength" compared to other currencies.

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Art and Collectibles: Planning for the Transfer of Your Treasured Property

Passing along property during your lifetime may be one way to minimize estate taxes.

For many individuals collecting artwork, jewelry, antiques, and other vintage treasures is a lifelong passion. Deciding what is to become of your valuable personal assets when you are no longer around to care for them is not something to take lightly, particularly when it comes to planning for the distribution of your estate.

Let's say over the years you have accumulated several valuable oil paintings. Ask yourself: Do I want to pass my collection on to family members? Do they have the expertise to manage valuable or fragile assets? Would a museum be a better home? Is it economically feasible to keep my collection intact, or will I need to sell some pieces to cover various expenses?

If you don't address these questions while you are here and able to do so, it is likely that your estate executor or attorney -- who may not have your passion for art -- will do so for you when you're gone. Deciding what to do with a treasured collection generally involves three tasks: assessing value, naming beneficiaries, and communicating your intentions.

Assessing Value

Putting a price tag on your collectibles is, pardon the pun, more art than science. Viewers of the "Antiques Road Show" on PBS know that the appraised value of unique property sometimes surprises even the owner. You'll want to consult a professional appraiser who specializes in your type of collectible. Location, too, may be a consideration. If you own a prized statue from a local sculptor, you may want to speak to a nearby appraiser who is familiar with the regional market.

A paper trail -- receipts, newspaper articles, old photos, and letters -- that can help trace the history of, for example, an antique Smith & Wesson revolver collection could enhance your appraisal. After all, if sold at auction, a gun proved to be fired by Teddy Roosevelt would most certainly bring in a higher bid than one owned by an anonymous cowboy. Needless to say keeping good records that include the tax basis and appraised value of collectibles will come in handy when assessing capital gains, identifying gift and donation deduction amounts, and submitting insurance claims should such property become lost or damaged.

Naming Beneficiaries

When drafting a will, be specific in bequeathing your tangible and personal property. Doing so will help you avoid the potential for family discord by noting item-by-item who gets what and under what circumstances. For added clarity, it may be wise to identify primary and alternative beneficiaries for such items.

Gifts to Charity; Weighing the Tax Implications

You may want to consider making a charitable gift to a museum or other reputable institution. Passing along property during your lifetime may be one way to minimize estate taxes. By consulting with your tax advisor, you might decide to make a gift during your lifetime that offers an immediate tax deduction. In contrast, bequeathing a gift postmortem may mean missing out on any income tax benefits while you are alive.

A formal gift agreement will spell out the terms of the transfer. For instance, would you want a particular item to be on a permanent or restricted exhibit? Should your gift be made anonymously or should the piece include your family's name engraved on a plaque?

Preserving Your Valuables for Posterity

It is important to leave sufficient liquidity at your death to avoid the unintended sale of a treasured collection to raise fast cash. Creative life insurance strategies may be employed to match the value of the donation. A trust professional working with your attorney can explain other strategies that may help execute your charitable wishes and extend your legacy for future generations.

Communicate Your Intentions

No matter what approach you choose, it is important to communicate clearly with family members and other third-party beneficiaries. Write your wishes down to mitigate chances for misunderstanding. With proper planning, you can enjoy your passion and take advantage of potential tax benefits at the same time.

This communication is not intended to be legal and/or tax advice and should not be treated as such. Each individual's situation is different. You should contact your legal and/or tax professional to discuss your personal situation.

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Options for Inherited Assets From an Employer-Sponsored Retirement Plan

If your spouse had already begun taking RMDs, you must continue to take them at least at the same rate.

If you recently inherited retirement assets from a deceased loved one, it is important to pay attention to IRS rules that govern this type of bequest. Your options in managing this money typically depend on your relationship to the deceased and whether he or she had already begun taking required minimum distributions (RMDs) upon reaching age 70½.

Considerations for Spouses

Spouses have three options when it comes to inheriting assets from a qualified defined contribution retirement plan:

- Keep assets in the plan.
- Take the assets as a lump sum.
- Transfer the assets into their own individual retirement account (IRA).

As long as your spouse's plan permits, you may keep the assets in the plan as a "beneficiary account" and continue to enjoy its tax-deferred status. If your spouse had already begun taking RMDs, you must continue to take them at least at the same rate. If your spouse had not yet begun taking RMDs, you can delay taking them until the year your spouse would have turned age 70½.

If you take a lump-sum distribution, you will be required to pay income taxes on the full amount. Twenty percent of the amount due to you will be withheld automatically.

If you transfer the assets into an IRA, you are not required to pay federal estate or income taxes if the assets are left intact within the estate. After reaching age 70½, you must begin taking RMDs based on your life expectancy. If you have already begun taking RMDs, you must take your distribution for the year before transferring the assets into your account.

Considerations for Non-spouses

Non-spouses also have three options:

- Keep assets in the plan.
- Take the assets as a lump sum.
- Roll over the assets into an inherited IRA.

Your option to keep assets in the plan is dependent on plan guidelines: Some will allow you to keep the account in the plan; some will require you to withdraw the assets. If the deceased had already begun taking RMDs, you must continue taking them at the same rate or faster. If the deceased had not yet begun taking RMDs, you must begin taking distributions by the end of the year after the person died.

As with the spousal scenario, taking a lump-sum distribution will necessitate the payment of income taxes on the full amount. Twenty percent of the amount due to you will be withheld automatically.

If you are opening an inherited IRA, the account must be held in the name of the original participant with you listed as the beneficiary. You will be taxed on your distributions as you take them.

Considerations for Trusts

For estate planning reasons, the deceased might have designated a trust, not an individual, as the beneficiary. Often it is assumed that because the beneficiary was a trust, the money must be withdrawn immediately. However, each trust document is different. In certain situations, you may be able to treat the inherited account as though you were the named beneficiary. In other situations, you may have no choice but to close the account immediately. Before you act, you should have a professional specializing in this area review the trust document and help you understand your options.

Because determining the tax status of inherited retirement assets can be complicated, you may want to consult an estate planning attorney, a tax professional, or a financial advisor to answer any questions you may have.

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Many tax deductions and credits slowly shrink or disappear entirely as you pass through various life stages.

Will You *Really* Be in a Lower Tax Bracket When You Retire?

Caveat emptor or, as the translation goes, let the buyer beware. How many times have you read -- or been told -- that when you retire you are likely to be in a lower tax bracket? Predicting your tax rate in retirement is an important, but imprecise, exercise that is best addressed with the help of a qualified planner.

What You'll (Likely) Lose

There are many tax deductions and credits that slowly shrink and/or disappear entirely as you pass through various life stages. Following are just a few examples that may affect your situation -- and potentially increase your taxable income in retirement.

- Mortgage interest deduction. Entering retirement without a mortgage has many advantages: increased cash flow, the ability to direct more money to savings and investments, and peace of mind, to name a few. The downside: you'll lose the mortgage interest deduction.
- Student loan interest. Most of us would probably prefer having our student loans -- or children's loans that we may be paying off for them -- put to bed before we retire. It just feels right. But, that said, you can also say goodbye to the interest deduction.
- Retirement account contributions. Some accounts, such as traditional IRAs, impose age limits on contributors. For instance, once you reach age 70½, not only must you stop making regular contributions to a traditional IRA (thus losing the chance to potentially deduct your contribution), but generally you also must begin taking distributions from these accounts or pay an additional 50% excise tax on the amount that should have been distributed but was not.

Taxation of Retirement Income

Once you retire, you will probably start receiving income from various sources -- e.g., pensions, traditional 401(k)s, traditional IRAs, Social Security, and/or investment accounts -- all of which will have an effect on your tax situation. For certain accounts, such as traditional 401(k)s and IRAs, you'll have to pay taxes at ordinary income tax rates on previously untaxed contributions and any investment earnings. Roth accounts, on the other hand, are funded with after-tax dollars and allow for tax-free withdrawals in retirement, provided that certain conditions are met.

Investment income in taxable accounts -- including dividends and/or long-term capital gains -- is generally taxed at a lower rate than money withdrawn from retirement plans. Long-term capital gains from investments held for more than one year are generally taxed at a 15% rate, while retirement account withdrawals are generally taxed at ordinary income tax rates.[1]

The taxability of Social Security benefits is complicated but generally depends on your income (e.g., wages, self-employment, interest, dividends, and other income that must be reported on your tax return) in addition to your benefits. Basically, the higher your total income, the higher the percentage of your benefits that are taxed.

For instance, if you are a single retiree with "provisional income"[2] between $25,000 and $34,000 or a married couple (filing jointly) with provisional income between $32,000 and $44,000, you will be taxed on up to 50% of your Social Security benefits. For individuals with provisional income over $34,000 and married couples with provisional income over $44,000, up to 85% of benefits may be taxable.

A Wait-and-See Tax Environment

As of 2017, ordinary income tax rates range from 10% to 39.6% while the rates on long-term capital gains and qualified dividends are 0%, 15%, and 20%. But with tax reform earmarked as a high-priority item on the Trump administration's agenda, "all bets are off" on how and when the current situation could change -- meaning a rethink of your own tax picture.

This communication is not intended to be tax advice and should not be treated as such. Each individual's tax situation is different. You should contact your tax professional to discuss your personal situation.

[1] *Higher-income taxpayers may be subject to an additional 3.8% net investment income tax.*

[2] *"Provisional income" generally includes your modified adjusted gross income plus tax-exempt interest and half of the Social Security benefits you received during the year.*

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