WEALTH MATTERS *for* DENTISTS

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Altfest Personal Wealth Management

NYSDA Wealth Management Provider

ESTATE TAXES: STILL A PROBLEM FOR NEW YORK

EVEN IF YOU LIVE ELSEWHERE, THIS STILL MAY AFFECT YOU!

BY ANDREW ALTFEST, MBA, CFP®, PRESIDENT and KEITH FEINBERG, JD, CFP®, FINANCIAL ADVISOR

The turning of a new year can be a good time to re-examine estate planning issues that may affect you, especially if you live in the State of New York. The federal Tax Cuts and Jobs Act of 2017 put in place at the start of 2018 was beneficial for most large estates, but state estate tax regimes operate independently, and can have a very different impact. How do the two systems work in your favor - or against you - if you're a New Yorker?

In November 2018, the Internal Revenue Service (IRS) announced that the inflation-adjusted federal estate and gift tax exemption would rise for 2019 to $11.4 million per individual, up from $11.18 million in 2018. That means an individual can now leave $11.4 million to heirs without paying federal estate or gift tax, while a married couple will be able to shield $22.8 million.[1]

New York's 'estate tax cliff'

Over the past several years, states have enacted

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IN THE NEWS

FORBES BEST-IN-STATE WEALTH ADVISORS

We are excited to share that for the second year in a row, **Andrew Altfest, CFP®** and **Karen Altfest, CFP®** both have been named among Forbes ranking of "**Best-In-State Wealth Advisors"** for New York, after being included in their inaugural ranking in 2018.

THE EVOLVING U.S.-CHINA TRADE WAR AND YOUR INVESTMENTS

BY SUSH PODDAR, MBA
INVESTMENT STRATEGIST

Last year delivered continued economic prosperity for the United States, yet it was also a period of elevated uncertainty. Two predominant factors driving global markets were the gradual tightening of monetary conditions and escalating trade disputes.

Over the past couple of years at Altfest, we have been positioning our portfolios to anticipate tighter monetary conditions, including a rise in global funding costs. For instance, in early 2018 when fresh money was still chasing the emerging markets, we dialed down our exposure to those holdings because of our concerns about the impact that higher interest rates can have on these developing economies' trade and fiscal balances.

The speed and intensity at which the trade war with China unraveled shook up the confidence of global investors. This may result in economic growth below potential in the short term. However, investor pessimism also created opportunities through an apparent disconnect between valuations and fundamentals in certain pockets of the market, especially EM Asia, where we restored increases to our positions in late 2018. Both our downsizing and upsizing of EM exposures last year have paid off well, one by protecting from the downside sell-off and the other by participating in the upside rally.

Capitalism "with Chinese Characteristics"[1]?

Headlines often portray the trade war with China as a phenomenon of the Trump presidency. In reality, the dispute has been brewing for decades, beginning with China's entry into the World Trade Organization (WTO) in 2001. After the end of the Cold War, the West saw China's accession into the WTO's system of global trade rules as an opportunity to reshape the remains of communism into a democratic mold. The economic rewards of gaining access to such a large, untapped market were also substantial.

It was also hoped that the benefits of open-market capitalism gradually would nudge the Chinese toward a more transparent political system, where the rule of law prevails and fair and equitable treatment of human rights acts as a guiding principle. From the very beginning, Chinese leaders appeared to have been cynical about the potential cost of belonging to the WTO, and have resisted attempts to open their economy in a meaningful way. Nevertheless, the country has since evolved from an insulated economy saddled with low productivity to a protectionist capitalism fueled by modern technology and intense state planning.

The West has accused[2] that the development of China's innovation-centric economy has come at the expense of forced technology transfers, appropriation of intellectual property, and manipulation of currency, among other things. Chinese protectionist policies have been cited as harmful

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legislation to increase estate tax exemptions to match the former federal exemption. As a result, there's now a roughly $5 million gap between the federal and state estate tax exemptions in New York. An estate plan that centers entirely on leveraging the new, larger federal exemption could end up wildly exceeding the state exemption.

For New York State residents, the estate tax exemption is much lower than the federal one, at $5.74 million. If a New York resident dies with an estate valued at an amount falling between the New York and federal exemptions, the New York estate tax will be applied to the entire estate - a liability that can exceed $1M.

In most states, an estate is taxed on a percentage of the amount by which its value exceeds the state's exemption. However, New York implements a "cliff rule"; if an estate exceeds the exemption by more than 5 percent (a buffer zone of only about $265,000), the exemption is effectively disregarded and the entire estate is subject to the estate tax. The estate "falls off the cliff." With a top rate of 16 percent, an enormous tax bill can arise, if planned incorrectly or carelessly.[2]

If your taxable estate is currently equal to or over the exclusion amount, or you believe that over time it will be, then the cliff could be a peril for your family.

For estates below the New York exemption, the cliff may not directly matter, but it's still important to revisit your estate plan to make sure it reflects your wishes, your present circumstances and current law. Even if your estate is not currently taxable, or you live outside New York State, certain tax law changes may cause provisions of your estate plan to operate differently than originally intended. Altfest can provide trust and estate guidance, and work with your legal advisor to find the right structure for your estate.

Preparing your family for wealth

One of the most difficult, but important, parts of preparing your family for an inheritance is an open and frank discussion with your spouse, children, executors and trustees about the future.

In order to make this wealth transfer go smoothly, it's critical to have a thoughtful and deliberate estate plan in place. For Altfest clients, estate plans often comprise a complicated and intricate series of maneuvers to shield the estate from excessive taxation and ensure beneficiaries receive and manage inherited wealth successfully. Remember that "failing to plan is planning to fail" when it comes to estate planning. Your Altfest advisor can work with your professionals to incorporate your wishes and the needs of your heirs long before the time for wealth transfer begins.

Review your plan before it's too late

At Altfest, we want to help our clients avoid the agony of an outdated or improper estate plan. Perhaps you have an estate plan created years ago by the family attorney. Although the plan was sound and relevant at the time, your family situation, assets and tax laws have all undergone significant change. Maybe you have even been traumatized by having to administer a loved one's estate because proper planning wasn't completed. Is worrying about whether the same will happen to your heirs keeping you up at night?

When speaking with clients, we often receive the same questions: How will my estate plan work? Which document does which job? Will my family be forced to pay taxes? How can I make sure my family is equipped with the understanding, knowledge and support to administer my estate?

We often find that clients have not given enough thought to preparing their family to survive them. It's incredibly important to involve surviving family members in discussions surrounding an estate plan. Doing so allows for open and frank discussion regarding changes to family situations, tax laws and even a client's wishes for their assets. We can help clients and their families create, monitor and revise an estate plan so all parties feel comfortable and secure with the planned succession of assets.

Transitioning your dental practice

An element of estate planning for some involves preparing to transition a dental practice as you age and look forward to retirement.

Questions to ask as you move into this phase are: How much is my practice worth? How can I find out about valuation? How can I protect the value of my practice if I were to die prematurely? And how will selling or transferring my practice affect my estate plan?

Altfest financial advisors have years of experience working on estate planning with healthcare professionals. We welcome you to reach out when you're ready to discuss a transition for your hard-earned practice.

Andrew Altfest, MBA, CFP®, President, is a leading voice on the firm's Portfolio Action Group. He drives financial planning and investment strategies across the firm. Andrew earned an MBA from Columbia University's Graduate School of Business.

Keith Feinberg, JD, CFP® works to help clients and their families achieve their goals by creating customized and comprehensive financial plans. He specializes in Estate Planning and Tax Planning. Keith earned a JD from St. John's University School of Law.

References: [1]https://www.irs.gov/pub/irs-drop/rp-18-57.pdf; [2]https://www.wealthmanagement.com/estate-planning/beware-estate-tax-cliff

THE EVOLVING U.S.-CHINA TRADE WAR AND YOUR INVESTMENTS

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to U.S. workers and industries, holding middle-income Americans back from improved living standards. Meanwhile, amid a rise in populism across global democracies, China is promoting its state-controlled capitalism as an alternative to free-market democracy.

Toward A Level Playing Field

"Keep a cool head and maintain a low profile. Never take the lead — but aim to do something big," said Deng Xiaoping, a pioneer of late 20th-century market reforms in China. Today, however, Chinese leaders appear to be uncharacteristically vocal in displaying their ambition to take a more authoritative role on the global stage. Whether through the sprawling infrastructure project known as the Belt and Road Initiative, the China 2025 move to produce higher-value products and services,[3] or assertiveness in the South China Sea region, China has started projecting its economic and military strength.[4] The rise of an affluent demographic and increased technological prowess justifies China's desire to take a more crucial role in global geopolitics.

Despite its economic ascendance, China does not appear keen to give up the special accommodations that were extended to encourage its participation in the global trading system. From the West's point of view, China today no longer needs the favorable terms and conditions usually given to the poorer emerging economies to encourage participation and development. Given China's colossal market stature in the global economy today, it does not come as a surprise that a more level playing field in terms of trade reciprocity is expected by its developed-economy trading partners.

A Long and Arduous Process

China is thought to have bent, if not broken, many of the norms that form the basis of the WTO rulebook along the way to its modern prosperity. Up until now, due to the multiple intricate facets involved, China's violations of WTO regulations rarely have been publicly scrutinized as closely. Last year marked the year of escalation of those gripes and grievances, driven by President Trump's refusal to accept long-term trade imbalances across several industries. Reaching an agreement that actually addresses the underlying concerns of both nations and other developed economies will likely be a long and arduous process. In the post-Soviet era, China did demonstrate great flexibility in reshaping its economy by steering toward a capitalistic system. It is plausible that, at this juncture, it may gradually reform itself toward being an open-market economy – an outcome that would bode well for the global economy as a whole.

Together, China and the United States make up about 40 percent of the global economy,[5] with many intricate linkages throughout the global supply chain. Consequently, a prolonged conflict will result in significant stress to the global economy, and could roil financial markets and affect investments. It is likely that compromises will be reached, and some interim measures put in place to stabilize global business and financial market conditions while a lasting long-term solution is sought. As we navigate the unknown, our job as investors is to remain analytical at all times, avoiding sentiment-driven decision traps while staying nimble so as to improve our portfolios' risk-reward characteristics.

Sush Poddar, MBA, is an Investment Strategist at Altfest. Prior to joining Altfest, she was an Executive Director at a large investment bank. She holds an MBA in International Finance from Thunderbird School of Global Management at Arizona State University.

References: [1]http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm; [2]https://www.whitehouse.gov/wp-content/uploads/2018/06/FINAL-China-Technology-Report-6.18.18-PDF.pdf; [3]https://www.uschamber.com/sites/default/files/final_made_in_china_2025_report_full.pdf; [4]https://cfrd8-files.cfr.org/sites/default/files/report_pdf/Patricia%20Kim%20-%20Testimony%20on%20China%20Military%20Expansion%20-%20HPSCI%20May%2017.pdf; [5]https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US

ABOUT ALTFEST

Altfest Personal Wealth Management is the wealth management provider for the New York State Dental Association. We offer our clients trust and transparency. We have a focus in working with dentists. *Wealth Matters for Dentists* is produced in-house as a service to NYSDA members, to share our thinking on relevant topics.

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WEALTH MATTERS FOR DENTISTS:

QUARTERLY NEWSLETTER

In This Issue:

E-mail rrezvi@altfest.com to receive the next Wealth Matters for Dentists newsletter via email.

ALTFEST PERSONAL WEALTH MANAGEMENT: IN THE NEWS

1. **Lew Altfest, Ph.D., CFP®, CFA, CPA, PFS** has been named as one of the **"Top 1,200 Financial Advisors in the Country"** by ***Barron's*** for 2019.

2. **Karen Altfest Ph.D., CFP®** has been recognized on ***Forbes*** 2019 list of **"Top Women Wealth Advisors,"** and on ***Crain's*** 2019 list of "**Notable Women in Finance."**

3. **Altfest Personal Wealth Management** has been selected as one of ten **"Top Rated Advisors in New York, NY"** in 2019 by ***AdvisoryHQ.***

4. ***The Wall Street Journal*** live blog featured **Lew Altfest** during coverage of January's Fed interest rate decision press conference, in the article, **"Investors Are Still Keeping an Eye on Inflation."**

5. **Andrew Altfest** was quoted in the ***Investor's Business Daily*** article **"4 Ways To Boost Retirement Savings By $1,000 (Or More) A Year."**

6. ***MarketWatch*** interviewed **Lew Altfest** for the article, **"Five Reasons Emerging-Markets Stocks Could Outperform U.S. Stocks for Several Years."**

New NYSDA Complimentary Benefit: Take Advantage Now!

The New York State Dental Association and Altfest are excited to announce a new complimentary benefit, **"Evaluating Retirement Readiness,"** for both active and retired dentists.

This is designed to help NYSDA members effectively plan for a "peace of mind" retirement.

Our goal is to help ensure you are on track to retire because after all your hard-working years, you deserve it! Call (212) 406-0850 or email us at inquiry@altfest.com to take advantage immediately.