



NACHMAN NORWOOD & PARROTT  
WEALTH MANAGEMENT CONSULTANCY

1116 South Main Street  
Greenville, SC 29601  
864.467.9800  
nnpwealth.com

## UPCOMING EVENTS

The GHS Half Marathon & 5K | February 24 | swamprabbitrace.com

The Color Purple | March 13–18 | peacecenter.org

Greenville Symphony Orchestra Chamber Extravaganza | March 24–26 | greenvillesymphony.org

Atlanta Ballet's Black Swan | March 16–18 | atlantaballet.com

Publix Georgia Marathon, Half Marathon & 5K | March 18 | atlantatrackclub.org

42nd Atlanta Film Festival | April 13–22 | atlantafilmfestival.com

Charleston Food + Wine Festival | February 28–March 4 | charlestonwineandfood.com

Annual Charleston Antiques Show | March 16–18 | historiccharleston.org/CAS

Volvo Car Open Tennis Tournament | March 31–April 8 | volvocaropen.com

This section and the listed websites are being provided for informational purposes only; events subject to change. Please note that we are not responsible for the information contained on the listed websites.

**CONTACT US** We value your opinion. Have a question or topic that you would like to see addressed in this newsletter? Contact Anna Britton Madden at 864.467.9800 or annabritton.madden@nnpwealth.com.

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# NEWS FROM NNP

1ST QUARTER 2018



## YEAR IN REVIEW

Contrary to most predictions, 2017 turned out to be a steady upward move for worldwide equity prices and most capital markets for that matter. As is quite often the case, all the noise did not have the impact many would have expected. Even though our year-end comments of 2016 leaned toward the positive side, we're not sure we would have predicted as robust a year as it turned out to be. As we now enter the ninth year of a strong rebound in asset prices, the question of how much longer this can last remains front and center.

As for the past, 2017 was a positive for most major asset classes. The big story—and one we at NNP have been waiting for—was a rotation from the U.S. equity markets to overseas. In fact, both the emerging and developed overseas equity markets outperformed the U.S. Outperformance has not happened in quite some time, and we would guess this trend is likely to continue. On the other hand, traditional fixed-income markets remained muted—not surprising considering how low rates have been. In fact, looking back at the last five years, the bond market (as measured by the Bloomberg Aggregate Index) has lost much of its luster. So, now what?

**The case for further gains.** Since 2009, we have repeated the mantra that low interest rates, low inflation and low taxes provide a solid foundation for equity prices. Even though much has changed since 2009, these key building blocks remain in place. In fact, we now have even lower taxes as we enter 2018. Finally, as we have also repeatedly mentioned, bull markets typically end in a speculative frenzy. Although some signs

have begun to emerge (e.g., the activity surrounding Bitcoin), we are not convinced we are at true bubble stage.

**The case for caution.** Based on historical averages, both equity and bond markets are at a minimum fully priced. We are in an eight-year bull market that has seen a cumulative 295% return for the S&P 500\*, making this one of the largest and longest bull markets in history. The current economic expansion is already twice the length of the average expansion. Finally, it has been an above-average length of time since even the last market correction.

Some might argue that the stars are just aligning: the economy is gaining speed and lower corporate tax rates are soon to further ignite this. However, we would point to two old sayings: “buy on rumor and sell the news” and “buy stocks when the news is at its worst, not best.” The stock market is a forward-looking indicator. Has the past rise been in expectation of the current environment or have we just begun?

In summary, we continue to believe the potential reward at current levels is reduced while the risk has been increased. This time last year, we built a similar case, although we gave the edge to the positives. As we enter 2018, the pendulum has tilted to a more neutral stance. Returns can be produced, but the risks continue to rise.

Predicting markets accurately is a gamble. No matter what happens, we at NNP will be here to help navigate the waters. Happy New Year! 🍀

\* [https://am.jpmorgan.com/blob-gim/1383407651970/83456/MI-GTM\\_1Q18\\_1.pdf?segment=AMERICAS\\_US\\_ADV&locale=en\\_US](https://am.jpmorgan.com/blob-gim/1383407651970/83456/MI-GTM_1Q18_1.pdf?segment=AMERICAS_US_ADV&locale=en_US)  
Investments in securities and insurance products are: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE.

# THE STATE OF WEALTH MANAGEMENT UNDER THE TAX REFORM BILL



Chances are you have heard about the recently signed tax bill, which was passed by Congress December 20 and signed into law on December 22. It is the most substantial change of the federal tax code in more than two decades. From corporate America to high net-worth individuals to the middle class and lower—this act affects all parties.

## Lower tax rates and brackets:

According to the Thomson Reuters Checkpoint Special Study on Individual Tax Changes, the act comes with reduced tax rates and adjusts income brackets for most taxpayers, including individual filers and married couples filing jointly. Almost all seven individual tax brackets received tax cuts, meaning many of the current rates, from 10 percent for the lowest bracket to 39.6 percent for the highest earners, will change.

The number of estate and trust brackets decreased from five to four brackets, each with slightly lower rates. These adjustments became effective January 1.

## Estate and gift tax exemptions DOUBLED:

The act extends the already limited reach of the federal estate and gift taxes to an even smaller subset that would mostly affect wealthy taxpayers. There would be temporary doubling of the exemptions from approximately \$11 million

to approximately \$22 million for married couples until the end of 2025, reverting to current law in 2026. This change will have a significant effect on both testamentary and lifetime estate planning.

## Education savings and deductions:

There are several benefits to parents with young or school-age children as the new act provides increases in the ability to use 529 college savings plans to support K-12 education. Previously, 529 plans could only be used to cover costs for college. The new law expands the qualified use of 529 accounts by allowing tax-free withdrawals for public, private or religious schooling. Note, there is a limit of \$10,000 per year, per child, for these K-12 education expenses.

## The bottom line:

It's a challenge to understand the complexities of the new tax law, let alone determine what next steps should be taken to ensure you are making the best financial decisions for you and your family. The act's provisions are now in place and time is ticking. It's essential to work with your financial advisor to support your tax advisor regarding steps you may want to consider. The act's wide-ranging provisions may affect how you approach many key financial decisions moving forward. ■■■

*This article was originally featured in the January 5 issue of the Upstate Business Journal. To read the full article, visit [nnpwealth.com/news](http://nnpwealth.com/news).*



## CONTRIBUTION LIMITS FOR 2018

A new year brings a new opportunity to maximize savings. Consider increasing your contribution in 2018 to the limits listed below to help reach your savings goals. If you have any questions about how to ensure you are making the most of your contributions, your advisor at NNP is happy to help you understand more.

### RETIREMENT PLAN LIMITS

<b>Traditional and Roth IRAs Contribution Limits</b>	\$5,500
Age 50 and over Catch-up Contribution	\$1,000
<b>SEP Contribution Limit</b>	
Up to 25% of compensation	\$55,000
<b>Elective Deferral Limits</b>	
401(k), 403(b), 457 and SARSEP	\$18,500
Age 50 and over Catch-up Contribution	\$6,000
SIMPLE elective deferral	\$12,500
Age 50 and over Catch-up Contribution	\$3,000
<b>Defined Contribution Limit</b>	\$55,000
<b>Max Includable Compensation</b>	\$275,000

### EDUCATION

<b>529 Plan per individual—before gift tax</b>	\$15,000
<b>529 Plan per couple—before gift tax</b>	\$30,000
<b>Accelerate 5 years of gifting into 1 year per individual</b>	\$75,000
<b>Accelerate 5 years of gifting into 1 year per couple</b>	\$150,000

### HEALTH SAVINGS ACCOUNT

<b>Maximum Contribution</b>	
Single	\$3,450
Family	\$6,900
Age 55 and over Catch-up Contribution	\$1,000
<b>Minimum Health Insurance Plan Deductible</b>	
Single	\$1,350
Family	\$2,750

# ASSOCIATE NEWS

## Meet Anna Britton . . .



When entering our front door, you'll likely be greeted by the newest face of NNP. Anna Britton Madden recently joined NNP as our Administrative Assistant. She comes to us as a graduate of The

University of South Carolina with a Bachelor of Arts degree in Mass Communications. Anna Britton will be responsible for the day-to-day operations of our front desk as well as scheduling client reviews.

## . . . and Sarah Carter



Sarah Carter Farmer joined NNP in June 2017 as an intern and has recently accepted a full-time position where she will be helping us with wealth management planning for clients. She will assume her

full-time planning duties upon graduation in May. Sarah Carter is a senior at Furman University, majoring in Accounting.

We are very excited to have these two join our NNP family. ■■■

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