KEEN ON RETIREMENT

How President Trump's Tax Plan May Affect Your Pocketbook

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hello everybody, and welcome back to 'Keen on Retirement.' I'm your co-host, Steve Sanduski and with me, as always, is Bill Keen. We have another special guest with us today, Matt Wilson. Hey guys, how are you doing?

Bill Keen: Hey Steve, good to talk to you. We're ready for a fun episode. Matt, welcome to the studio today, sir. Thanks for joining us.

Matt Wilson: Yeah, glad to be here. Thanks for having me.

Steve Sanduski: It's always fun to have you on here, Matt. We got a lot of good stuff we're going to talk about today. We're going to talk about taxes; and yes, taxes can be fun.

Bill Keen: Reducing taxes, how about that? Does that sound fun?

Steve Sanduski: That is a lot of fun, yeah. Yeah, so we do think it's important though to talk about that. Anything you want to add on that, Bill, before I stump you?

Bill Keen: Well here we are in January and the tax forms are going to be rolling in to folks, the 1099s, the W2s. We get a lot of questions around the filings, and how things work. On top of that, we have a new president. All of the talk about what taxes might look like going forward, the deductions, the exemptions, the phase-outs. It's confusing. It's complicated. I think we've experienced so many of our clients and listeners just going dark on it, almost shutting out the information. We had a flurry of information back in September, October. We had the election. We had some think tank groups come out with some analysis of what might happen. There's been some changes to some of the things that were proposed. I think people just got overwhelmed by all the information.

We just thought it's kind of like the elephant in the room, Steve. I think we need to, at least from a high level, talk about today what the tax situation's going to look like going forward, at least from what we can derive and understand from it. Not only for the US as a whole, which we can talk about that. I'm always angling to how does it affect our clients on the ground in the trenches? What we will do strategy-wise individually around what might happen? I think today's episode is timely.

Steve Sanduski: Well, I know one thing for sure that's going to be fun is I've got a couple of trivia questions for you guys here.

Bill Keen: Okay.

Matt Wilson: All right, all right.

Steve Sanduski: Do you have your thinking caps on?

Matt Wilson: We got Google pulled up. Does that work?

Steve Sanduski: No, that's cheating.

Bill Keen: Matt's just teasing. This is self-policing, like I said last time. We don't do that here.

Steve Sanduski: All right, okay. Now I've pulled this off of the internet, so who knows if it's accurate or not.

Bill Keen: Excellent. We better disclaim that, Steve.

Steve Sanduski: Okay. I know my second question I feel very confident about the answer to my second question. This first question I'm not so sure, but let's give it a try. Okay, so the question is how many times can you fold a dollar bill back and forth before it tears?

Bill Keen: My goodness. Now, are you talking about in one sitting, or are you talking about over the course of its lifetime? This is highly relevant data, Steve.

Steve Sanduski: Okay, well would be in one sitting. You take a dollar bill, let's say it's a crisp $1 bill that you got from the Federal Reserve Bank. You put it in your hand and you folded it over, and back and forth, and back and forth. In one sitting, how many times would you have to fold it before it just ripped on its own?

Matt Wilson: Now, who paid for this study, Steve?

Steve Sanduski: Well, this was an intern at one of the Federal Reserve Banks was hired to specifically study this so that it could be used as trivia-

Matt Wilson: That makes sense.

Steve Sanduski: -On financial podcasts.

Bill Keen: That makes sense. I'm going to go ahead and jump in, and I'm going to say 1,000. With absolutely no reasoning why, as your starting point.

Matt Wilson: Yeah, a complete guess, 733.

Steve Sanduski: That ... is way off.

Matt Wilson: Okay.

Steve Sanduski: It comes out, at least according to this, is 4,000 times.

Matt Wilson: Okay.

Steve Sanduski: 4,000.

Bill Keen: My goodness. Well, you know I'm really happy to know that information, Steve.

Steve Sanduski: I know! I'm sure everyone is going to be able to sleep a little better tonight knowing that.

Bill Keen: Now, did you just ask us that question so you could give us the proverbial BUZZ? I know how you are.

Steve Sanduski: No!

Bill Keen: You wanted to get us. No idea what the answer would be. All right, what's next? Give us one more.

Steve Sanduski: All right. Okay, the next one is, and I have high confidence in the answer to this question. This comes from the Federal Reserve Bank. The question is how long is the lifespan of US paper money? My specific question is which of our bank notes, so like a $1 bill, $5, $10, 20, or $50 bill, which one has the shortest lifespan in circulation?

Matt Wilson: Okay, in circulation, so you couldn't use the $2 bill? That doesn't? That's not in circulation.

Steve Sanduski: We're not going to use the $2 bill because there's so few of those in circulation. We're not counting the $2 bill.

Matt Wilson: All right. I want to say the $1 bill, but that sounds too obvious. I'm going to with five, the $5 bill.

Bill Keen: I'm going to say the $1 bill, just because it's handled more.

Steve Sanduski: Well, those would definitely be logical answers, but according to the federal reserve, it's the $10 bill that has the shortest lifespan.

Matt Wilson: Wow, okay.

Steve Sanduski: Okay. I'll give you a bonus extra credit here.

Bill Keen: Okay.

Steve Sanduski: How many years does the average $10 bill last?

Bill Keen: Five years.

Matt Wilson: Yeah, eight years.

Steve Sanduski: Pretty close, so four and a half years for the $10 bill; and that was the shortest.

Matt Wilson: Okay.

Steve Sanduski: Then, the next shortest was the $5 bill, at 5.5 years, then the $1 bill at 5.8. The $20 bill at 7.9 and the $50 at 8.5 years.

Matt Wilson: Wow.

Bill Keen: Okay. Now, you know it's not really paper money, is it, Steve? I mean it's actually cloth.

Steve Sanduski: Cloth?

Bill Keen: I believe.

Steve Sanduski: Is it?

Bill Keen: Yeah, I believe it's some formulation of cloth. That's why when it gets wet, it doesn't just melt away.

Steve Sanduski: Yeah, all right. Well, good. Well, that's our trivia today guys.

Matt Wilson: All right.

Steve Sanduski: Okay, now we can jump into the really fun stuff.

Bill Keen: Yes, okay. Well, that was some really interesting information that we got to cover there.

Matt Wilson: All right.

Steve Sanduski: What do you think about taxes? We have a new president. There's been a lot of talk about what's going to happen with the tax rates. We've got the president has a plan, the congress seems to have a plan. We're not going to know for some time what actually happens, but we definitely have some ideas. What are some of your high-level thoughts, guys?

Bill Keen: I'll just kind of outline some of the changes that we believe really will come. That is the number of actual tax brackets will be reduced from seven to three. There will be a 12% bracket up to about zero to $75,000 for a married, filing jointly. Then, the 25% bracket will go from $75,000 up to $225,000 in income, gross. Then, 33% on anything over 225. That's what we believe will go into play.

The single filers will be exactly half. The other thing that we're seeing is that the standard deductions will go way up. Single filers will see their standard deduction go from about 6300 … Matt, we were talking earlier about this. Is this all going to be enacted in '17, or is it going to not be until '18? We have all the '17 information that was set to go into play here. The deduction would be 6350 in '17 for an individual. That would go up to 15,000 under the new Trump tax plan; and then for a married couple, that would go up to 30,000. You've got a big increase in the standard deduction.

The exemptions, each person gets currently gets an exemption of $4,050. If you have yourself, your spouse, you have some kids, some dependents, everybody gets the $4,050 per person. That would completely go away. The concept of exemptions would completely go away under this plan as well. There's some ramifications to all of this. Itemized deductions would also be capped. We can get into a little bit about how that affects real estate, the deductibility of interest on homes, also charitable giving, and those kind of things.

What I'm talking about here with those few points are actually what affects an individual's tax return over time. Matt, I know we talked a little bit about the minor detail on this, how do we pay for all of this? I mean why does everybody want to talk about that? I'd rather talk about the tax reductions, Steve, not how we're going to pay for it all.

Steve Sanduski: Well, the government pays for it.

Bill Keen: Is that how it works? Okay, okay.

Matt Wilson: Sure, sure.

Matt Wilson: It's getting a lot of airplay because this, if Trump does what he says he's doing, this tax reform could be one of the biggest tax changes since Reagan. It's a huge change to the tax code, with compressing these brackets-

Bill Keen: Sure.

Matt Wilson: -and coming up with a more simplified deduction process. It's significant. In addition to that, Bill mentioned the individuals but then corporations, too, are set to have significant changes from a corporate tax standpoint, too. It's across the board, not just relevant to one group but both individuals and corporations.

Bill Keen: Can you explain that, Matt? That the double taxation on corporate tax, and the concept behind it there?

Matt Wilson: In the US, right now, it's 35%. They get taxed at the corporate level on any earnings. Then, when they pass those earnings through to shareholders in the forms of either dividends or capital gains, then the shareholder is taxed again.

Bill Keen: Right.

Matt Wilson: There is two layers of tax associated with those corporate earnings. Here's an example, at the 35% rate, a dollar of earnings is then reduced to 65 cents. Then, when it's passed through to the highest earning tax payers, it's then reduced to 49.5%.

Bill Keen: It's passed through as a dividend.

Matt Wilson: 49.5 cents.

Bill Keen: Then taxed to the shareholder, if you will.

Matt Wilson: Yup, taxed to the shareholder at a 23.8%. That's 20% for the income if it's a dividend, 20% long-term capital gains.

Bill Keen: Yes.

Matt Wilson: Then, 3.8% Medicare surcharge.

Bill Keen: Yes.

Matt Wilson: That gives you the total tax that someone pays on a dollar of earnings in corporate profits; so over 50%. If Trump reduces that, now he's saying 15, 20. Who knows what the final number will be, but that reduces the impact significantly. Which in turn leads to more money for corporations to have to either pass through to shareholders, or to reinvest in their businesses, buy more inventory, property, plant, equipment, hire more workers, increase wages. There's a whole host of benefits with higher corporate earnings.

Bill Keen: We hope they spend some of that money and invest it, don't we? We've got about two trillion still yet on the sidelines of the S&P companies, don't we?

Matt Wilson: Well, there is, and there's money overseas, too.

Bill Keen: Yes.

Matt Wilson: Which is another aspect of the Trump tax reform, to bring back corporate earnings that are parked in overseas bank accounts. The reason that money's there is corporate profits that are earned in foreign countries, they don't get taxed at the US corporate tax rate until those dollars are brought back here to the US. Those companies now are incentivized to leave them there, because they don't want to pay the 35% corporate tax.

Bill Keen: Sure.

Matt Wilson: The last figure I heard is 2.9 trillion dollars that is corporate profits, cash, essentially, sitting in overseas bank accounts. There's talk of bringing that back, and only charging a 10% tax rate on that.

Bill Keen: Okay.

Matt Wilson: Just on those profits, just to get them back here in the US.

Bill Keen: I think about 10%, this is what's funny about the numbers that we're talking about. Most people can't even comprehend, including myself, really, that the word 'trillion,' Steve. Next week we should do, our question should be ... We'll alert our listeners. It should be, I don't know, something like if you stack dollar bills on top of each other, a trillion, how many times to the moon and back would it go, or something? You know what I mean?

Steve Sanduski: Yeah.

Bill Keen: We can't even really comprehend the word 'trillion,' but that's the numbers we're talking about here with our economy. Hey, our output, we don't need to go ... That's a whole 'nother hour we could go, but our output is 18, 19 trillion. We're producing, so that's not just debt we're talking about. We are a productive economy and it's worked. But, I think about that money coming back to the US, and we get that money moving around our system. For me, that seems like it would be more than just the 10% revenue we'd get off it. Do you think that?

Matt Wilson: It does, it hurts. Essentially, it hurts the US worker by having that money overseas, because they're not building plants in the US with that money.

Bill Keen: Yes.

Matt Wilson: They're not building offices. They're not funding more research and development. That whole money is just sitting over there.

Bill Keen: Right.

Matt Wilson: If it's being put to work over there, it's benefiting the foreign worker but not the US worker. That's a big issue that was on Trump, and it was even on Hillary's agenda, too.

Bill Keen: It was.

Matt Wilson: To find that money back, because it's a huge deal.

Bill Keen: Yes.

Matt Wilson: It's kind of a no-brainer.

Bill Keen: In your example, what'd you say? 2.9 trillion, so 10%, 290 billion dollars. It's a big deal.

Matt Wilson: Yeah.

Steve Sanduski: The thing that I think a lot about as it relates to the taxes here is our economy is global. We certainly have the US economy, but everything that we're doing here in the US, from an economic standpoint, it's really interrelated with what's going on in the rest of the world. Yes, we'd all love to get as much manufacturing back here in the US, but there's always trade-offs. I think about the lowering of tax rates, as rates go lower, the things we need to think about are if rates go low, the idea is it will accelerate economic growth-

Bill Keen: Sure.

Steve Sanduski: -Because consumers will have more money in their pockets, because they're paying less in taxes. Corporations will have more money that they can invest, like you were just talking about here a moment ago, Matt. So we should get faster economic growth by reducing taxes, and also by reducing regulations, which is another big part of President Trump's economic plant. If those do happen, and we get faster economic growth, the hope is that the faster economic growth is greater than the increase or the potentially lower tax revenue that we might get from lower taxes. There's some balance there.

We also have to think about 'Well, if we have faster economic growth, does that raise interest rates? Does that make the dollar stronger?' There's all these interesting factors that play out, and to me, being in this business, that's the kind of stuff I find fascinating. Hopefully a lot of the people listening will find that fascinating as well. Just the interplay of all these different elements, and how do you balance those things? I think it is a delicate balance between what the congress does, what the president tries to get done, what the federal reserve does, what our trading partners do. It's this delicate dance, and it will be interesting to see over the years here how that dance plays out.

Bill Keen: We talked in an episode last year about the dollar, when it was really struggling. Matt, was that a '08, '09? Do you remember when one of the supermodels wouldn't accept her pay anymore in dollars? She wanted euros? Do you remember that?

Matt Wilson: I do, because it actually coincided with the high value of the euro.

Bill Keen: Yeah, that called the high of the euro, but Steve, remember talking about that?

Matt Wilson: I think it was '07.

Steve Sanduski: I do, yeah. I think the dollar on a trade-weighted basis now is, or in a basket against other currencies, it's up, what? About 25% in value, strengthened about 25% since it's low a few years ago?

Matt Wilson: Yup.

Bill Keen: It is. Everybody talked about the dollar not being the reserve currency, and being weak. That was scary. Now we're talking about the strong dollar not being good. Trump even came out and has talked about not wanting the dollar to be too strong, because it has a detrimental effect on our exports in the US, and our ability to work and trade throughout the globe.

Steve Sanduski: Yeah, and I think one of the key things, Bill and Matt, I know what you guys do here with the clients at Keen Wealth Advisors, is you guys are really monitoring what's happening with these tax situations and understanding how is this impacting your clients; and are there potential things that you can do to really take advantage of those things? It's not like we're trying to turn our listeners into tax experts, that's you guys are doing that. You're figuring out all that. But, we do think it is important to really talk about some of these things in at a high level to keep all the listeners informed and engaged. I think that's important that everyone really understands that.

Bill Keen: Yeah, I do, too. We sit down every day in our firm and we plan out our clients' income. The current, and then over the coming years, and we have a checklist-driven process that a lot of it has to do with taxes and again, the current year, and looking out, being forward thinking, about required minimum distributions, potential Roth IRA conversion opportunities, big deduction years. We talked before, we got a client move into a retirement community in a huge part of the buy-in of that, of his moving into community was considered a qualified medical expense. It gave him a big tax deduction in that year. We were able to convert some money from a IRA to a Roth for him, in virtually a no-tax situation. Those are things that you have to be out in front of, thinking through, being proactive on.

I think a good wealth advisory firm is being proactive not waiting for clients to call and ask the question, but thinking out ahead, and going through the checklist with folks. Our conversation today is just that: it's saying what if these changes go into play? We'll know here in a few months what actually goes into play, and we'll be able to make some adjustments to what we're doing. Thinking it through on how it affects each person individually, that's again, like we said, I'm more concerned about that.

I actually see some opportunity potentially with these higher standard deductions for potentially some Roth conversions that may not have made sense in the past. I'm going to be looking closely at that for our folks, and we do that anyway. We'll take the information given to us and we'll do the very best with what we're dealt when it comes down to all these policies and procedures. One person was asking me recently, Steve, will Trump come after the Roth IRA? Have you heard any information on that? People are concerned. That's almost like a too-good-to-be-true account, you know it?

Steve Sanduski: Yeah. No, I haven't heard much about that.

Bill Keen: Yeah, the tax-free nature of a Roth IRA is just almost people think it can't go on. I wanted to just briefly address that that's not been talked about in Trump's plan. There's been a few things that have been talked about happening on the Roth. One is right now, you do not have to take a required minimum distribution from a Roth IRA. You've got money, you've basically pre-paid your tax on the Roth. Then, you never have to pay tax on it again, as long as you hold it in there for five years and meet a couple minor requirements; age 59 and a half being one. It's, again, almost too good to be true.

There's no required minimum distribution on those now, I guess because the government realizes "Well, it's not going to generate a tax, so we just left it alone." We believe there probably in the near future will be required minimum distributions on Roths. There already is on Roth 401ks, just not Roth IRAs.

There's also a couple of other loopholes when someone inherits a Roth IRA, they're allowed to stretch that over the course of their life now. We're thinking that we might see some legislation that changes that to maybe a five-year payout of some kind as well. Anyway, there's a couple things on the Roth that I wanted to talk about. It's not on the table to go away. I think it'd be political disaster for somebody to come in and try to take away the tax-free nature of the Roth as it sits today.

Steve Sanduski: Well, we'll definitely keep an eye on that. Also, I'd like to get your comment on this, guys. This idea of confirmation bias. I think we've talked about that maybe in a previous show, but I think it's something that we all need to pay attention to and be aware of, and that is that if we have preconceived notions, or ideas, or beliefs about certain things, that we have a tendency to just find those things out there that agree with our existing position. We don't really pay attention to other points of view, and I think from an investing standpoint, it really makes a lot of sense that.

Again, that's one of the reasons why we're doing the show here is because we're trying to cut through the clutter. We're trying to deliver good information, look at the points of view, and discuss things that people can make informed decisions about where the money should be invested and what kind of changes and proactive things they should be doing with their portfolios and their financial plan.

Bill Keen: Well, that's why I have such a deep respect for our clients and listeners that are engaged, and that want to be educated. They want to take an active role in their success, and their finances, and their lives. They want to think outside the box and be challenged. It's so easy to do exactly what you said. You may have had one experience early in life that planted in your mind one reality, and that reality, it may not be correct. You're doing exactly what you said, you're seeking out information that confirms that bias on something that's wrong. I have my hand up when I talk about that. I'm certain that I've had things like that that I've had to be open-minded and willing to look at from a different angle.

When it comes to people taking advantage of the different resources out there, like podcasts. I always tell our listeners, "Go see three financial advisors. Go through the process, hear what they have to say, learn the language. Educate yourself on this stuff. There's no downside to it." The more alert, the more intellectually active, the less willing to be satisfied with some superficial attractive answer, and the more skeptical about our intuitions that we are. I'm not saying completely overanalyze things. I'm just saying be active in understanding these things, and don't get caught in those vices that we see that so often really hurt people.

Really, why we talk about it, Steve, is because if you're just talking in the barbershop, or wherever, with folks and you get in a friendly argument about different things, it's one thing. If you're making financial decisions, major financial decisions based on a hunch or something that's not been thought through, and verified, and planned out, and I would say, objectified with a third party that you respect and trust, and that knows you. Man, I'm telling you, that sets you up for failure. I don't want to step on toes. Sometimes it's we're happy-go-lucky here, and that's great, and it's all about being positive. But I've seen people over the years that have been referred into the firm that have made life-changing bad mistakes, stuff that they were not able to recover from because they made reactive decisions without thinking things through. I think it's important that ...

I'm glad you brought that up. It was something we'd covered in a prior episode. You might link to that, too, on our behavioral bias episode. We actually had two of them. We had one you and I did, and then we had one that Dan Crosby was on, Dr. Crosby was on, Steve, Remember?

Steve Sanduski: I do, yeah. Yup, he's got a book out, too, that we've linked to.

Bill Keen: That's right, that's right.

Matt Wilson: I know, just to kind of echo what Bill said, too. Those decisions that people make, they're emotionally-driven, and those are the almost always are the wrong decision to make. They're in the heat of the moment. They're based on some outlook, or some perception that just isn't true. With the election, that was both sides of it. We saw it-

Bill Keen: There was.

Matt Wilson: -With the market even reacting overnight as the results came in. Social media afterwards, you're seeing this outpouring of different emotions, because their candidate didn't win, or people who are now really happy because their candidate did. We tried to take a step back and say, "Okay, let's put this in the context of what this means long term, and what impact this has had." That's why we do so much in the context of financial plan. What's this mean for you, the taxes?

Bill Keen: Yeah.

Matt Wilson: Those are concrete things that we can make decisions on. The outlook on where we think the markets are headed, we look at where we are in the business cycle; not what president's in power right now, because those things will change. There's tons of data on there that almost shows you that it doesn't necessarily matter who, if it's democratic, or if it's republican-

Bill Keen: Matt, don't even hedge. You hedged right there. Let's just say it, it doesn't matter who the president is. Change your investments based on who the president is? I don't want to tip-toe around it, because I've seen people completely blow themselves up based on who got elected, and their political beliefs. It's tragic.

Matt Wilson: I know, I know. They make decisions just based on that with no, I guess just no context and no perspective of what that means, because they're just in the heat of the moment.

Bill Keen: That's right, and I'm ... Respectful on that, I just don't like seeing people make decisions that affect them and their family forever based on information that's not ... relevant. I don't want to say, I'm not taking one side or the other on any of them, because it happened back eight years ago, too, remember?

Matt Wilson: Yeah, I know.

Bill Keen: On the other side of it.

Matt Wilson: There was, exactly.

Steve Sanduski: Yeah, I have another friend of mine who's a financial advisor out in California, and I talked to him shortly after the election. We had a scheduled call, and he said, "Hey, I can only talk for a minute because things are really ..." Actually, it was the morning after the election. Of course, everyone is still kind of in shock.

He said, "Man, my phone has just been ringing off the hook." Long story short, he had, I want to say like eight people, eight clients that had called and were just adamant that they wanted to make changes in their portfolio as a result of the election.

I asked him, I said, "Well, did they want to add money, or did they want to withdraw money? What did they want to do?"

Bill Keen: Right.

Steve Sanduski: It was split about 50/50, where some people called and said "Because Trump won, I want to add money." About the half people, because Hillary lost, wanted to take their money out. It was just kind of interesting, and just reiterating your point there that this is a blip. All this kind of stuff. We have a new president, that we should not be making investment decisions, big investment decisions, based on who the president is because the economy is larger than one person. We have a check and balance system here. Yeah, we definitely pay attention, but we're not going to be making wholesale changes based on who the president is.

Bill Keen: Right, but we are going to be looking at the detail and very tactically making planning decisions to take advantage as much as we can for our clients, of the rules that we're given. That's completely different. Being thoughtful and methodical about the rules of the game, and the language, and the things that we have to work with, and executing on a plan unemotionally, that's way different than making a reactive decision.

Steve Sanduski: Definitely we need to distinguish between "Oh, we have a new president. That means I need to pull my investments out of the stock market, because it's going to go down." Or, "It's going to go up. I'm going to put money in because of the new president." Yeah, you're exactly right. We're definitely going to get new changes, and that's exactly what we've been talking about here. Let me just summarize here what I think we've talked about today, and that is first of all, we want to be proactive as we think about potential tax changes that are coming down the pike here. We want to monitor those, and that's what clients of the firm pay you to do, is to monitor that. You're all on top of that.

Number two, we're going to look at things like Roth IRAs. There may be some rule changes there. There may be some opportunities to take advantage of changes there that could be beneficial to clients. Number three, what you just mentioned here, tactical changes. As rules change that we want to be looking at what those rules are, and if those have a potential positive or negative impact on a client's financial plan, that you guys are all over that. That you're looking at for opportunities there, being proactive to find opportunities based on new changes in laws. 'How can we take advantage of those for our clients?'

Then, I would say fourth one here, I think. I'm on number four, would be this confirmation bias that we just need to be aware of it and not fall into the trap of just seeking out sources and other people who have the same opinion as us and would maybe get a slanted view, that we've got to look at both sides to be able to be a discerning investor and planner. Yeah, I'd say those are probably four good things we've talked about here today. Anything else you guys want to add as we wrap up?

Matt Wilson: I think we talked about a lot today, and the key with all of these proposals is as the data comes in, as laws get actually implemented and changed, we make our decisions then. We can talk about what we think can happen all we want, but until it actually happens, let's just really get conscious of what it is we're trying to accomplish, and what's the most important thing in my situation?

Bill Keen: That's right. For us, it always comes down to what are we going to do about it? The talking heads on the TV can talk theory all day long, but for us, it's about what are we going to do in the trenches every day? You know Steve, I looked back and I always like to bring perspective to our episodes. Yes, we do have to talk about what's happening day-to-day in these markets, and the economy, and politically, and geo-politically. I'm not downplaying that there aren't some serious, serious issues going on. We haven't talked about paying for all the tax cuts, that's yet to be seen.

One of the things I like to go back to, I pulled some data here. If you go back to 1935, it was during the era basically of the recovery. It's about 80 years ago. The US population has gone up two and a half times since then, but the real GDP, the Gross Domestic Product, the output, the productivity of the United States, has actually risen 17 times. That's a per capita or per person GDP increase on a scale never ever experienced in a country even remotely this size.

If you look at that productivity, and you think about where the market was, now the S&P, it closed out 1935 at the large number of 13. The index was 13! Today, it's almost 2300. That's 170 times. Now, how is that possible? If you went back and looked at all the things … Matt, was it 90% at one point was the top tax bracket? Close to 90%?

Matt Wilson: Yeah, it was up there. Yeah.

Bill Keen: Think about all the different, the legislation and the different parties we've had in play, and the wars we've gone through. Just think of the things that happened in the last 80 years, and you look at what has happened. This is just history. This isn't an opinion. This is a report of history. The market, the S&P is up 170 times, and the reason it's up is because that's almost exactly how much the earnings of the underlying companies have risen. In fact, I saw a study on Bloomberg where it said the correlation between the earnings ... Remember, I always talk about it. It always comes back to earnings, and actual stock prices since 1935, the correlation has been .95. It always traces back to earnings.

But yes, we have to look at the detail in the day. But, I also want to say that, this thing will go forward. A lot of it has to do with faith in our system and faith in the process. There's going to be some growing pains, but it will move forward. I really believe that. Do you believe that, Matt?

Matt Wilson: I do, I do.

Bill Keen: In a positive way.

Matt Wilson: I do, yeah.

Steve Sanduski: Fantastic, guys. Well, let's wrap it there. As always, great to talk to you. Hopefully we found a way to make taxes a little bit fun. We had a couple good trivia questions there to start things off. Great chatting with you guys, and we'll look forward to talking to you on the next show, on 'Keen on Retirement.' Thanks guys, talk to you soon.

Bill Keen: Thanks, Steve.

Matt Wilson: Thanks!