SPRING 2017

HORIZONS

HUFFMAN-MAYER
WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors

Regulation saturation

Phil Anderson, ***MBA, Financial Consultant***

I want you to think for a minute about the following facts.

- The Affordable Care Act and its accompanying regulations consist of more than 10,500 pages and 11.5 million words.
- The 2010 Dodd-Frank Act, which applies primarily to financial services and consumer protection, is over 2,300 pages long.
- Social Security contains more than 2,700 separate rules.
- The 2015 Federal Register, the annual summary of all government agency rules, was 80,260 pages. These are not laws per se, but orders issued by government agencies.
- In 2017, "Tax Freedom Day" will fall on or about April 24. For those of you not familiar with Tax Freedom Day, the idea is that the first 31 percent or so of what Americans earn goes to the federal, state, and local governments. From that point forward, what you make is yours to spend or save. Thirty-one percent of the calendar gets you to April 24.

Our laws have grown in length and complexity so much that it is natural to wonder if anyone has actually read them – lawmakers included. I think there are many root causes for this creeping complexity. Lawmakers, economists, and others with an eye toward molding society insert incentives and disincentives into laws to "improve" society's behavior. Every rule is seemingly accompanied by the carrot and the stick:

"Save more! We'll give you a tax break."
"Buy health insurance! Or pay a fine."
"Buckle up! Or you'll get a ticket."
"Buy a house! You can deduct your mortgage interest."

There's no question that many of the behaviors these rules incentivize are good. I think most of us want to live in a world where everyone at least attempts to be responsible for themselves, and most of the above fall under the heading of personal responsibility. I also believe that some of these incentives are effective in getting people to change their behavior. I am afraid we may be passing (or are past) the point where a typical person or business has the time to comply with or even understand all of the rules.

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Upcoming events

- **Shred it and Forget it**
  Saturday, May 13, 2017
  9:00 a.m. – 12:00 noon
  Huffman-Mayer
  Wealth Management Group
  3705 State Rd., Ashtabula, OH

Investment and Insurance Products are:

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Regulation saturation *(continued from page 1)*

The incentives are all in favor of producing more regulation. When our lawmakers aren't passing enough new laws, they are often criticized for doing nothing and so, we get a steady stream of rules and regulations. Once these rules are in place, there will of course be experts willing to help us all stay compliant. These same experts may lobby hard against any effort to reduce the regulations that keep them in business. Unfortunately, I believe many service professions benefit from such complexity – ours included. The sheer volume of rules, exceptions, and caveats surrounding retirement accounts, Social Security and insurance products drive plenty of people into the offices of financial advisors. Any industry or group that owes a part of its success to regulation should consider the societal costs before we think about whether something is good for business.

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Obviously, all of this regulation acts as a "shadow tax" on us. Every utility bill you pay, every time you buy food or gas or make a car payment, it also includes regulatory costs. We don't see them, so we don't think about them – but be assured, companies do not absorb these costs themselves – they pass them along to us. The most recent annual study by the Competitive Enterprise Institute (a study appropriately named Ten Thousand Commandments) found that these costs totaled $1.88 trillion in 2015. To add a little context, the cost of complying with our regulations is larger than the entire economy of Canada or Russia. If you assume that all of these costs eventually find their way to U.S. consumers in some form or another, this works out to about $15,000 per U.S. household each year. That's more than the average U.S. household spends on any other budget line item except housing.

If you measure the cost of regulation in Tax Freedom Day terms, we would all have to work 43 days of the year in order to pay for the cost of complying with our country's regulations. Between taxes and compliance, that takes us from April 24th to June 5th – almost half way through the year before we're really working for ourselves. If things continue this way, that date is only going to move later in the year – last year's Federal Register contained 2,342 proposed new rules from federal agencies.

Clearly many, even most, of these rules are necessary. We need clean food and water, safe workplaces, traffic laws and some kind of a tax code. But we're all paying a great deal for this increasingly complex regulatory regime. Looking at the numbers, I can't imagine how we're getting our money's worth.

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Mayer and Anderson attend *Barron's* Summit

Managing Director – Investment Officer James Mayer and Financial Consultant Phillip Anderson recently returned from the *Barron's* Top Advisory Teams Summit 2017. James and Phillip joined other advisory teams at the invitation-only conference designed to equip advisors for the many roles involved in wealth management. Topics included the latest thinking on investment performance, portfolio construction, asset allocation and global markets. "We make a point of attending this event because it gives us the opportunity to exchange ideas and best practices with an eye towards serving our clients in the best possible way," said James.

L-R: Phillip Anderson and James Mayer

Ryan Richards

Richards participates in Dean's List reception for Kent State University

Kent State Ashtabula students who excelled academically during the fall 2016 semester with inclusion on the President's and Dean's Lists were recognized at the biannual Celebration of Academic Excellence in the Main Hall Auditorium on February 15. The students heard remarks from Financial Consultant Ryan Richards, who is a graduate of Kent State University and a member of the Kent State Ashtabula College Committee and Harbor Topky Library Board.

Richards, Anderson teams cook for charity

The 11th Annual Men Who Cook fundraiser for Catholic Charities of Ashtabula County took place on January 28 at the Our Lady of Peace Community Center. This year's theme was "Men Who Cook Casino Cuisine," and Ryan Richards and Phil Anderson and their teams served up theme-related dishes for attendees to enjoy. The event raises funds for the Basic Needs Assistance Program, which helps residents in need of shelter, utilities, prescription and food assistance throughout the county.

L-R: John Pitts, Ryan Richards and Chef Jay wore colorful chef's jackets related to the evening's casino theme

Huffman visits family in Turkey and Greece

L-R: Michael Huffman, Dan Huffman and Rob Huffman

Managing Director – Investment Officer Dan Huffman visited Turkey and Greece early this year. It was an experience shared with two of his sons, Michael and Rob. Michael Huffman currently teaches in Istanbul.

"In the photo, the acropolis on which I am standing with my sons is Troas, a place where the Apostle Paul departed from Asia to Europe (Greece) a number of times according to New Testament accounts of his travels. In the distance is some of the coastline of Europe," said Dan.

"From this vantage point, we could see border patrol boats searching the waters for refugees and others attempting to get into Europe illegally. In fact, when we arrived at our hotel that evening in the nearby coastal city of Assos, Turkey, there was a group of refugees that had been captured and were awaiting extradition. It reminded our entire group of the bountiful blessings we enjoy – and likely take for granted – in the USA."

Make the most of your donations

Millions of Baby Boomers and others are finding themselves in a financial position to share some of the fruits of their life's work with others. According to a study from Blackbaud, Boomers account for $61.9 billion per year in donations, or 43% of all dollars donated.*

But before you begin your own process of giving to a charity, Deborah P. Lauer, Vice President and Wealth Planning Strategist for Wells Fargo Advisors, says it's wise to start at the beginning. Think hard about broad causes you're interested in – then use that process of discernment to begin narrowing your search to find particular organizations that best serve that cause.

Find your interests

According to Lauer, many prospective donors have spent their lives with a narrow focus — working, saving, and caring for their families. Often they're not well-versed on the universe of possible beneficiaries of their philanthropy. She suggests individuals support charitable causes they are passionate about or members of the family are involved in – perhaps music, education, scientific causes, the arts, or health care-oriented organizations.

Gauge your impact

It is important for budding philanthropists to identify the type of impact they want to make locally, nationally, or even globally. "It's very common, even with high net worth donors, to give locally and benefit their immediate community," says Lauer. "When they've decided on the type of impact they want to have, then they can begin to focus on the type of charitable giving program they want to institute."

Some will want to set aside charitable bequests, benefiting causes upon their death, while others are eager to begin right away, to see the impact of their philanthropy during their lifetime. But she cautions all of this must be done in close coordination with a person's Financial Advisor and other professional advisors to determine how the gift or gifts may impact their investment plan, along with their income and estate tax planning needs.

Do some amateur sleuthing

After you've narrowed down the field and thought about where and when to make your impact, you are ready to begin zeroing in on potential beneficiaries of your philanthropy.

The search should always begin by checking a charity's website. A subsequent review of online tools such as Charity Navigator (http://www.charitynavigator.org/) and Guidestar, (http://www.guidestar.org/), which independently appraise charities, also makes sense. And Lauer says you should always check the IRS website for the Exempt Organization Select Check (http://apps.irs.gov/app/eos/). That site lets you know whether a particular charity is an approved organization and that your contribution is tax deductible.

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Consider volunteering

Once you've narrowed your search, Lauer suggests you consider volunteering for the charity. Not only does this give you the opportunity to experience the organization from the inside, it also allows you to see firsthand the level of service they're offering to the community.

Our firm does not render tax or legal advice.

*2013 Blackbaud study, http://www.forbes.com/sites/deborahljacobs/2013/08/08/charitable-giving-baby-boomers-donate-more-study-shows/

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