Who Will Have More Impact on Your Financial Portfolio - Hillary or Donald?

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The fight for the White House has been anything but conventional. Every day seems to bring more questions and controversy, regardless of which side of the aisle you support. As a Financial Advisor for more than 30 years, I am often asked by clients about the upcoming U.S. Presidential election and its implications for the markets and, more specifically, their investment portfolio.

The answer may surprise you.

A close analysis of historical data reveals that election results have had a relatively minimal impact on long-term U.S. or global equity returns. It also doesn't seem to matter whether the president belongs to the Republican or Democratic Party.

Factors such as inflation, interest rates and global growth are much more important to markets than election results. In fact, the view of Morgan Stanley's Global Investment Committee is that the business cycle has more of an impact on corporate earnings than simply which party is in power. Higher returns have been associated more with economic expansion, while lower returns have been associated more with economic downturns and repairs.

As a result, the question to ask is not **what will happen to the market** if a particular candidate is elected. Instead, direct your attention to key economic indicators and focus on **how your portfolio is currently structured** to support your long-term goals within the current cycle.

Our Four-Point Year-End Checklist

With the fourth quarter upon us, now is the time to review your overall portfolio with your financial advisor. Consider these four year-end strategies that are designed specifically to strengthen and prepare your portfolio for the year ahead, regardless of who wins the White House:

#1 - Year-End Tax Planning

Taxes can have a significant drag on the performance of your investments. Tax loss harvesting is one strategy to consider.

Simply stated, tax loss harvesting is a strategy where you sell a security at a loss, allowing it to be credited against any realized gains that occurred in the portfolio during the year. The asset sold is then replaced with a similar asset to maintain the portfolio's asset allocation and expected risk and return levels. Harvesting capital gains and losses in your portfolio may allow you to keep a larger percentage of your return.

#2 - Maximize Your Retirement Account Contributions

One of the best things you can do for your future is to maximize your retirement plan contributions no later than the December 31st deadline. You only pay taxes when you take disbursements – usually in retirement – which means you'll pay less taxes today, while a larger portion of your portfolio continues to grow, tax deferred, over time.

In 2016, the maximum you can contribute to a 401(k) or 403(b) is $18,000. If you are 50 years of age and older, take advantage of the "catch-up contribution", which is worth an additional $6,000, for a total of $24,000. You should also look to maximize your IRA contributions. For both traditional and Roth IRAs, the maximum contribution is now $5,500, with the "catch-up contribution" at $1,000 for those 50 and older, which brings your total maximum contribution to $6,500.

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#3 - Think Charitably through Gifting

To reduce the value of your estate, consider making cash gifts to charitable organizations and as many individuals as you'd like before year-end. In 2016, individuals can transfer up to $14,000 per recipient without incurring tax, while spouses can also gift up to $14,000 per recipient, for a combined gift of $28,000.

Here are a few specific ideas to think about:

- Appreciated investments owned for more than a year can be donated to "qualified charitable organizations," who meet the U.S. Treasury's tax-exempt status requirements.
- You can help fund your children and grandchildren's future educational expenses with a cash gift to a 529 education plan.
- If you are over the age of 70 ½, you can make a charitable contribution from a traditional IRA. This is one of the most efficient ways to leave wealth to a charity, since the distributions (up to $100,000 a year) can be donated to the charity, can satisfy your Required Minimum Distribution (RMD) but will not be received as taxable income.

#4 - Rebalance Your Portfolio

Rebalancing is simply the process of realigning the weightings of the assets within your portfolio. It involves periodically buying or selling assets within your portfolio so you maintain a desired allocation. It is important to maintain your desired asset allocation since investment portfolios can drift over time from their desired targets. The goal of a rebalancing strategy is to help minimize risk.

Talk to your financial advisor about reviewing your portfolio and rebalancing where appropriate, so you can take advantage of the profits you've earned, while reducing the overall risk within your portfolio.

Economic Fundamentals Matter Most

While the weeks leading up to November 8th are likely to be filled with some surprises as this most unusual and unpredictable election season comes to a close, it's important to understand that economic factors will have more of an impact on your investment portfolio than who is inaugurated in January.

Current economic data highlights that equity markets are near all-time highs and interest rates are near all-time lows. While this data does not, in any way, predict what will happen in the future, it is certainly worthy of consideration.

The last quarter of 2016 is an excellent time to review your investment strategy with your financial advisor to ensure your financial plan is aligned with your goals and risk levels, and that you are comfortably positioned to achieve your financial goals in 2017 and beyond.

About the Author

Robert D. Finan is a Senior Vice President, Financial Advisor and founding member of the Finan Group at Morgan Stanley. A wealth management professional for more than 33 years, Bob has dedicated his entire career to helping individuals, families and business owners achieve their financial goals. His approach focuses on a comprehensive wealth management plan and a commitment to providing outstanding service and advice. Robert Finan was named to the *Financial Times*' list of America's Top 400 Advisors in 2015.

Source: The Financial Times Top 400 Financial Advisors is an independent listing produced by the Financial Times (March, 2015). The FT 400 is based in large part on data gathered from and verified by broker-dealer home offices, and, as identified by the FT, reflected each advisor's performance in six primary areas, including assets under management, asset growth, compliance record, experience, credentials and accessibility. The rating may not be representative of any one client's experience and is not indicative of the Financial Advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor its Financial Advisors or Private Wealth Advisors pays a fee to The Financial Times in exchange for the rating.

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Robert Finan is a Financial Advisor with Morgan Stanley Global Wealth Management in Red Bank, New Jersey. The information contained in this article is not a solicitation to purchase or sell investments. Any information presented is general in nature and not intended to provide individually tailored investment advice. The strategies and/or investments referenced may not be suitable for all investors as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Smith Barney, LLC, member SIPC.

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