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During initial discussions about tax reform, clients were more optimistic (45 percent) than anxious (40 percent) about the impact it would have on their finances. However, the extremes tell a different story. The proportion of very anxious clients ...

Dec. 14, 2018

As 2018 comes to a close, CPAs are working with their clients to harvest losses, bunch charitable contributions and make other year-end financial planning moves to put them in the best possible position for when they file their taxes. However, this flurry of activity is nothing compared to late 2017 when tax reform was being actively debated. After monitoring the discussion, within roughly a month of the Tax Cuts & Jobs Act passing, two-thirds of CPA financial planners (67 percent) had already discussed the impact of tax reform with their clients. And more than half (56 percent) had started the process of making changes to their clients' financial plans by the end of January. This according to the American Institute of CPAs (AICPA) recent Personal Financial Planning Trends Survey, which includes responses from 631 CPA financial planners.

This quick action by CPAs in the wake of tax reform passing resulted in widespread changes across multiple broad areas of their clients' plans. Topping the list were charitable giving (50 percent), business structure (49 percent) and estate plan

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"This allowed us to create multiple contingency plans so that when the final bill became law, all we had to do was execute the appropriate plan. This resulted not only in savings for our clients, but also served to reduce their anxiety about the changes."

During initial discussions about tax reform, clients were more optimistic (45 percent) than anxious (40 percent) about the impact it would have on their finances. However, the extremes tell a different story. The proportion of very anxious clients (9 percent) was one and a half times that of those who were very optimistic (6 percent). Client anxiety was primarily fueled by the loss of tax deductions (41 percent) and uncertainty about the amount of tax they would pay (40 percent). Conversely, their optimism was largely bolstered by anticipated savings (78 percent). The benefit from higher estate and gift tax exemptions (10 percent) also generated some optimism.

"The relationships I've cultivated with my clients over the years has enabled me to anticipate their concerns and help them work through those matters before they unfold," added Oransky. "Dealing with the unknown can be unsettling, but through communication and established trust, we are able to assess and revise financial plans with confidence."

And while the TCJA brought about largescale change to the tax code and generated widespread media coverage, CPAs say that their client's life events trump tax reform when it comes to the impact on their plans. In fact, by a 13 to 1 margin (77 percent vs. 6 percent), major life events such as marriage, divorce, or retirement, were found to be more impactful to their clients' financial plans than the impact of tax reform. Seventeen percent of CPA financial planners said both have an equal impact. Furthermore, at the intersection of significant life events and tax reform, more than a quarter of CPA financial planners (27 percent) said that after the elimination of the alimony payment deduction they have seen an increase in the number of clients seeking to finalize their divorce before 2019, with 6 percent citing a substantial

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adjustments to their plans post tax reform– there is a lot of value in working with a CPA financial planner. In fact, by a 99 to 1 margin, clients valued the role their CPA played in the financial planning process post-tax reform, with 88 percent of planners saying their clients found them to be extremely or very valuable.

Looking ahead to tax season 2019, members of the AICPA Personal Financial Planning Division have these last-minute tax planning tips.

Bunch Charitable Contributions
Deadline: December 31, 2018

Quote: “For those individuals who are considering the standard deduction instead of itemizing, consider bunching your charitable contributions into alternate years if it will enable you to take the standard deduction one year and itemize the next. If you do not want to give the money to charity at one time, contribute to a donor advised fund and then make the distributions to charity over time.” – Lisa Featherngill, CPA/PFS member of the AICPA PFP Executive Committee

Gift to Heirs Today to Reduce Future Estate Tax
Deadline: December 31, 2018

Quote: “The year-end is a great time to make annual exclusion gifts. For those looking to reduce their estate tax exposure, individuals can give up to $15,000 to an unlimited number of beneficiaries per year without decreasing their lifetime estate tax exclusion amount or paying a gift tax. These planning opportunities will be lost once the year ends and should be top of mind to review now.” – Robert Westley, CPA/PFS member of the AICPA PFS Credential Committee

Leverage Your Losses
Deadline: December 31, 2018

Quote: “Harvest your losses! It’s been a strong year for US equities, but international

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The AICPA’s PFP Trends Survey is administered as an online survey to CPAs who are members of the AICPA Personal Financial Planning Section, including those holding the CPA/PFS credential. It was conducted from August 20 through September 24, 2018.

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