

# TAX CUTS AND JOBS ACT OF 2017

## WHITE PAPER— Executive Summary

### Understanding the Impact and Opportunities

On December 22, 2017, the first major tax overhaul in 30 years was signed into law. At this point, it is too early to determine whether or not the Tax Cuts and Jobs Act of 2017 (TCJA) will result in economic growth, more jobs, and higher wages as promised by Republican lawmakers, or if the major benefactors will primarily be the wealthiest taxpayers and businesses at the expense of the average worker as forecasted by their Democratic counterparts in Congress. Regardless of the outcome, look to your tax and financial professionals for help with adapting your investment and savings strategies to this new environment.

Pacific Life Insurance Company commissioned Integrated Retirement to author a white paper to help people focus on the major changes to tax-related matters. The following outline is a summary of the white paper.

#### SECTION 1: Summary of Changes Resulting from the TCJA

##### Individual Taxpayers

- The rate for most tax payers will either be lower or remain the same.
- Standard deductions are increased, and numerous changes were made to itemized deductions.

##### Retirement Savers

- A Roth IRA conversion will no longer be able to be “undone” by recharacterizing it.
- Disaster Relief: The 10% early withdrawal penalty may not apply if taken from qualified plans.

##### Legacy Planners

- The estate-tax exemption amount will increase.
- Cash gifts to public charities increase to 60% of adjusted gross income.

##### Businesses

- The corporate tax rate was reduced to a flat 21%.
- A new deduction was introduced for pass-through entities.

#### SECTION 2: Summary of Potential Winners and Losers Resulting from the TCJA

##### Potential Winners

**Individual taxpayers who:** (1) will pay lower income-tax rates, (2) were subject to alternative minimum tax (AMT), (3) have children or non-child dependents, or (4) have capital-gains income.

**Retirement savers who:** (1) change jobs and have an outstanding loan or (2) live in a federally declared disaster area and took loans or hardship distributions.

Pacific Life Insurance Company commissioned Integrated Retirement to write a white paper that highlights the TCJA changes that are likely to have the greatest impact on you. The white paper introduces some strategic conversations you and your financial professional should be adding to your 2018 to-do lists.

**No bank guarantee • Not a deposit • May lose value  
Not FDIC/NCUA insured • Not insured by any federal government agency**

**Potential Losers**

**Individual taxpayers who:** (1) live in states with high state and local income taxes or (2) take out large mortgages.  
**Retirement savers who:** (1) appreciated the flexibility of undoing a Roth conversion through a recharacterization or (2) are employees of a small business whose owners may be less interested in keeping the employer-sponsored retirement plan.

**SECTION 3: Summary of Planning Opportunities (to Discuss with Your Financial or Tax Professional) Resulting from the TCJA**

**Individual Taxpayers**

- Review and update estimated payments and withholdings.
- Evaluate options for optimizing the use of itemized deductions.

**Retirement Savers**

- If eligible, capitalize on the “back-door” Roth IRA strategy.
- With lower tax rates, evaluate the impact of a Roth IRA conversion.

**Legacy Planners**

- Review estate-planning documentation with a legal advisor; evaluate and adjust strategies that were tied to lower estate-tax limits.
- If age 70½ or older, evaluate the benefits of claiming the standard deduction and making a qualified charitable distribution (QCD) from your IRA.

**Businesses**

- Business owners might consider reviewing their structures (for example C Corporation vs. LLC).
- Explore strategies for sharing tax savings with employees.
- Business-owners should make necessary withholding/payroll adjustments.

Pacific Life has the tools to help you navigate this new legislation. Contact your tax and financial professionals for more information. A complete copy of this white paper can be found on [Annuities.PacificLife.com](http://Annuities.PacificLife.com).

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