
Tax changes offer advisors opportunity to contact investors

By Editor Test Mon, Nov 19, 2012

A Nationwide Financial survey found that 60% of high net worth investors say they either won't or are unsure if they will meet with a financial advisor to discuss how the looming tax code changes may affect their portfolio.

Most high net worth investors (63%) worry that their investment portfolios will be hurt by tax code changes in the wake of President Obama's re-election, and 64% don't believe they can offset pending tax increases, according to a new Nationwide Financial survey.

The Harris Interactive survey of 751 investors with \$250,000 or more in annual household income or investable assets released found that 60% of survey respondents say they either won't or are unsure if they will meet with a financial advisor to discuss how these changes may affect their portfolio.

More than half (56%) of survey respondents believe their individual federal taxes will increase. Nearly half (48%) expect tax rates to increase, particularly for the wealthy, and 30% believe tax rates will increase across the board. Nearly seven in ten think either that Bush-era tax cuts will be eliminated entirely (35%) or reduced for the wealthiest Americans (33%).

Despite these concerns, 61% either don't plan to make adjustments to their portfolio or don't know what adjustments to make. Of those who do plan to meet with a financial advisor, 26% will wait until 2013 or after tax code changes take affect.

As advisors well know, Bush-era tax cuts are set to expire at the end of 2012, raising the top four marginal brackets and eliminating the 10% bracket. The phase-out of itemized deductions for high income earners is set to return. Tax on dividend income is set to increase from 15% to ordinary income rates (up to 39.6%). Long-term capital gains rates are scheduled to rise to 20% from 15% for most taxpayers. Those with high overall income and investment earnings will face an additional 3.8% Medicare investment earnings surtax. The gift and estate tax exemption is scheduled to shrink from \$5.12 million to \$1 million.

Four in ten (41%) survey respondents want more education on the tax advantages of annuities and about a quarter want more education on the tax advantages of life insurance (21%) and 401(k) plans (25%). Six in ten (59%) don't know about the changes to estate and gift tax limitations and say they do not understand very much or at all how a life insurance policy can help them take advantage of the current gift tax exemption limits (60%). Forty-three percent would like more education on that topic.

Harris Interactive conducted the tax study online between September 28 and October 5, 2012. The respondents were 751 adults ages 18+ having \$250,000 or more in annual household income or investable assets. Since the survey was conducted before Nov. 6, respondents were asked to assume both potential election outcomes. The data represented here focuses on responses where respondents assumed the President would be re-elected.

