

Decision 2016: Clinton vs. Trump

The Data Behind the Election and the Angst

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You are about to read a timely political piece with no spin, no tilt and no agenda. Be prepared. This might feel strange given the environment we are in currently.

Right now, we are so inundated with public opinion that it feels like the final stages of a rinse cycle. We have been battered about, left soaking wet, and helplessly stuck to the sides of a political machine. Each day we endure media sources spewing opinions from talking heads while trying to decipher hidden meanings and the latest political strategy. These days we get caught in the media hype that reaches epic proportions for our electric 2016 election. Seems like every major and minor media outlet starts the newscasts with familiar themes like Trump's latest off color Tweet, or off color skin tone, not well thought out text or verbal miscue while shooting from the hip. Other media outlets focus on Hillary's likeability quotient, e-mail scandal update, a futuristic looking pantsuit combination or a Saturday Night Live skit featuring Kate McKinnon's dead ringer impressions. When was the last time you put on the news, or walked by a TV playing the news and DIDN'T see the mayhem around this political process taking center stage? ... And yet here you are ... Reading this article ... There is something unique about this election.

We need data without the hyperbole. Fact based information with no agenda. Let's explore key data behind the messy election and take a peek to attempt to understand what is going on. First, let us try to understand how we got here and where we may be going regarding this election.

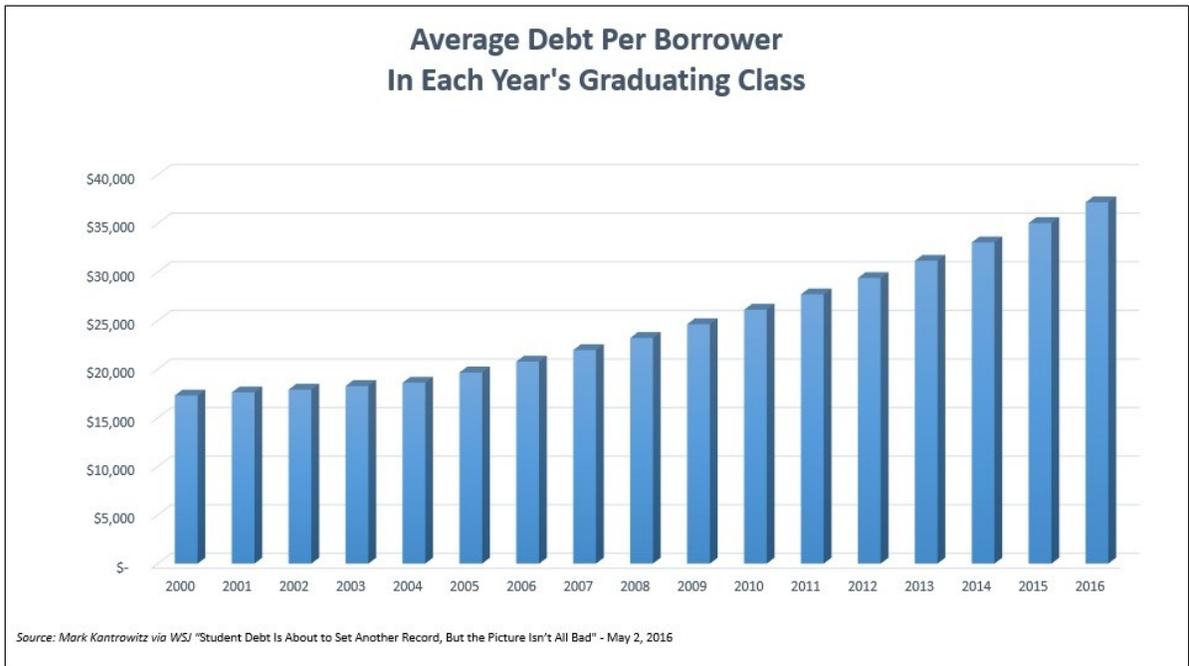
How did we get here?

How did we get to the juncture with so much angst and aggravation? The rise of Trump and Sanders provide ample evidence as real life archetypes that resemble this current state of aggravated affairs. Here are some facts that may provide insight on how we got here.

Younger workers facing an uphill battle

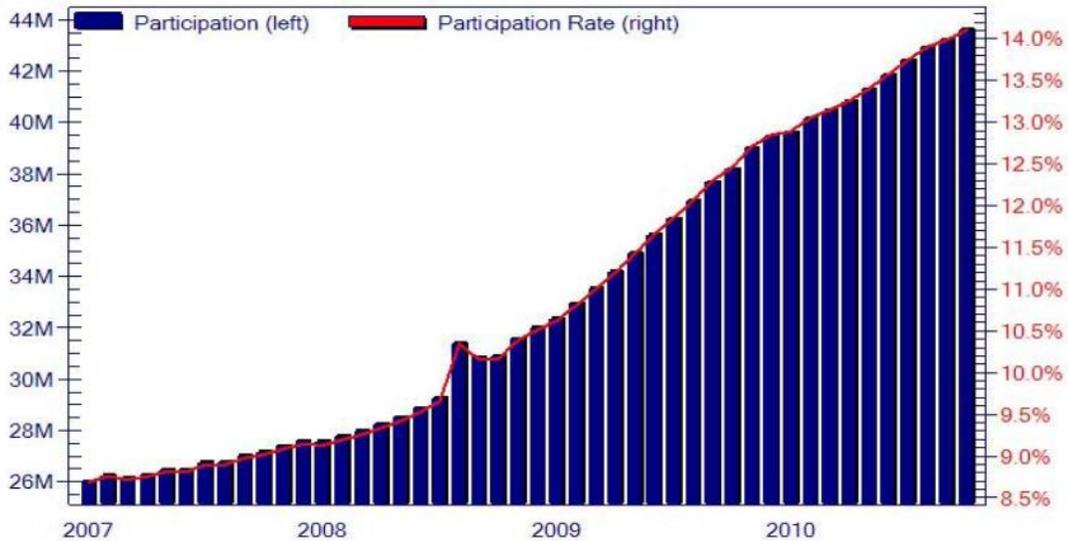
- Workers who usually work full-time, but are forced to work part-time are dominated by disgruntled 20-24 year olds who appear to support a very left Democratic agenda.
- Automation will continue to reduce some historically nice entry level jobs, and thus curtail the higher income paying management jobs in fields like loan officers, receptionists, paralegals and retail sales people as each of those industries face a greater than 90% likelihood of being replaced by computers, according to an Oxford University study.

- Graduating classes from universities face the distinction of being the most indebted college graduates of all time. According to Forbes, the most recent data suggests just about \$37,000 of student loan debt plagues our young graduates and puts a cloud over their heads as they start their working careers.

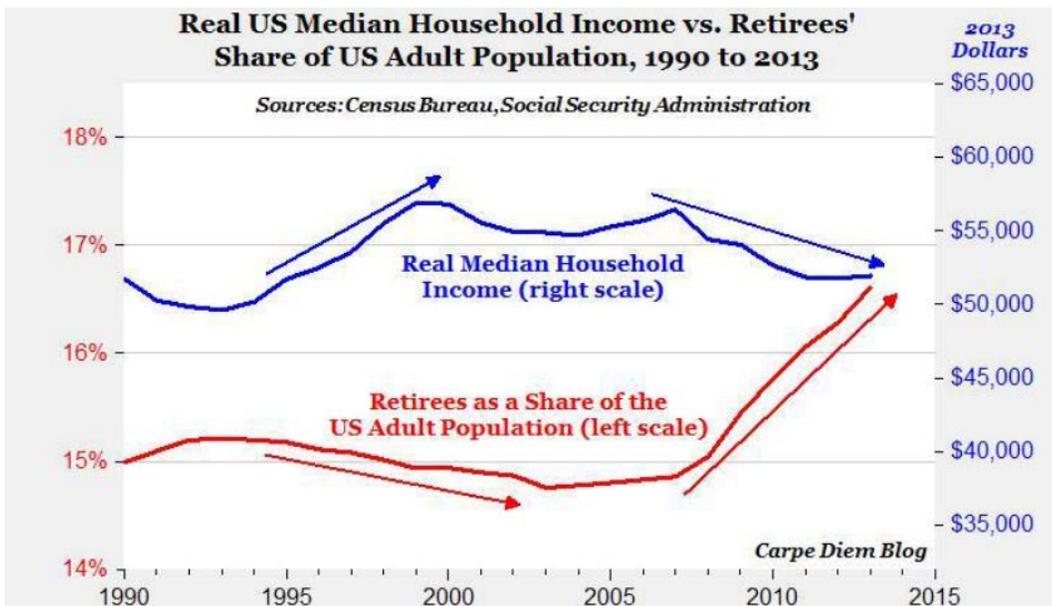


Average people in general are struggling to earn a living

- Food stamp participation is at a record high. According to SNAP (Supplemental Nutrition Assistance Program), a startling 14%+ of U.S. households use this kind of government assistance. Studies show that the largest share of SNAP recipients are white with more than 40.2% of the total, and African Americans make up the second largest group at 25.7%. Also, did you know that 31% of SNAP recipients work and earn income? However, they don't earn enough income to support their families without government intervention.
- We all hear about how incomes aren't rising. One of the facts not discussed in this argument – retirees make up a growing portion of U.S. adults, a figure that grew from 15% to approximately 16.5% at a similar rate as incomes started to fall. Meanwhile, median household income in the U.S. has fallen from a bit more than \$55,000 a year to about \$53,000 a year from 2007 to 2014. This means more people are leaving the work force, living off of their investments, and have less disposable income than they had during their working years. Making matters more difficult, with interest rates near all-time lows, living off of your investments isn't what it used to be and is a topic for another article.



Source: SNAP

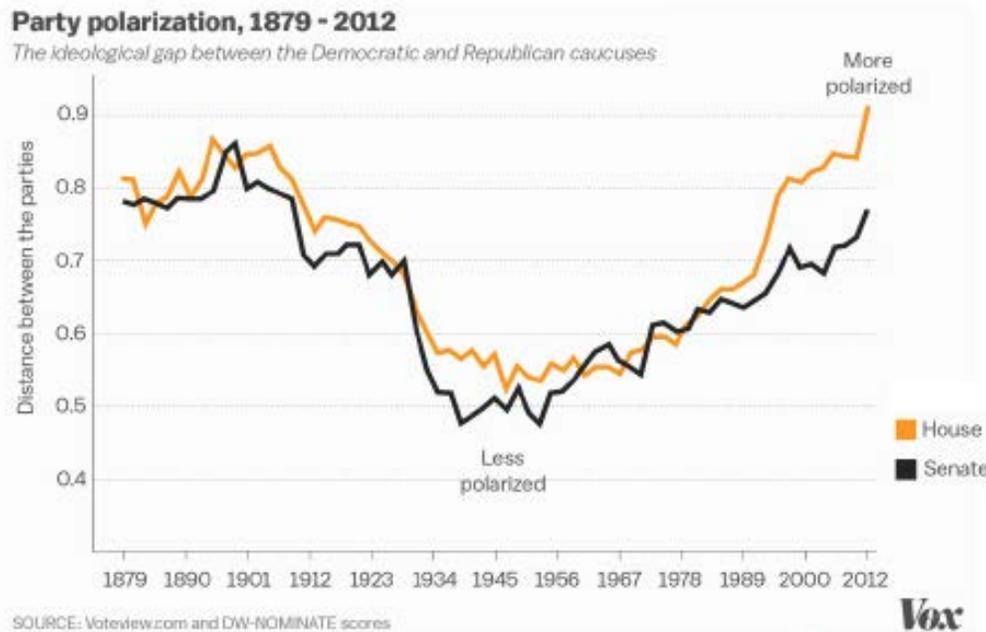


Generational divide indicates financial struggle

- Parents hope to offer their children a better life than they experienced growing up. Yet a study on upward mobility finds that every decade from the 1980s to today shows that children aren't earning as much on an adjusted basis as their parents earned.
- Making matters more chilling, the U.S. ranks behind places like Denmark, Norway, Australia, Germany and Spain, showing that the younger generation doesn't have the same financial mobility as their parents.

So, do the facts sets above start to indicate the greater challenge of what the political candidates face? Does it help provide some of the fodder for how and why so many Americans feel economically

challenged? Politicians facing their local constituents must look these facts in the face and fight for change to help improve the economic picture. How we successfully defeat the economic challenges that face our country most likely will need to be tackled in a fashion best answered by the age old question – *How do you eat an elephant?* Easy. One bite at a time. Yet, the red tape on Capitol Hill can be best reflected by the chart below. In the U.S., we are at a historical inflexion point as we have never been more divided on how we move forward. Does this chart clearly embody the divisiveness in Washington?



The Candidates

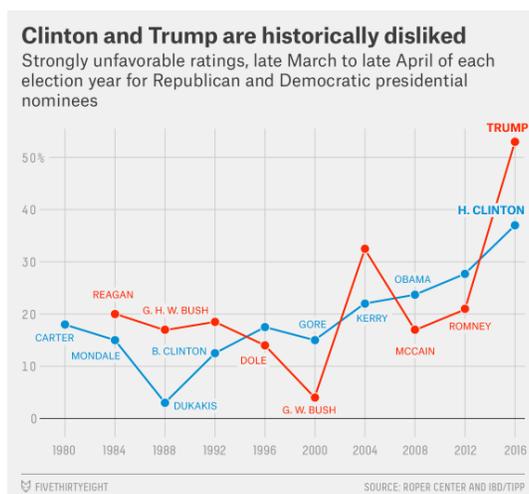
Getting back to the candidates, let's explore the economic impact of their election to Commander-in-Chief. In recent polling, the most significant issue remains the economy, so it seems natural we would reflect on the numbers behind their economics. One of the most critical aspects of our consumption driven economy is personal taxes. Trump is calling for everyone to take home more money, so that they can spend more money and drive up the economic activity. Clinton proposes leaving tax rates unchanged until the highest income earners pay higher taxes and even tax surcharges in some cases so that we can allow for a fairer playing field while we take care of our people. So, let's look at which might be best for the economy to appease anxious American voters.

Trump's tax plan. As of May 2016, Trump's tax plan calls for reduced rates for all that leads to a 10-year cumulative impact of a NEGATIVE \$12 trillion in government revenue. According to the [Tax Foundation](#), as tabulated by the nonpartisan Congressional Budget Office, Trump's tax plan generates a total score of NEGATIVE \$10 trillion of negative impact over that same time period. Trump suggests that the lowered tax revenues will create an environment where more people will spend money and businesses across the country will benefit. The foundation insists that the \$2 trillion of positive Trump tax reductions are factored

into their calculations. As this article is written, it seems entirely possible and maybe likely that Trump's tax plan likely evolves and changes as new data comes out to support or reject his plan. In summary with Trump – his tax plan calls for HUGE economic growth, and that growth supports the ability to raise government revenues and accomplish multiple economic agendas, including paying down the debt. To date, we haven't seen the facts to support this claim and eagerly await those results when they come out.

Clinton's tax plan. What about Clinton's Tax Plan? According to the Tax Foundation, Hillary Clinton's plan would raise tax revenue by \$498 billion over the next decade on a static basis. According to the research, the plan would reduce GDP by 1% over the long-term with higher marginal tax rates on capital and labor. Clinton's tax plan would lead to reduced after-tax income for the top 10% of taxpayers and a greater decrease for the top 1%. After cutting into the richest earners in America, after-tax incomes of all taxpayers would fall by an estimated 0.9%.

Can you start to see where the public and pundits struggle with each candidate and their platforms? Both tax plans call for more government debt, and an economy that fails to put the country on the long term track for success of balance. Not surprisingly, these candidates share the lowest combined likability ratings in modern history.



Resolving issues with the economy leaves voters feeling empty and uncertain of which candidate will do better and fix the economic malaise we appear to be stuck in. Can either candidate unlock our economic growth and create a better opportunity for all? What is the best way to get there? More government or less government? More taxes or fewer taxes? It seems likely voters yearn for a clear path forward in a new and sensible direction. The first candidate to present that story is at a distinct advantage.

So, who is going to win? An unbiased source of this kind of information can be found on www.predictwise.com. Their data indicates a Democratic victory in November by a handy margin of 71% vs. 29%. Yet, given the coverage of these events and the fact that we have months before anyone casts

the first ballot, the only certainty is that this election will be one for the ages and will likely change our country for the better or worse forever.

For a matrix of what the market expects, let's explore the combination of outcomes:

Election Result	Probability	Policy	Market Impact
Hillary Clinton GOP Senate	35%	Status Quo	Neutral for Equities Neutral for Treasuries
Hillary Clinton Dem Senate	25%	Stalemate on Tax Reform, Expansion of Govt Healthcare	Neutral for Equities Neutral (-) for Treasuries
Donald Trump GOP Senate	25%	Major Tax Cuts, Curtailment of Trade and Immigration	Negative for Equities Negative for Treasuries
Donald Trump Dem Senate	15%	Major Tax Cuts, Curtailment of Immigration	Neutral for Equities Negative for Treasuries

Does this clarify who people should vote for in November? Not likely, but at least now we've established the playing field so we can begin to understand exactly how we got here. Also, use this data to hopefully make an informed decision when electing the next President of the United States.

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