SEIA
Signature Estate & Investment Advisors, LLC®
Established 1997

VOL 17 ISSUE 4 SEIA.COM

PRIVATE CLIENT NEWSLETTER

Report

Q4 2024

A Message from Our President & CEO

Supporting Wildfire Recovery

As we reflect on the devastation caused by the Southern California wildfires earlier this year, our thoughts remain with all those affected—especially our clients, employees, and their families who have experienced personal loss. While the fires have been extinguished, the path to recovery is only just beginning.

At SEIA, we are committed to standing with our community in times of crisis. Through our Signature Fund for Giving, we have pledged up to $250,000 toward local recovery efforts, matching contributions from employees and advisors. These funds will support vital organizations including the Red Cross, LA Strong, Altadena Boys & Girls Club, and local schools, helping rebuild lives and restore hope.

Even in the face of destruction, our resilience and hope will bring new beginnings.

Thank you and stay safe.

Brian D. Holmes, MS, CFP®, AIF®
President & CEO

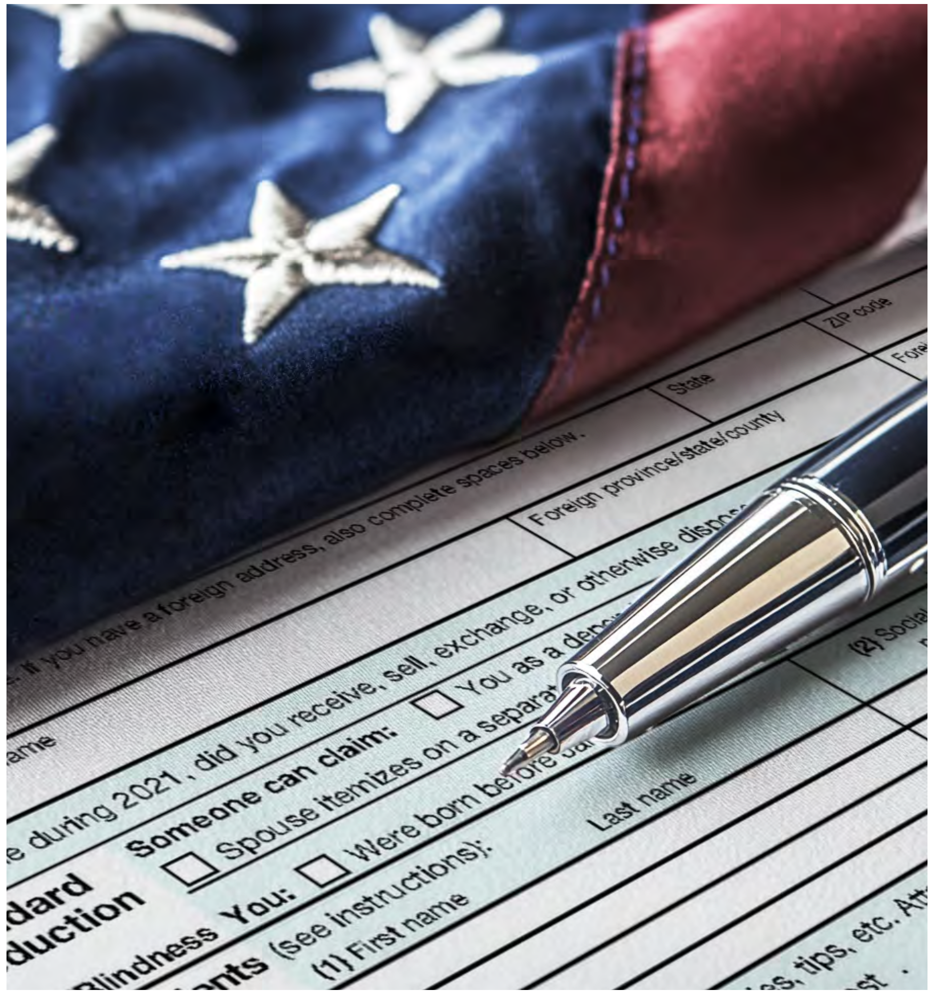
"I believe successful wealth management is the result of an ongoing collaboration between investor and advisor; built upon trust and maintained according to the highest standards of integrity and knowledge."

Brian D. Holmes
MS, CFP®, AIF®

President & CEO

ABOUT SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is an investment advisory firm offering Investment Management and Financial Planning Services. Our experienced team of professionals collaborates with you to create customized investment, estate, or financial plans that address your unique goals and objectives. Our commitment to successful wealth management is built upon deeply-rooted and meaningful client relationships, a key driver in our 25 years of delivering client-centric wealth management solutions.



What's Next for the TCJA?

By Len Hirsh, MBA, CFP®, CPWA®, AIF®
Partner

Many of the tax provisions from the Tax Cuts and Jobs Act (TCJA) of 2017 are set to expire on January 1, 2026. Absent congressional action, a significant number of Americans will face higher tax bills and a more complex tax code starting in 2026. However, with a Republican President and Republican control of both chambers of Congress—albeit with a slim margin—it is reasonable to expect that certain TCJA tax provisions could be extended through a process known as "budget reconciliation."

Earlier this year, several news outlets reported that the House Budget Committee Republicans began assembling policy options for a bill that may be introduced later this year. While there is no certainty as to which options will make it into the final legislation, some of the policy considerations being discussed include:

- **Eliminating the home mortgage interest deduction**
- **Eliminating the exclusion on municipal bond interest**
- **Eliminating the Head of Household filing status**
- **Eliminating the child and dependent care credit**
- **Eliminating Health Savings Accounts (HSAs)**
- **Eliminating the estate tax**
- **Repealing the "Green Energy" tax credits for clean vehicles**
- **Amending the state and local tax (SALT) deduction**

These potential changes reflect the priorities of legislators who will be shaping future tax policy. While it's too early to know which measures will ultimately be included in the final legislation, this list provides insight into the proposals being considered. These items may be part of the "one big, beautiful bill" that President Trump wants Congress to pass, addressing taxes and border enforcement in the months ahead.

Budget Impact

One of the biggest challenges in extending many of the TCJA provisions is the associated cost. According to a November 13, 2024, update from the Congressional Budget Office (CBO), fully extending all expiring or scaled-back TCJA provisions would cost an estimated $4.0 trillion from fiscal year (FY) 2025 to 2034, with the bulk of the financial impact beginning in FY 2026.

However, not all extensions would lead to revenue losses. Certain provisions could actually increase government revenue over time. For instance, continuing the elimination of personal exemptions, which had a significant effect on Form W-4 and the federal income tax withholding process, is projected to generate over $1.7 trillion in additional revenue through FY 2034.

What's Next?

Without congressional action, the expiration of TCJA provisions would lead to broad tax changes, impacting nearly every taxpayer and business. For individuals, the most significant shifts would likely include higher tax brackets and a reduction in the standard deduction, potentially leading to larger tax liabilities. For business owners, the most notable change will likely be the elimination of the Qualified Business Income (QBI) deduction, which has provided a substantial tax break for pass-through entities.

However, we anticipate that at least some of these tax provisions may be extended. With a long legislative process ahead, the outcome remains uncertain. Whether you're a business owner or an individual taxpayer, staying informed of potential changes and considering proactive financial planning may help navigate these developments and help ensure your long-term financial success.

Opportunities in Alternative Investments: Diversifying Beyond Traditional Assets

By Joseph Carey, CFA®
Alternative Investment Specialist

For years, investors have turned to traditional vehicles like stocks, bonds, and mutual funds to build assets. While these remain popular, alternative investments—such as private equity, real estate, and hedge funds—have recently gained traction among those seeking greater diversification, risk management, and higher returns. Although these asset classes offer potential rewards, they also carry distinct risks. Understanding the advantages and trade-offs of alternative investments can help investors make informed decisions for long-term financial goals.

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A key benefit of alternative investments is the diversification they bring to a portfolio. Unlike traditional stocks and bonds, which tend to follow market cycles, alternative assets often generate returns from sources less tied to market movements. For instance, real estate generates income from rent, which often behaves independently of equity markets. Private equity, with its longer hold periods and less frequent valuations, tend to be less vulnerable to short-term market fluctuations. By incorporating assets that don't move in lockstep with traditional markets, investors can reduce the portfolio volatility.

Alternative investments are also known for their potential to deliver higher returns. Private equity, for instance, seeks capital growth by investing in companies undergoing significant transformations. Real estate tends to appreciate during inflationary periods, offering protection against the erosion of purchasing power. Meanwhile, hedge funds use strategies like leverage, short selling, and derivatives to generate returns in various market conditions. Historically, these diverse sources of return alongside traditional investments have been complimentary to overall portfolio construction and expected returns.

> Alternative investments have recently gained traction among those seeking greater diversification, risk management, and higher returns.

However, these benefits come with notable risks that individual investors must carefully consider. One major distinction between alternatives and traditional investments is the lack of liquidity. Unlike stocks or bonds, which can be sold quickly in public markets, private equity and real estate investments may take years to realize a return, locking up funds for extended periods. Investors must carefully assess their liquidity needs.

The complexity of alternative assets is another important consideration. These investments often involve sophisticated strategies, like hedge funds using derivatives, which can be difficult to understand. Also, they often lack the transparency of public markets, making it harder to track performance or assess risks accurately.

In addition to complexity, these assets often operate in less regulated environments, making them more susceptible to changes in laws and regulations that could affect returns and liquidity. The lack of a consistent regulatory framework across different jurisdictions adds another layer of complexity when evaluating these opportunities.

Overall, a strategy that balances both the risks and rewards of alternatives can strengthen a portfolio. By working with a financial advisor, investors can navigate the complexities of alternative investments and tailor allocations to match their objectives. For those prepared to embrace these complexities, alternatives can serve as valuable tools for building a more resilient, diversified investment strategy.

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment; it is a method used to help manage investment risk. Alternative investments may not be suitable for all investors and often engage in speculative investment practices which increase investment risk; are highly illiquid; are not required to provide periodic prices or valuation; may not be subject to the same regulatory requirements as traditional investments; and often employ complex tax structures. Investing in alternative strategies may involve a significant lock up period. A period of time with no liquidity or significant penalties for early liquidity. Alternative investments may have significant fees associated with the management of the alternative strategy. These fees would be on top of the management fee paid to your Advisor.

SIGNATURE FUND *for* GIVING

The SEIA Redondo Beach team had a wonderful time visiting the Richstone Family Center to wrap gifts for the amazing kids in their programs. Through our Signature Fund for Giving, we're proud to support impactful organizations like Richstone and contribute to their mission of creating safer, stronger communities.

Over the years, Richstone has grown into a leading center for trauma-focused treatment and child abuse prevention in Los Angeles County. Their work strengthens families, educates communities, and provides critical support to those in need.

We're grateful for the opportunity to give back and look forward to continuing our support for organizations making a difference.

If you have any questions regarding our fund or how to participate, we invite you to contact Hayley Wood Bates at (310) 712-2323 or hwood@seia.com

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