Miami Herald

Plan now for the potential 'long-term' impacts of the tax cuts and new tariffs

March 16, 2018
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Should we make long-term plans based on the notion that the tax cuts are permanent? Although the personal tax cuts have an expiration date, currently the corporate cuts are permanent. Alternatively, should we assume that at some time we will realize the deficit is unsustainable and have to take proper measures to tame this lion? What Congress gives, Congress may take away.

At some point, Congress will have to face reality and govern by raising taxes on the richest among us, as well as cut expenditures for social programs and entitlements programs — all of which may be politically unpalatable and tough medicine. What if the projected growth assumed in connection with the tax cuts fails to materialize, generating the anticipated taxes? Are the new tariffs on steel and aluminum going to hurt us, start a trade war, and increase inflation due to higher material costs? At some point, this will keep us all up at night, if it does not already.

The following is some practical guidance based on our experience guiding middle-market business owners through all types of economic cycles:

- **Save as much money as you can now.** Planning for retirement will depend more on your individual planning than on government programs. Social Security and Medicare might not be as untouchable as some would like to believe. Medicare, for example, continues to raise premiums to recipients. At some point, the age to receive Social Security will need to increase again, therefore delaying access to benefits for some. Past proposals have protected people close to retirement age.

- **Consider selling your business or a majority stake now.** It is prudent to diversify. If the lower tax rates are temporary, you are probably better off selling sooner, and taking advantage of the lower tax rates and more desirable pricing. Rising interest rates, potential inflation, and potential trade issues with the recently enacted tariffs could diminish the profitability — and therefore the value — of your business.

- **Consider how you structure agreements.** It is probably better to require more payments upfront where appropriate. This way, you can enjoy the lower tax rate if rates go up. From a tax standpoint, the structure of your agreements is very relevant. Seeking good counsel is always important.

- **With increased inflation as the economy strengthens,** and as a result of the new tariffs and a possible trade war, you may want to secure longer-term supply agreements to ensure stable costs. Airlines have done this successfully with fuel costs. Since new tariffs have been put on steel and aluminum, you need to consider how this will affect your business and that of your suppliers. There is a lot of uncertainty around a possible trade war that might have many unintended consequences. Other countries will not sit idly by. Tariffs on steel and aluminum will hike costs of many products — for example on cars and potential steel used in the construction industry — and spur increased inflation. There are already rumblings from foreign countries to increase tariffs on products that might be exported from the U.S. If you are a target of foreign tariffs, consider whether it is prudent to move all or a portion of your production offshore.

With so much uncertainty surrounding the longevity and impact of the tax cuts and the effect of tariffs, middle-market business owners should work with qualified experts to assess their business needs and develop appropriate plans to protect their best interests.

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