



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# CLA Outlook Q3 2024

Creating Opportunity in Today's Environment

September 4, 2024

# Disclosures

*CliftonLarsonAllen Wealth Advisors, LLC (“CLA Wealth Advisors”) is an SEC-registered investment advisor that offers a wide array of private wealth advisory services. For more information about CLA Wealth Advisors’ business practices, fees, and services, please refer to our Form CRS and the ADV Part 2A (the “Disclosure Brochure”). Your investment professional must provide you with a copy of Form CRS and the Disclosure Brochure before or at the time when you enter into a legal agreement with us.*

*Performance can not be guaranteed and any references to past specific performance should not be interpreted as a promise to achieve results. Investing involves various degrees of risk. You may lose money, including the principal of your investment. This presentation is intended for your consideration of the services discussed. The content is purely educational and any product mentioned herein are meant to be examples of how these funds may work and not as a solicitation which can only be done via prospectus and a recommendation after a review of individualized circumstances.*

*Before deciding whether to engage CLA Wealth Advisors to manage any investment assets, you should review CLA Wealth Advisors’ Form CRS (CRS) and Form ADV Part 2A (the “Disclosure Brochure”). Our CRS and Disclosure Brochure provide detailed descriptions of CLA Wealth Advisors, its services, fees, and other important information including explanation of conflicts of interest. CliftonLarsonAllen Wealth Advisors, LLC is a wholly owned company of CliftonLarsonAllen LLP.*



# Speakers



Chris Dhanraj



Clayton Bland



Susan Sabo



# CLA Exists To Create Opportunities

With nearly 9,000 people, more than 130 U.S. locations, and a global vision, we promise to know you and help you.



We serve clients across 16 industries and offer more than 20 services.

We serve over **107,000** private households and over **74,000** private businesses.



*CLA's purpose is to create opportunities for our clients, our people, and our communities. Our promise is to know you and help you.*

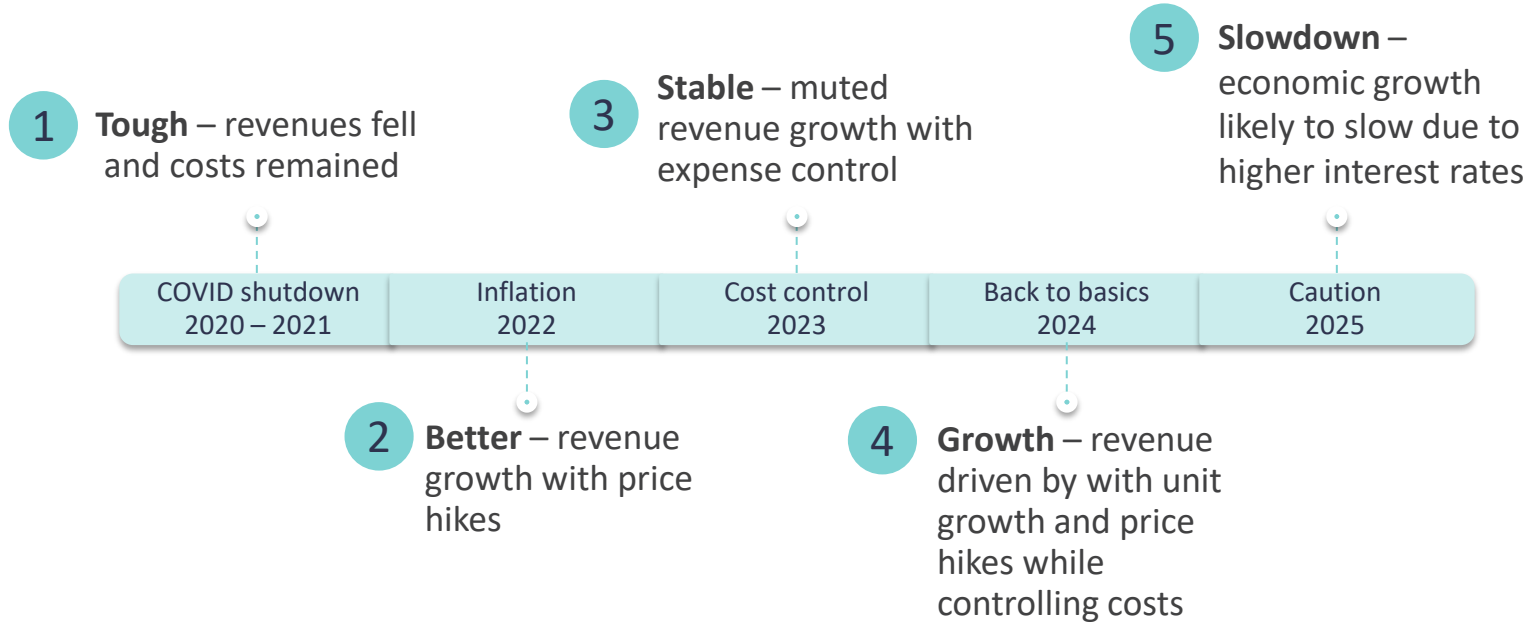


# CLA Outlook 2024

## Back to Basics

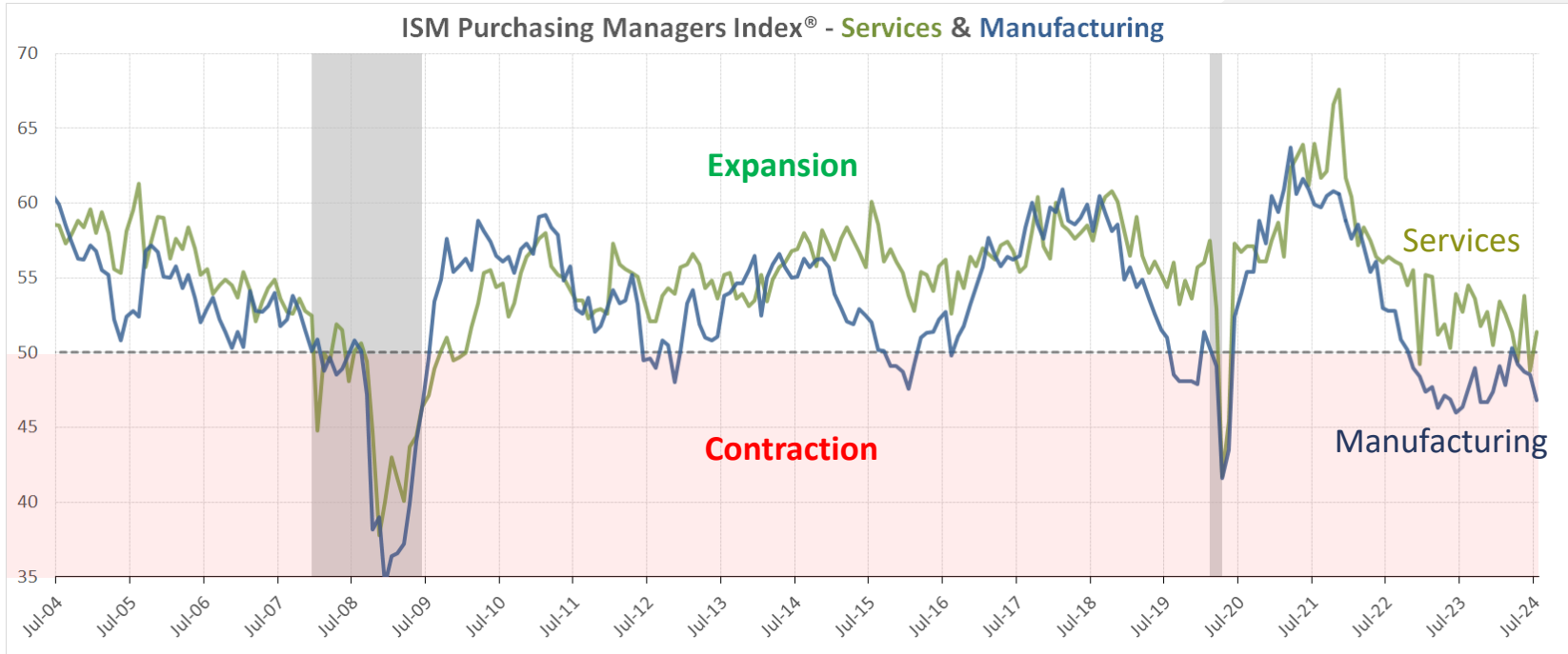


# Setting the Stage: From Volatility to Stability





# Services, Manufacturing Showing Slowing Activity

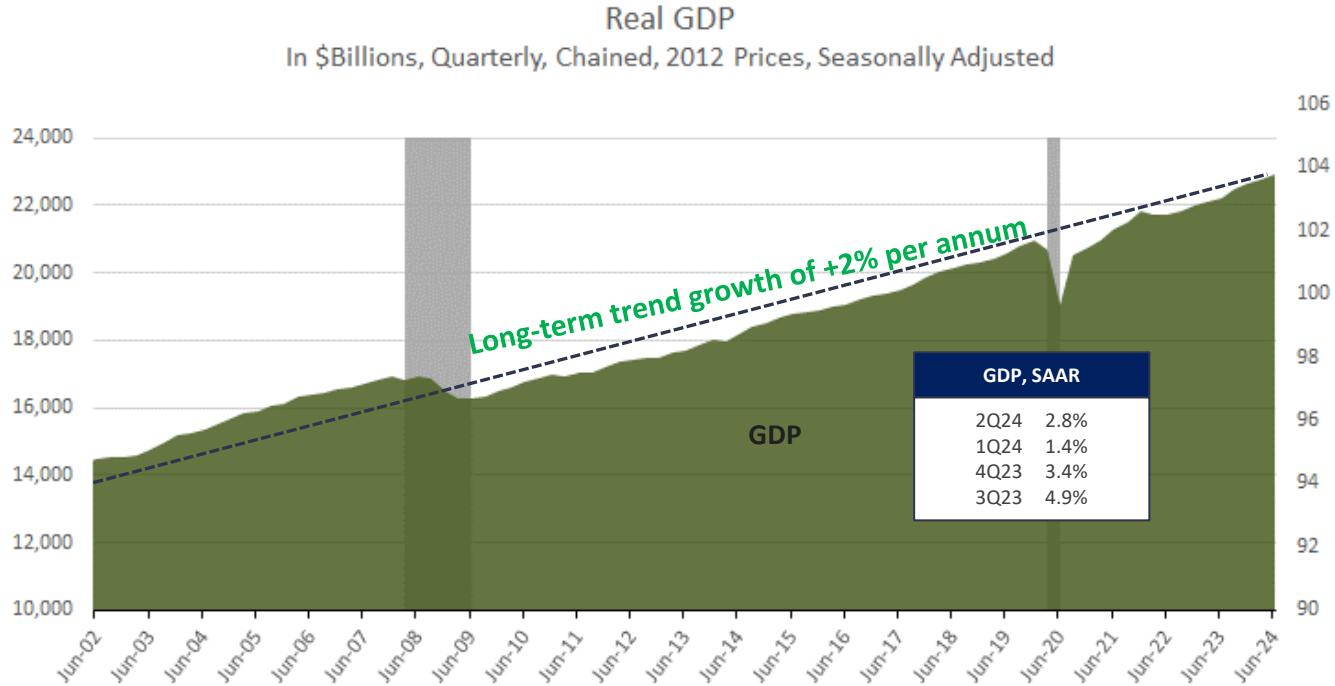


Dark areas denote recessions.

Source: Institute for Supply Management, CLA Wealth Advisors  
Data is based upon availability as of 8/16/2024



# Continued GDP Growth Provides a Stable Backdrop



Source GDP: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, CLA Wealth Advisors  
Data is based upon availability as of 8/16/2024

Grey areas denote recessions.



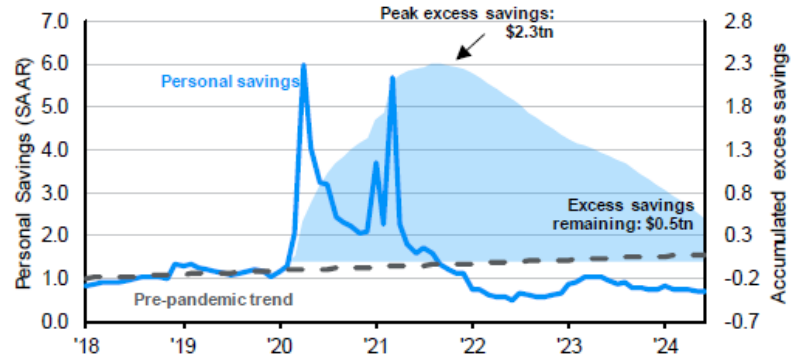




# Consumer Balance Sheets Seeing Some Stress

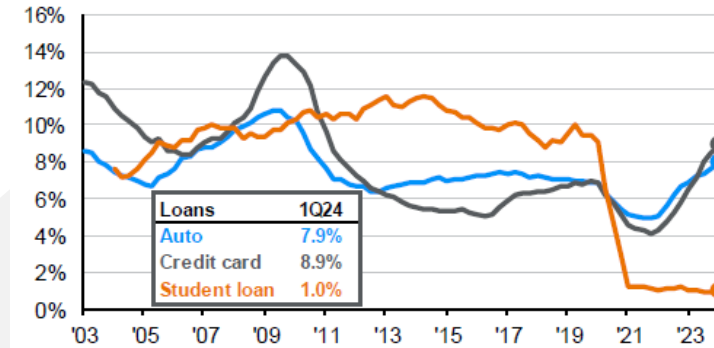
## Household excess savings

Trillions of USD



## Flows into early delinquencies

% of balance delinquent 30+ days

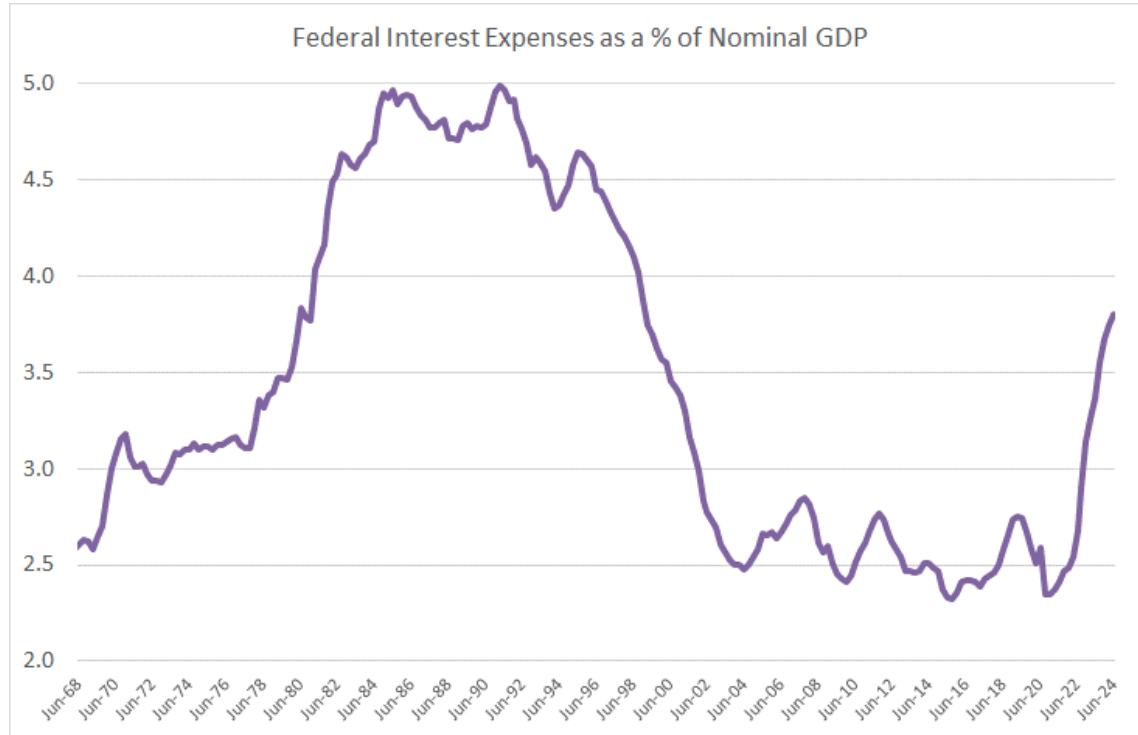


Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System, FactSet, JP Morgan Asset Management, CLA Wealth Advisors  
Data is based upon availability as of 8/16/2024.





# Higher Rates Starting To Be an Economic Drag



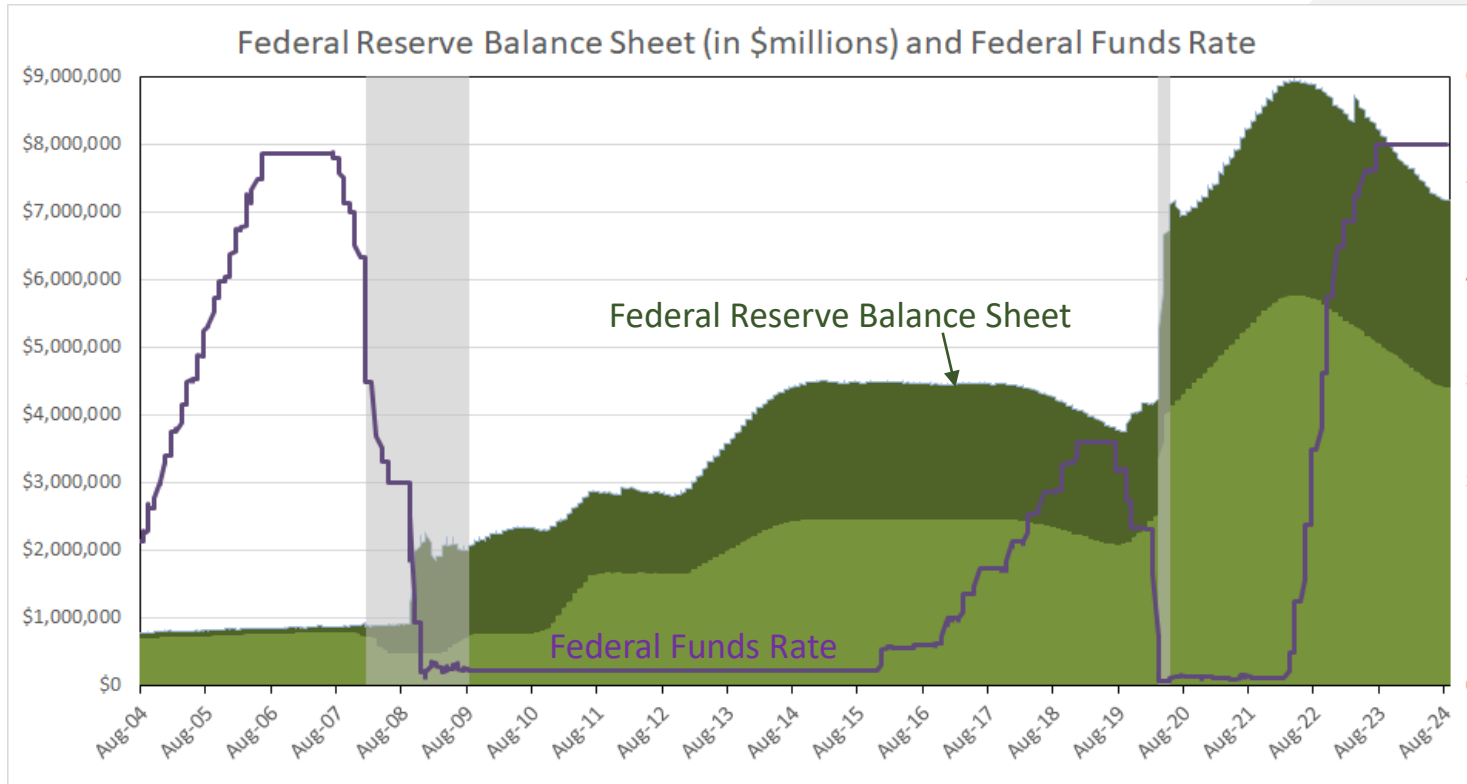
Source: Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 8/16/2024





# Despite Higher Rates, the Fed Still Provides Stimulus



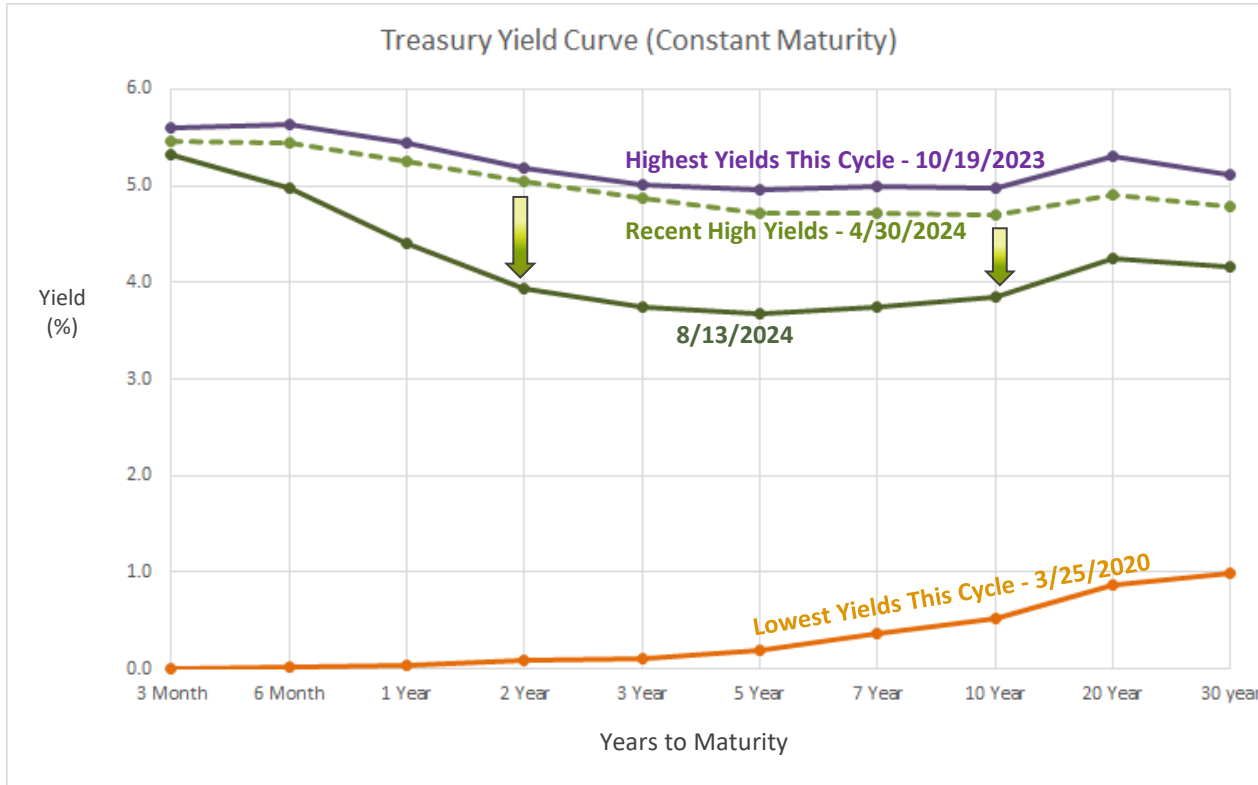
Grey areas denote recession

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of St. Louis, U.S. Federal Open Market Committee, NBER, CLA Wealth Advisors





# Interest Rates — Yield Curve Changes

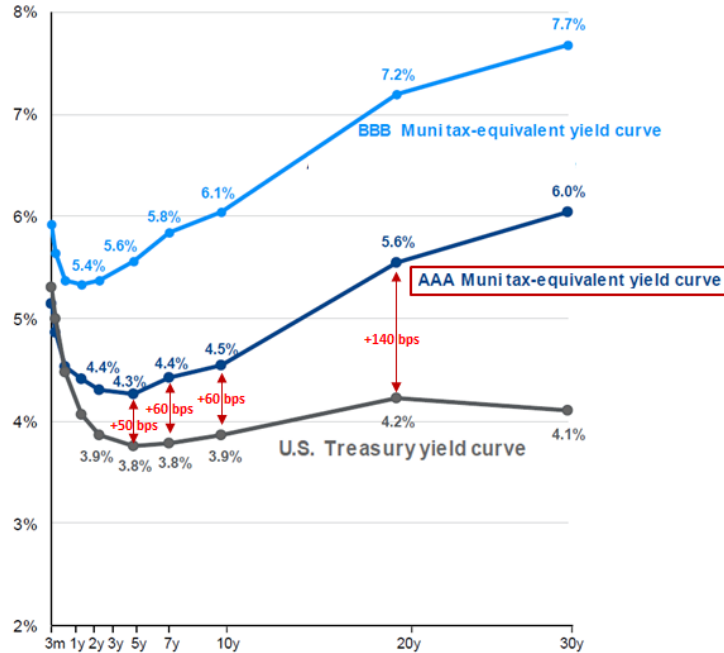


Source: Board of Governors of the Federal Reserve System, St Louis Federal Reserve, CLA Wealth Advisors

Data is based upon availability as of 8/13/2024



# Municipal Tax-Equivalent and Treasury Yield Curves

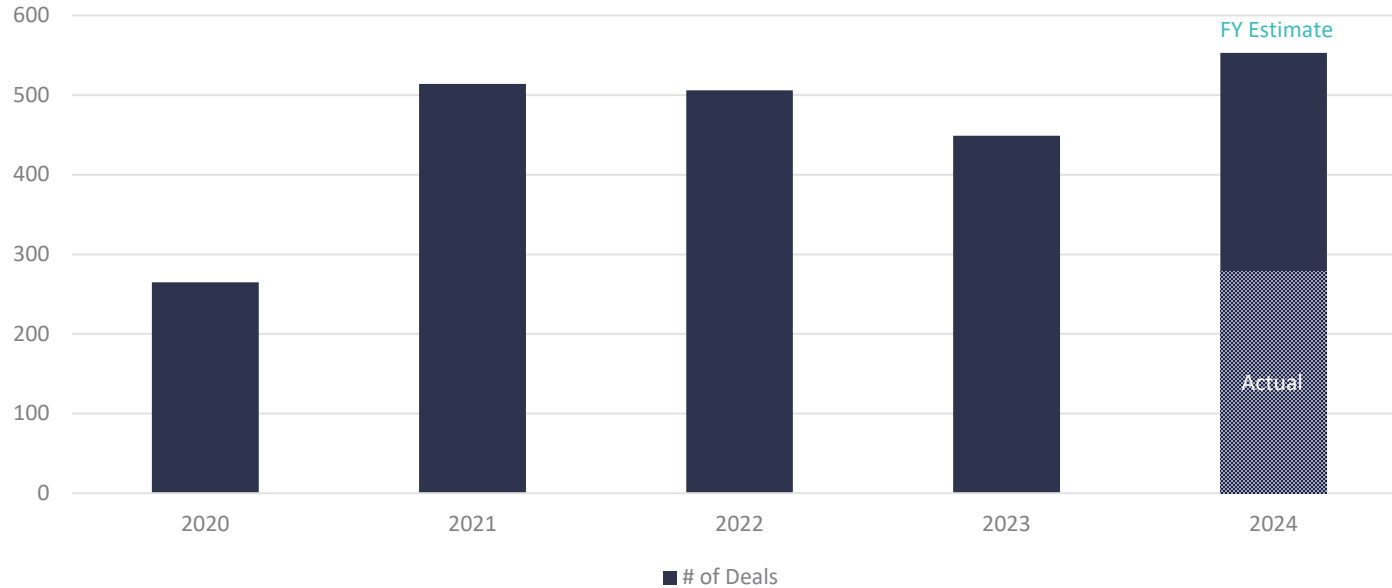


Source: JP Morgan, data as of 8/19/2024, assumes a 40.8% tax rate (37% top bracket + 3.8% Medicare tax)



# Pick Up Seen in Business Owners Looking To Sell

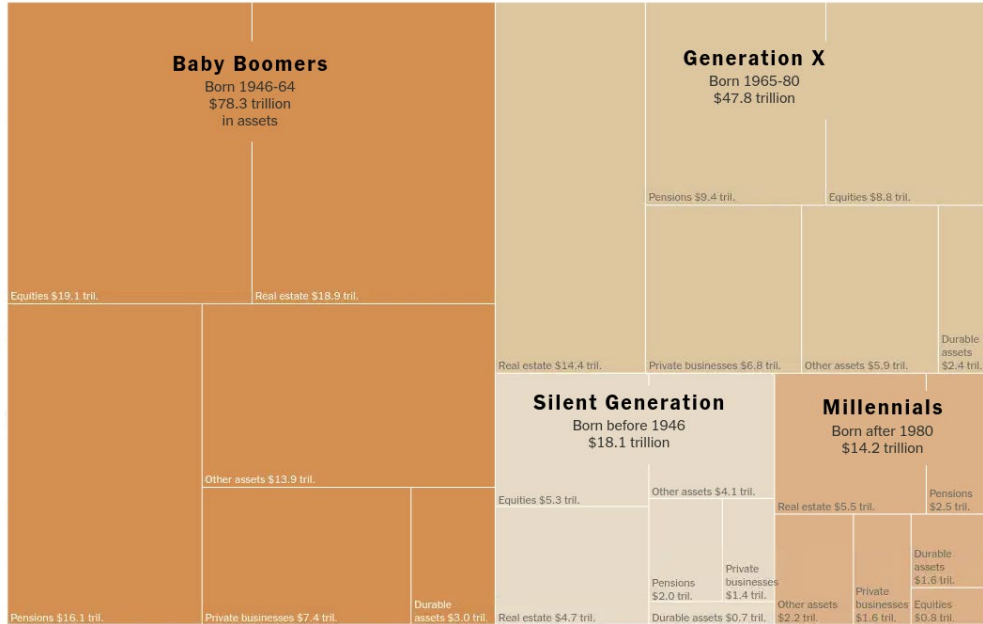
Potential transactions  
(CLA buy-side and sell-side due diligence)



# Megatrend: Historic Wealth Transfer

Protect your estate and your heirs

**Baby Boomers Hold Half of the Nation's \$140 Trillion in Wealth**



- \$140 trillion in wealth transfer
- Across multiple generations:
  - 50% Baby Boomers
  - 30% Gen X
  - 11% Silent Generation
  - 9% Millennials

Notes: As of the fourth quarter of 2022. The total amount accounts for liabilities, but the individual asset categories do not account for liabilities and do not add up to the \$140 trillion total. The total assets when not accounting for liabilities is \$158 trillion. Pensions include the present value of future benefits as well as the value of annuities sold by life insurance companies. - Source: Federal Reserve

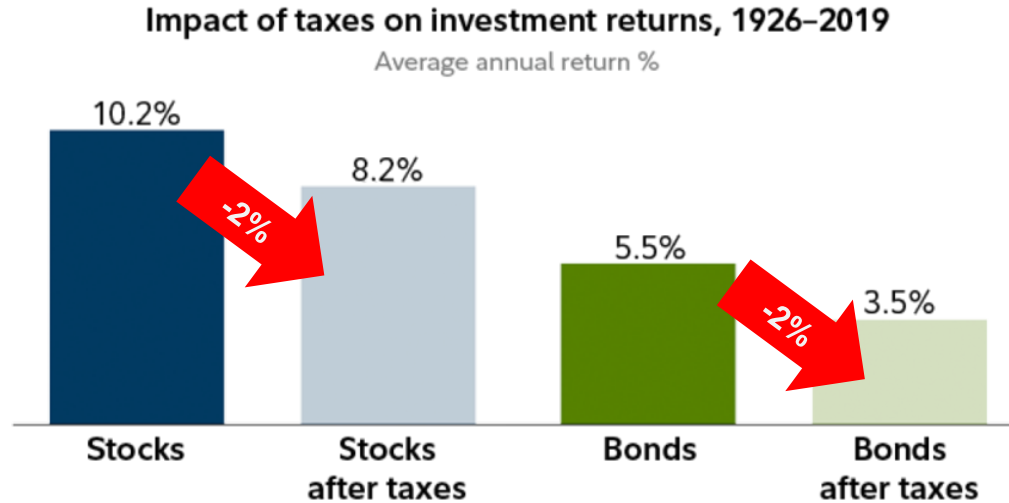
Source: Federal Reserve; <https://www.nytimes.com/2023/05/14/business/economy/wealth-generations.html?smid=url-share>



# Tax-Efficient Investing Drives Meaningful Results

## Taxes can significantly reduce returns

Morningstar cites that on average, over the 94-year period ending in 2019, investors gave up from 1 to 2 percentage points of their annual returns to taxes.



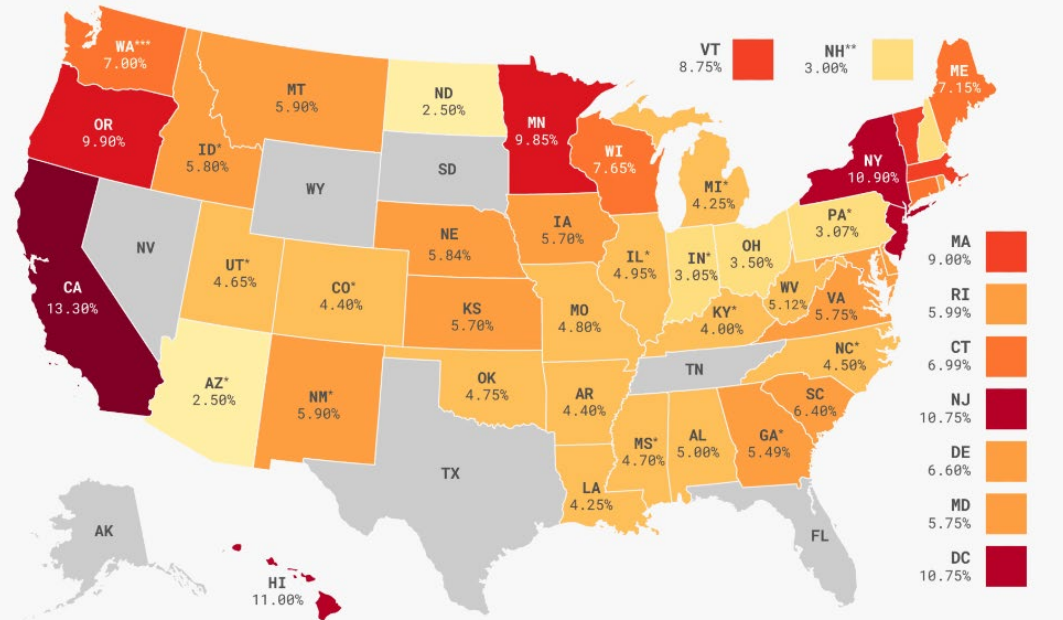
Source: <https://www.washingtonpost.com/brand-studio/wp/2022/01/03/are-taxes-dragging-you-down/>





# Federal, State, and Local Taxes Matter

## Top Marginal State Individual Income Tax Rates (as of January 1, 2024)



(\*) State has a flat income tax.  
 (\*\*) State only taxes interest and dividends income.  
 (\*\*\*) State only taxes capital gains income.  
 Note: Map shows top marginal rates; the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.  
 Sources: Tax Foundation; state tax statutes, forms, and instructions.

Source: <https://taxfoundation.org/data/all/state/state-income-tax-rates-2024/>



# Federal, State, and Local Taxes Matter

## Federal

Top individual rate expected to increase 37% to 39.6% in 2026, if Tax Cuts and Jobs Act (TCJA) sunset occurs.

**Estate:** Maximum federal estate tax remains at 40% above \$13.6 million, of which this amount is reduced by 50% if TCJA sunset occurs.

## State and Local

**Estate:** Currently, **12 states and Washington, D.C.** charge estate taxes, which are paid in addition to any federal estate tax. The exemption levels vary and range from \$1 million to \$9.1 million.

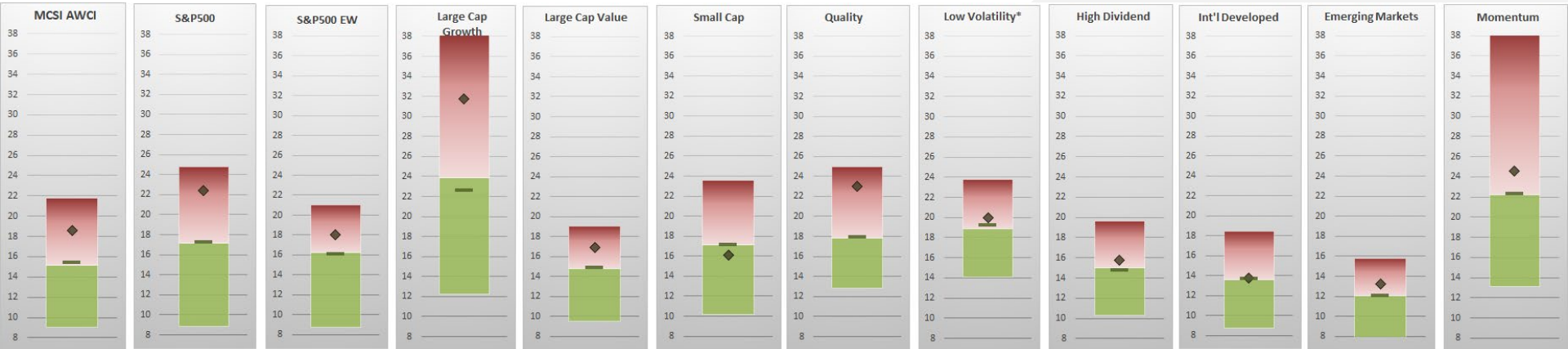
Source: <https://taxfoundation.org/data/all/state/state-income-tax-rates-2024/>



# Managing Risk Is Critical With Indexes at Highs



P/E Ratios: Current, Median and Historical Range (E = EPS consensus forecast)  
Data runs from 3/31/2008 to 7/31/24 (except where noted)



Note: the most recent measurement is denoted by “◆”, and the median value by “—”.

Source: Morningstar, CLA Wealth Advisors



# 2024 Presidential Elections – What’s at Stake

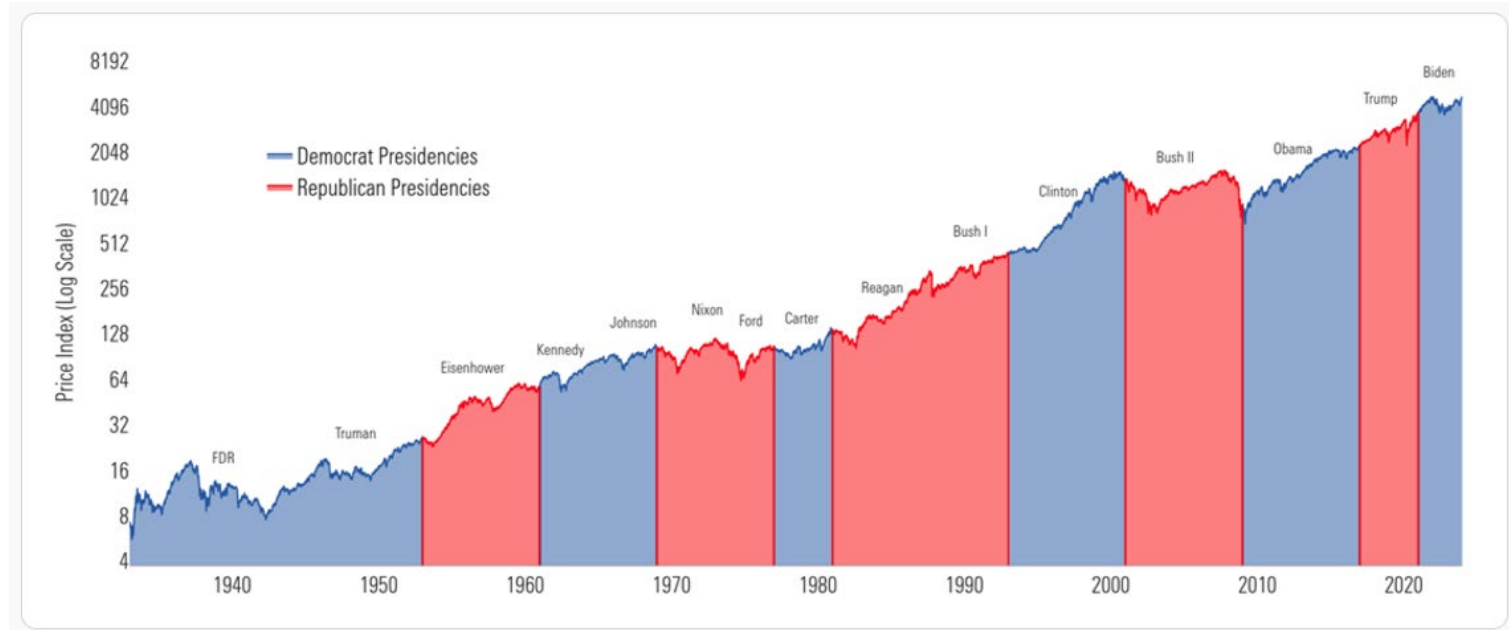
Alternatives	Party in control of White House and Congress		
	Dems	GOP	Split
Increase taxes	Possible	Unlikely	Unlikely
Entitlement reform	Unlikely	Possible	Unlikely
Continued deficit spending	Likely	Likely	Likely

- Individual income tax increases
- New wealth tax

- GOP control
- Social Security reform
- Tax cuts



# Markets Go Up Regardless of Which Party Wins



Source: Morningstar, CLA Wealth Advisors



# Key Political Issues: International and Domestic

## **International tensions:**

U.S.-China, U.S.-Israel, and  
Russia-Ukraine

## **Domestic issues:**

Border security, lack of  
legislative progress due to  
partisanship, abortion rights



# Polling Question

Are you interested in talking to CLA more about:

- *Private client services, including tax efficient investing, estate planning, and cash flow planning*
- *How legislative developments may impact my business*
- *Alternative investments such as real estate*
- *Action items before the Tax Cut and Jobs Act expires*
- *Nothing more at this time*



## Inflation Reduction Act

- Created boom in green energy incentives
- Revolutionizes tax credit monetization alternatives
- Incentivizes job creation through bonus credits
- **Industries impacted:** higher education, nonprofit, manufacturing and distribution, state and local government

## R&D expensing

- Notice 2023-63, as modified by Notice 2024-12, provides guidance on:
  - CRO arrangements
  - Business sales
  - Interaction with PCM rules
- **Industries impacted:** technology, manufacturing and distribution





## Bonus depreciation

- 100% ended in 2022
- Phase out: 80% in '23, 60% in '24, 40% in '25, 20% in '26

## Section 163(j) interest limitation

- 30% disallowance based on EBITDA ended in 2021
- 30% of EBIT base started in 2022

## R&D expensing

- Full expensing ended in 2021
- Post-2021 requires 5-year amortization

## Tax Relief for American Families and Workers Act 2024

- This bill was passed by the House. If enacted, it would reinstate the so-called Big 3 business tax breaks.
- It is currently stalled in the Senate and likely won't be voted on this year.



Protect Yourself as a Business Owner  
**Phase out period: 2023 – 2026**

Source: CLA



25

# Protect Yourself as an Individual

Year	Future catalyst	Action items today
2026	<b>Tax Cut and Jobs Act cliff: Top individual rate increases from 37% to 39.6%</b>	<ul style="list-style-type: none"> <li>• Accelerate compensation from 2026 to 2025</li> <li>• Rebalance portfolio into tax-exempt bonds</li> <li>• Consider life insurance products</li> </ul>
	<b>20% pass-through deduction eliminated</b>	<ul style="list-style-type: none"> <li>• Consider deferring cash deductions from 2025 to 2026 or accelerating revenues from 2026 to 2025</li> </ul>
	<b>Reduced estate tax exemption (e.g., \$13.6M to \$6.8M based on 2024 levels)</b>	<ul style="list-style-type: none"> <li>• Complete gift planning by 2025 using various trusts</li> <li>• Consider joint spousal gifts to increase lifetime exemptions</li> </ul>
2027	<b>Opportunity zone capital gain deferral ends</b>	<ul style="list-style-type: none"> <li>• Consider investing in a qualified opportunity zone fund by the end of 2026</li> </ul>



## Invest

Focus on segments with strong profit margins while controlling costs.

## Prepare

Continued higher interest rates are an opportunity to improve your business cost structure using digital strategies and focusing on working capital management.

## Safeguard

Protect your business and yourself by diversifying income streams, using insurance, and preparing for regulatory changes.



# CLA 2024 Outlook – Three Key Themes





Chris Dhanraj  
Managing Principal of Investments  
christopher.dhanraj@CLAconnect.com  
813-384-2737



Clayton Bland  
Chief Wealth Advisory Officer,  
clayton.bland@CLAconnect.com  
425-250-6034



Susan Sabo  
Managing Partner of Industry  
susan.sabo@CLAconnect.com  
704-816-8452



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.