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WEALTH MANAGEMENT

EMILY BEHLMANN / WBJ

Jeff Stukey, owner of Stukey Financial Planning, says investors might want to tweak their portfolios based on election results, but that a general investment strategy should be determined by an individual's goals, not politics.

POLICIES IN FLUX

Taxes on capital gains – President Barack Obama has said he would raise the long-term capital gains tax rate from 15 to 20 percent for people who earn $200,000 or more a year ($250,000 for couples filing jointly). Challenger Mitt Romney has said he would maintain 15 percent rate for the higher earners and eliminate it for others.

Defense spending – Romney says he wants to set a floor for defense spending at 4 percent of gross domestic product. Over the next few years, defense spending under Obama's budget proposals would be less than that.

Health reform – Romney says he wants to repeal most aspects of the Patient Protection and Affordable Care Act, while Obama would continue to implement the law.

Election weighs on investors' minds, but advisers say strategies should be firm

BY EMILY BEHLMANN

President Barack Obama wants the United States to tax capital gains on high earners at a higher rate, and challenger Mitt Romney wants steady to lower tax rates and more defense spending.

Depending on who wins the White House, and whether he can convince Congress to go along with his proposals, policy positions like that could make a difference for investors, say some local financial advisers.

Incorporating those possible scenarios into financial plans, however, is difficult and not always advisable, says Jeff Stukey, owner at Stukey Financial Planning in Wichita.

"There are so many things at play. There's not anybody who knows what's going to happen," he says.

ROMNEY AND A REPUBLICAN SENATE

In the short term, markets are sure to react to the results of Election Day, Mark Eibel, director of client investment strategies at Seattle-based Russell Investments Group, said during a presentation to investors and financial advisers in Wichita earlier this month.

If Mitt Romney wins, he said, the market would likely rally because of the perception that the economy is generally better under a Republican administration.

"That's even though I can show you 100 years of data that says it's random," he said.

A Romney victory, especially if accompanied by a Republican takeover of the Senate, is also likely to mean

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that Bush-era tax cuts will remain in effect, rather than expire for high earners as Obama has proposed, Stukey says.

And, advisers say, defense stocks could do better under Romney, who says he wants to keep spending 4 percent of gross domestic product on the military. But acting on a prediction like that can backfire, Stukey says.

"When you do sector plays, you have to guess right twice — when to get in and when to get out," he says. "There are often unintended consequences."

Karen Wedel Fleming, a principal at Wedel Thurman & Hall in Wichita, describes the economic sectors investors watch for big gains as "frosting on the cake." When an investor has a long-term financial plan and a diverse portfolio, minor adjustments toward areas that are booming in the short term could yield some gains, she says.

OBAMA AND A DEMOCRATIC SENATE

If the status quo continues, with Obama as president and Democrats in control of the Senate, it's more likely that taxes on capital gains and dividends will increase next year, Stukey says.

"If tax rates go up, especially for higher-end income earners, it's more important to try to shield from taxes," he says.

One way to do that could be to shift a greater proportion of an investment portfolio toward municipal bonds, he says. Interest income on these bonds is exempt from federal income tax.

Wedel Fleming says that in cases where a client could take income either this year or next, she's often suggesting to take the income this year, before a possible increase in tax rates.

FILE PHOTO

If the election favors your investments, says Karen Wedel Fleming, consider it "frosting on the cake."

Some analysts also have predicted that health care stocks will fare better under Obama than under Romney, who wants to repeal most aspects of the Patient Protection and Affordable Care Act. Again, though, local advisers warn that the movement of certain economic sectors can rarely be predicted based on the politicians in power.

MIX OF POWER

Less predictable still, Wedel Fleming says, would be a scenario after Election Day where one party controls the White House and the other controls the Senate.

And some who wait on the presidential outcome, Eibel said, might be tempted to wait on the next round of congressional elections, thinking those could determine how much resistance the new president's policies might face moving forward.

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Mark Eibel
Russell Investments Group

"You can get into this endless cycle of always waiting to see who will win," he said. "You have to engage the market."

And that market tends to generally move forward on its own business cycles, swayed but not controlled by the politics of the day, Wedel Fleming says.

"There's still tremendous value in a solid financial plan," she says. "The basics never go out of vogue."

Those basics include savings for emergencies, a plan for debt service and a diverse portfolio with some elasticity, so investors can make slight adjustments to account for market fluctuations, she says.

Investors may see some gain or loss in the short term as markets shift in response to political changes, Stukey says, but the big risk is sitting out and "missing the significant, long-term, upward move of the market."

Reporter Daniel McCoy contributed to this report.

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