



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: "Tax Reform Impact On Berkshire Dividend Growth?" – January 26th, 2018

Client question: How Will Tax Reform Impact the Market?

- Corporate tax rates move lower – Current maximum effective tax 35% moves to 21%
- Analysts estimate potential S&P 500 earnings boost of roughly \$8
- Tax impact may not be fully included in future analyst guidance

How will the tax bill impact Berkshire companies and dividend growth?

- On a weighted average, Berkshire companies (Q3 17') paid an effective tax rate of 28.63%*
- Roughly 10% higher than S&P's weighted average of 26.38%* (*source Bloomberg Professional)
- Our companies may benefit disproportionately from lower tax rates, especially financials
- [List of Berkshire's Current Effective Company Tax Rates](#)

While exact impact on dividend growth is difficult to quantify, we see the added cash flow as an additional tailwind for an already solid performing portfolio. Valuations remain reasonable. Add-in tax reform, increasing earnings momentum and management predisposition for healthy dividend growth - we feel our companies are poised well for the upcoming year.

What Company CEO's Have Been Saying About Tax Reform?:

"A significant positive outcome for the country. U.S. companies will be more competitive globally, which will ultimately benefit all Americans," Dimon added. "The cumulative effect of retained and reinvested capital in the U.S. will help grow the economy, ultimately growing jobs and wages." – Jamie Dimon (JPMorgan Chase)

"The tax act is a huge factor in valuation. You had this major change in the silent stock holder in American business who has been content with 35 percent ... and now instead of getting 35 percent interest in the earnings they get a 21 percent and that makes the remaining stock more valuable." – Warren Buffett

Year End Advisor Supplemental Package:

How do we help our advisors have better conversations with their clients? Quarterly, we develop our Supplemental deck to answer very specific questions your clients are asking you...

[Dividend Strategy Advisor Supplemental 12.31.17](#)

Included in this supplemental guide:

- Why Dividend Growth Investing?
- What Companies Raised Dividends?
- Is the Market Overvalued?
- Allocation Decisions: Growth vs Value?
- Can you find "Growth Hiding in Value"?
- Higher Rates... Good or Bad for Equities?
- Client Planning Opportunities in Tax Reform?

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Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

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