After Tuesday night’s somewhat surprising election news, here are a few retirement perspectives on the implications of a Trump presidency:

**POLICY IMPACT**

**Retirement**

Trump's retirement policy remains largely a mystery, but there are a few insights to be gleaned from his commentary to date:

- The White House will dictate the Department of Labor’s (DOL) future focus. Several final rules could be curtailed, including the new fiduciary rule scheduled to take effect in April. Trump will likely also evaluate ways to scale back or derail the Wage and Hour Division’s plan to begin enforcing the overtime rule December 1 and the regulation requiring federal contractors to provide paid sick leave January 1, 2017.

- Trump has said he wants to consolidate and reform multiple different retirement programs, which could mean replacing 401ks, 403(b)s, and 457s with a singular defined contribution plan. He has indicated he thought there were better ways than employer-sponsored plans to accumulate retirement savings and he may encourage private savings or IRAs. He has also supported state-based IRA mandates, such as California Secure Choice.

- Trump’s promise to cut taxes may reduce the incentive to save for retirement through employer-provided plans, though that impact is likely to be negligible.

**Other Issues**

- **Litigation:** The Justice Department’s approach to defending the Department of Labor against business groups’ court challenges to overtime and fiduciary regulations will likely change. The Office of Labor-Management Standard’s persuader rule and President Obama’s Fair Pay and Safe Workplaces executive order (which the DOL would enforce)—have already been frozen by preliminary injunctions.

- **Personnel:** Trump needs to fill out a large slate of open political positions at the DOL, and is likely to clean house. He has not indicated any names for a new labor secretary.

- **Congress:** Despite GOP control in the Senate and House, there may not be an easy path for Trump’s initiatives. Some Republicans have indicated they will actively oppose him. More likely, the GOP will attempt to make the most of the next two years, biding time until the next round of Congressional elections. The Supreme Court appointment of Justice Scalia’s seat is likely to be the primary initial focus.
As would be expected with either candidate, markets are making big, quick changes right now. Though the volatility is more dramatic due to the unexpected outcome of the election, it still seems better to rely on directional trends than on any hard number. Specifically:

- US Market Futures traded down sharply overnight as the likelihood of a Trump presidency increased, with S&P futures declining almost 6% before rebounding to nearly flat when markets opened for normal trading this morning.

- Trump’s proposed corporate tax plan would lower the business tax rate from 35 percent to 15 percent, and eliminate the corporate alternative minimum tax. It will provide a deemed repatriation of corporate profits held offshore at a one-time tax rate of 10 percent. There are two primary impacts if this tax plan is adopted:
  - Corporate earnings will go up by 10-20 percent leading to either market gains or reduced valuations.
  - A 10 percent tax repatriation could bring offshore cash back into the United States. This cash infusion could then be used by businesses for capital expenditures to drive growth in the United States.

- Last night’s news impacted specific sectors differently:
  - **Healthcare:** +5% due to expectations that the Republican-controlled government will not be antagonistic towards healthcare companies, especially biotech and drug companies.
  - **Financials:** +2% as rates on the 10-year treasury move close to 2%. An expectation for interest rate normalization will boost bank profits.
  - **Bond Proxies:** -2.5% Utilities, -3.5% REITs, -3.5% Utilities, -2% Consumer Staples were driven down significantly by market expectation of higher interest rates. This move should also be seen as a less fearful trade as this is the part of the market that people hide in when they have to be invested in stocks but are cautious.
  - **Industrials:** +1.5% with large gains being made in infrastructure names like Caterpillar (+8%) due to the high chance of broad infrastructure initiatives.

As in any period of short-term market volatility, it is important to reassure retirement plan participants about the importance of maintaining a long-term investment strategy. In general, the stock market responds poorly to the unknown and especially poorly to surprises. In the case of last night’s election results, it was faced with both a new president and an unexpected one. The market’s short-term reaction could be anticipated. On a long-term basis, though, economic fundamentals remain strong. These factors will likely be the ultimate drivers of market outcomes as investors understand and adapt to the policies of a new White House. Maintaining a diversified portfolio, adapted for risk tolerance as retirement dates draw nearer, remains a sound practice for managing long-term investments.