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December 2017

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In this Issue:

- Introducing Our New Tool for Business Owners: B&C ValueDriver!!
- B&C Market Minute: Sean Clarke with Jack Heath on NH Today
- B&C Blog: "Do Current Market Conditions Pose Additional Risks for Passive Investors?" Written by Charles Baldwin, MBA, CLU, ChFC
- Corporate Finance: "6 Acquisition Tips From SBA Loan Experts" – Published on Axial Forum
- "Tax Reform – What Investors Should Know" – published by Charles Schwab & Co., Inc.

*"The pessimist sees difficulty in every opportunity.
The optimist sees the opportunity in every difficulty."*

Winston Churchill

Welcome!

Edition #14 of the Baldwin & Clarke Journal is here! Our e-newsletter is an effort to share valuable thoughts and information across a wide spectrum of financial and business-oriented topics. As always, we appreciate your readership and sincerely hope you enjoy!

Introducing Our New Tool for Business Owners: B&C ValueDriver!!

We are proud to introduce you to a new service that B&C has to offer: B&C ValueDriver! B&C ValueDriver is designed to help business owners identify and address key opportunities that are available to help unlock value in their business. This diagnostic tool assesses 18 fundamental value drivers (9 market and 9 operational drivers) that influence the growth, profitability, and ultimately the enterprise value of their business. With this tool, business owners will learn what their business is likely worth today as well as what its potential future value could be, helping them to understand the elements behind the current "Value Gap", thus allowing them to prioritize their efforts to capture any additional value left on the table. For additional information on this exciting, new tool and to **get a FREE Core Value Report** [click here](#).



THE
Baldwin & Clarke
COMPANIES

Baldwin & Clarke's ValueDriver

Identify Your Opportunities to Drive Business Growth and Value

The What:
Baldwin and Clarke's ValueDriver identifies key opportunities for you to unlock value in your business. This diagnostic tool assesses 18 fundamental value drivers (9 market and 9 operational drivers) that influence the growth, profitability, and ultimately, the enterprise value of what may well have been your life's or a significant portion of your life's work.

The Why:
With this tool, you will get an estimate¹ of your business's value as well as what it can potentially be worth in the future. By helping to understand the elements most responsible for the current "Value Gap" in your business, B&C's ValueDriver can help prioritize your efforts in order to capture additional value that will otherwise be left on the table.

The How:
B&C's ValueDriver is powered by CoreValue®. The program's algorithms were first developed by the Massachusetts Institute of Technology and has been successfully used by thousands of small to medium sized enterprises while being accepted by the National Association of Certified Valuators and Analysts (NACVA).

VALUE DRIVER

| DISCOVER | PLAN | IMPLEMENT |
|---|--|---|
| Your business rating & how well your organization aligns with best business practices and standards. How your critical value drivers compare to other companies in your industry. Potential embedded value that can be unlocked from your enterprise. | Focus on and address the three critical value drivers that account for most of your Value Gap. Integrate your business and personal planning to ensure that your eventual exit plan meets your objectives. Facilitate an assessment of your business sale readiness. | An initial assessment, or "Discovery," takes less than a half hour and is complementary. A deeper ValueDriver assessment can be completed and reviewed in less than 1/2 a day. You decide on the appropriate depth of analysis. |

B&C Market Minute: Sean Clarke with Jack Heath on NH Today

In this month's Market Minute, Sean Clarke sits down with Jack Heath to discuss market trends, what investors can be doing at this point from a tax perspective given the market's strong performance, and what investors should be considering now.



[Click here to listen to the radio show](#)

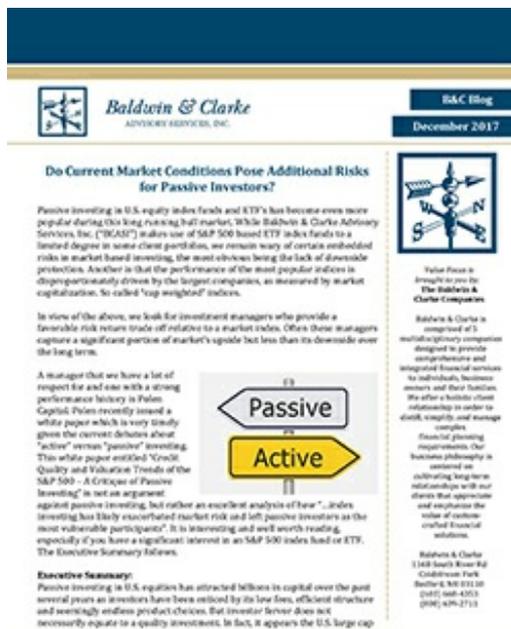
B&C Blog: "Do Current Market Conditions Pose Additional Risks for Passive Investors?"

written by Charles Baldwin, MBA, CLU, ChFC

While Baldwin & Clarke Advisory Services, Inc. ("BCASI") makes use of S&P 500 based ETF index funds to a limited degree in some client portfolios, we remain wary of certain embedded risks in market based investing, the most obvious being the lack of downside protection. Another is that the performance of the most popular indices is disproportionately driven by the largest companies, as measured by market capitalization. So called "cap weighted" indices.

A manager that we have a lot of respect for and one with a strong performance history is Polen Capital Management. Polen Capital recently issued a white paper which is very timely given the current debates about "active" versus "passive" investing. This white paper entitled "Credit Quality and Valuation Trends of the S&P 500 – A Critique of Passive Investing" is not an argument against passive investing, but rather an excellent analysis of how "...index investing has likely exacerbated market risk and left passive investors as the most vulnerable participants". It is interesting and well worth reading, especially if you have a significant interest in an S&P 500 index fund or ETF.

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Corporate Finance: "6 Acquisition Tips From SBA Loan Experts"

Published by Axial Forum

When thinking about business growth, one of the common stock lines out there is that "it is cheaper to buy than to build." An acquisition strategy in some circumstances can make a lot of sense for a business that sees synergistic opportunities with its competition or through



the introduction of a complementary business/product line. If going this route, one of the large conundrums is how to finance said acquisition. Well, there are certainly multiple avenues, but for companies that fit a certain profile, a portion of the acquisition funding can come from your bank down the road (expect to bring some equity too!). A conventional loan is one route, but working through the Small Business Administration is another avenue certainly worth investigation. The following blog post on Axial Forum gets into some of the key underwriting criteria a bank would evaluate when considering providing SBA guaranteed financing. As you might imagine, it comes down to good old fashion fundamentals: high quality earnings trends, a cogent business plan, key employee retention, and working capital management to name a few. Check out the following blog to read more on these key elements.

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"Tax Reform - What Investors Should Know"

published by Charles Schwab & Co., Inc.

In the early hours of December 2, 2017, the Senate voted to pass the massive Republican tax bill, 51 to 49. Earlier in November, the House of Representatives voted to pass their own version of the tax bill. Both the House and Senate tax overhaul bills would change the U.S. tax code in ways large and small, for both individuals and corporations. But there are still plenty of differences between them that must be reconciled and folded into one piece of legislation, which would then be put to vote in each chamber. Once the final bill is passed by both chambers, it will be the largest change to the US tax law since the 1980s and could add \$1.4 trillion over 10 years to the \$20 trillion national debt. Here is an article written by Charles Schwab & Co., Inc., detailing some of the more significant provisions contained within each bill that investors should be watching most closely.

Ordinary Income Tax Brackets for 2018
Current tax law vs. Senate and House Tax Bills
(Married / Joint Filers)

| Income Level | Current Law | | Senate Tax Bill | | House Tax Bill | |
|------------------|------------------|----------|------------------|----------|------------------|----------|
| | Income Level | Tax Rate | Income Level | Tax Rate | Income Level | Tax Rate |
| Over \$1,000,000 | Over \$1,000,000 | 39.6% | Over \$1,000,000 | 39.5% | Over \$1,000,000 | 39.6% |
| Over \$474,950 | Over \$474,950 | 35% | \$400,000 | 35% | | |
| | | | \$320,000 | 32% | | |
| Over \$237,950 | Over \$237,950 | 33% | | | \$280,000 | 35% |
| \$158,150 | \$158,150 | 28% | \$140,000 | 24% | | |
| \$77,400 | \$77,400 | 25% | \$77,400 | 22% | \$90,000 | 25% |
| \$19,050 | \$19,050 | 15% | \$19,050 | 12% | | |
| Taxable Income | \$1 | 10% | \$1 | 10% | \$1 | 12% |

[Click here to read the article.](#)

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