MANUFACTURING NEWSLETTER

Thaney & Associates, CPAs Quarterly Newsletter

Client Update Newsletter

Now that the April 15th tax filing deadline has come and gone, you could wait until January to think about taxes again – but that's a bit like waiting until the night before a major exam to start studying...you might get through it, but it probably won't yield the best results. If you want a smaller tax bill in 2025, consider starting now to come up with a strategy.

In this month's newsletter, we've included four areas to review as you begin creating your 2025 tax plan.

You will also find information on the manufacturing sectors revenue growth, what is driving the industries performance, and what the outlook of manufacturing looks like for 2025.

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

THANEY & ASSOCIATES
Certified Public Accountants

UPCOMING DATES

MAY 11TH
- MOTHER'S DAY

MAY 26TH
- MEMORIAL DAY

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THANEYCPA.COM
INFO@THANEYCPA.COM
888.252.8769

Starting Your Tax Planning

Lowering your tax bill next year works best as a planned event. So if you are interested in breathing a sigh of relief come next April, consider a review of these four areas as you create and implement your tax plan for 2025.

#1 - Your Home

Your home can create unexpected tax liabilities. Property value appreciation, home improvements, and refinancing your mortgage influence how much tax you pay.

When your home's value increases substantially, you might pay higher property taxes. Selling a home can also lead to capital gains taxes if you've lived in the property for less than two years or exceed the home sale exclusion amounts.

Tax Planning Tips for Your Home:

- ✓ Get a professional property assessment to ensure you're not overpaying property taxes. If so, know your location's time frame and process to amend your property's value in their formula.
- ✓ Consider timing home improvements to manage potential tax consequences by being smart about when assessments are applied in your location's property value.
- ✓ If selling, understand capital gains exclusion rules ($250,000 for single taxpayers, $500,000 for married couples)

#2 - Your Investments

Review your refinance closing disclosure to identify deductible mortgage points or fees
Investment income can impact your tax bill. Capital gains, dividend distributions, and frequent trading can all cause tax consequences.
Different investments also face different tax rates: Short-term capital gains get taxed at higher ordinary income rates and long-term gains typically receive more favorable treatment.

Tax Planning Tips for Your Investments:

- ✓ Implement tax-loss harvesting to offset capital gains
- ✓ Hold investments for more than a year to qualify for long-term capital gains rates
- ✓ Consider tax-efficient investments like index funds or ETFs
- ✓ Maximize contributions to tax-advantaged accounts like 401(k)s and IRAs

#3 - Your Retirement

Retirement accounts offer financial opportunities. But they can also cause tax pitfalls. Required minimum distributions (RMDs), early withdrawal penalties, and the tax treatment of different retirement account types influence your tax bill.

Tax Planning Tips for Your Retirement Accounts:

- ✓ Understand RMD rules and plan withdrawals strategically. Sometimes the most cost-effective plan withdrawals occur long before the RMD rules come into play!
- ✓ Consider tax-efficient Roth conversions to manage future tax liability
- ✓ Maximize health savings account (HSA) contributions as an additional retirement account
- ✓ Explore catch-up contributions if you're age 50 or older

#4 Your Life Events

Major life changes can dramatically change your tax situation. Marriage, divorce, having children, changing jobs, or experiencing significant income shifts can all reshape your tax liability.

Tax Planning Tips for Life Changes:

- ✓ Reassess your filing status as life changes may affect your tax bracket and deductions
- ✓ Track new deductions and credits as life events like adoption or education expenses may qualify for specific tax breaks
- ✓ Understand the age triggers built into the tax code and plan accordingly. This is especially important to understand as your children get older.

Sometimes your tax plan will show you an unavoidable, upcoming tax event, but you can plan for it to avoid a surprise. Other times your plan can help lower your tax liability, so it is best to begin as soon as possible.

MANUFACTURING SECTOR REVENUE GROWTH

An increase in overall economy and a decline in the value of the US dollar - what you need to know

The United States Manufacturing sector has enjoyed revenue growth over the past five years. A diversified demand across various downstream markets contributed to this performance, with the automotive, electronics and consumer goods industries playing pivotal roles. Technological advancements, particularly in production automation, have significantly enhanced efficiency. The introduction of automated assembly lines and robotics has reduced labor costs and minimized human error. Additive manufacturing, or 3D printing, has enabled rapid prototyping and customization, catering to specific consumer needs. Lean manufacturing techniques have streamlined operations, cutting waste and improving product quality. The sector maintained positive revenue trajectories despite fluctuating commodity prices and increasing regulatory pressures. Global supply chains supported this expansion, with continued importance placed on logistics optimization. The impact of trade agreements like the United States-Mexico-Canada Agreement (USMCA), established in 2020, has also been a critical factor. Innovations like predictive maintenance and leveraging data analytics to foresee equipment failures have optimized operational performance and downtime. These developments have allowed manufacturers to adapt quickly to changing market demands.

Over the past five years, the manufacturing sector has faced profit challenges despite revenue expansion, mainly because of rising purchase costs. Higher crude oil prices directly impacted raw material costs and logistics expenses. In response, companies increasingly adopted energy-efficient technologies, such as connected device networks, to control utility costs. Advanced materials like composites and lightweight alloys provided cost-effective alternatives for component manufacturing. One significant regulatory change, the 2018 Tariffs on Steel and Aluminum, increased material costs, prompting companies to seek alternative sourcing strategies. Technological advancements like cloud-based ERP systems also improved planning and resource allocation, directly impacting financial performance. Manufacturing sector revenue has been expanding at a CAGR of 1.8% over the past five years and is expected to total $6,941.2 billion in 2025, when revenue will fall by an estimated 4.1%.

The sector's revenue will exhibit moderate growth over the next five years. Innovation and technology will be crucial drivers, especially with the increased adoption of artificial intelligence and connected device ecosystems in manufacturing operations. Automation and robotics will enhance production efficiency and flexibility, addressing the complexities of modern consumer demands. Continuous developments in machine learning will improve process optimization and quality control standards. Digitalization and smart factory initiatives will transform traditional workflows, driving productivity gains through real-time data insights and transparent operations. Exploration of augmented reality tools will aid in maintenance and training processes, reducing downtime and error rates. Companies will diversify revenue streams by adopting mass customization strategies that appeal to dynamic consumer preferences. Despite these advancements, profit will remain under pressure from continued volatility in raw material costs tied to geopolitical shifts. Environmental regulations like the 2020 Clean Air Act Provisions will continue to push companies toward low-emission technologies. Global trade dynamics, including tariffs and changing consumer expectations, will influence strategic decisions and market positioning. Downstream market performance will continue to impact production planning and inventory management, emphasizing agility and responsiveness. Manufacturing sector revenue is expected to inch upward at a CAGR of 0.4% to $7,086.7 billion over the five years to 2030.

WHAT IS DRIVING THE MANUFACTURING INDUSTRIES PERFORMANCE?

Sector revenue and trends indicate slow growth amid fluctuating external factors affecting performance. The manufacturing sector's revenue has grown steadily, reaching $6,941.2 billion in 2025, with the trade-weighted index (TWI) surging by 5.9%. While positive for cost reduction, a higher TWI poses challenges for exporters by increasing domestic goods' prices. Price fluctuations of crude oil and steel impact costs and require adjustments. Capacity utilization improvements show more efficient production, enhancing revenue despite external challenges. Technological advancements like automation and connected devices contribute positively to revenue trajectory.

Stability in enterprise and establishment figures shows minimal growth and highlights structural shifts within the sector. The manufacturing sector has maintained stable enterprise and establishment figures, reflecting a strategic focus on efficiency over expansion. Companies navigate economic conditions through restructuring and technological integration instead of physical growth. This stable trend indicates a shift toward maximizing productivity and efficiency by channeling investments into technology upgrades. Focus on optimizing operations underscores the sector's dedication to competitiveness amid market challenges.

Employment decline and wage reduction highlight efficiency priorities and technological impacts on the workforce. Employment figures in the sector have declined, emphasizing automation's role in reducing manual labor dependence. This shift aligns with wage reduction trends, reflecting the need for skilled workers due to technological integration. Regulatory standards and global pressures have influenced employment and wage structures. Companies focus on upskilling employees to adapt to tech advancements and sustain competitiveness.

A diverse product mix reflects market demand shifts and technological advancements enhancing production capabilities. The manufacturing sector's diverse product mix responds to market demand shifts and technological advancements. Companies adapt to meet consumer preferences by innovating production processes and materials. Compliance with regulations and environmental considerations shapes product offerings. The mix showcases the sector's ability to navigate market demands through product differentiation and innovation.

Diverse market distribution shows strong reliance on wholesalers and adaptability to consumer-driven demand. The sector heavily relies on wholesalers for distribution, ensuring product availability and consistent operations. Retail channels reflect consumer preferences, driving manufacturers to adapt offerings accordingly. Interactions across industries illustrate the sector's adaptability to changing demands. Wholesalers and retailers play vital roles in sustaining large-scale operations and meeting global consumer needs.

Shifts in cost structure emphasize efficiency and adaptation to maintain profit despite economic pressures. The sector faces changes in cost structure affecting profit margins and necessitating adaptability. Focus on reducing labor expenses through automation and controlling purchasing costs amid price fluctuations. Continuous investments in technology and resource optimization balance cost categories effectively. The sector's resilience in adjusting cost structures demonstrates efforts to sustain profitability amidst economic challenges.

Increasing export figures highlight the importance of global markets for sustained growth and competitive advantage. The manufacturing sector's export growth and reliance on international markets underscore its financial health. Trade agreements and technological innovations support competitive exports. Strategic market diversification and adaptation strengthen global presence. While improving export figures remain vital for sustained growth, challenges from tariffs create uncertainty in cross-border trade.

Increasing import levels present challenges for domestic manufacturers while emphasizing the importance of competitive differentiation. Rising import levels challenge domestic manufacturers to enhance competitiveness through innovation and quality differentiation. Cost advantages and specialized products from foreign sources increase competitive pressure. Policy measures and trade dynamics influence import competitiveness. Balancing import penetration requires agility and strategic planning amid complex trade environments, especially amid rising tariffs.

THE OUTLOOK OF THE MANUFACTURING INDUSTRY

The manufacturing sector is expected to experience stability in revenue growth over the outlook period amidst economic shifts and market dynamics. This stability is influenced by gradual increases in establishments and enterprises, reflecting a cautious expansion approach. Anticipated employment growth aligns with the sector's focus on workforce development and technology integration. Product offerings are set to evolve with technological innovations, emphasizing sustainability and customization. Expanding market composition and a shift in cost structures underscore the sector's strategic adaptations to economic pressures. Export growth signals increased global competitiveness despite trade tensions, while a decrease in import levels highlights a shift towards domestic production and enhanced competitiveness.

Projected revenue growth highlights stability with potential impacts from economic and market dynamics over the outlook period. The manufacturing sector's revenue is projected to increase modestly at a compound annual growth rate (CAGR) of 0.4% over the next five years. This growth reflects stability in demand but limited market reach and diversification expansion. Economic indicators like the trade-weighted index and raw material prices are expected to decline, impacting cost structures and pricing strategies. As manufacturers adapt to these economic shifts, revenue growth will be shaped by their response to external conditions.

Gradual increase in establishments and enterprises suggests a cautious expansion approach amid stable market conditions. The number of establishments and enterprises in the manufacturing sector is expected to grow gradually at a CAGR of 0.1% over the next five years. This measured growth reflects a cautious approach to expansion as companies focus on stability amid consistent but modest demand. The sector's strategy emphasizes optimizing current capabilities and assessing market opportunities carefully, avoiding over-expansion risks in a stable economic environment.

Employment growth anticipated as stability in market dynamics drives modest workforce expansion within the sector. Employment in the manufacturing sector is forecasted to increase at a CAGR of 0.2% over the next five years, reaching 11,456,817 by 2030. This gradual expansion reflects consistent production needs and stable market dynamics. Companies will introduce new roles focusing on skilled technical positions essential for managing automated processes. Wages are also projected to grow at a similar rate, aligning with the sector's commitment to attracting and retaining skilled labor.

Evolution of product offerings highlights technological innovation and alignment with consumer demands over the next five years. Product offerings in the manufacturing sector are set to evolve significantly driven by technological innovation and changing consumer preferences. Advances in segments like transportation equipment, electronics, and renewable energy solutions cater to efficiency and sustainability demands. Manufacturers will invest in electric vehicle production and smart devices to enhance user experiences. These innovations reflect the sector's responsiveness to consumer trends and align with global sustainability goals.

THE OUTLOOK OF THE MANUFACTURING INDUSTRY

Export growth signifies expanding global reach as competitiveness increases amid trade tensions and economic shifts. Exports in the manufacturing sector are anticipated to grow at a CAGR of 0.9% over the next five years, reaching $2,653.9 billion by 2030. Enhancements in export competitiveness driven by technological innovation will expand market presence, despite challenges from global trade tensions. Emphasis on key international markets and technological advancements will support export growth, ensuring sustained competitiveness amid evolving trade dynamics.

Shifts in cost structure with a focus on profit reveal strategic adaptations in response to economic pressures. The manufacturing sector's cost structure is expected to evolve with a slight increase in profit by 2030. Advancements in technology will drive cost efficiencies, streamlining operations and enhancing productivity. Material costs and labor expenses will be critical factors, with projections indicating a balanced growth approach to optimize profitability amidst economic fluctuations. The sector's focus on innovation and operational efficiency highlights a strategic response to cost challenges.

Expanding market composition reveals the sector's ability to adapt and address diverse domestic consumer needs and preferences. The manufacturing sector's market composition will transform over the next five years, reflecting changing consumer demands. Wholesalers will play a significant role in bridging the gap between manufacturers and retail channels, ensuring efficient product distribution. Retailers will adjust strategies to embrace e-commerce and digital sales models, enhancing consumer engagement and sales opportunities. Collaborations within the sector and focus on sustainable construction practices will further strengthen market adaptability.

Anticipated decrease in import levels indicates a shift toward domestic production and enhanced competitiveness amid changing market conditions. Imports in the manufacturing sector are projected to decrease at a CAGR of 1.0% over the next five years, reflecting a shift towards increased reliance on domestic production. Investments in advanced manufacturing technologies and regulatory policies supporting local industries will drive competitiveness and reduce dependency on imports. The focus on product quality, customization, and sustainability will enhance the sector's domestic market position and adaptability to changing consumer preferences.

Estate Planning: *Tips for Every Family*

If juggling priorities were an Olympic sport, young parents would win the gold medal. Raising kids, advancing careers, paying off student loans, and saving for a home is a lot. All this makes estate planning feel like a tomorrow problem.

But estate planning puts you in charge of your family's financial future if the unexpected happens.

Here are three ways you can protect your family's future by starting your estate planning today.

Protect your current income

Your current income is the fuel that keeps your household going. Here are several ideas to protect your earnings:

- ***Minimize tax liabilities*** using tools such as trusts or family limited partnerships can shield assets from estate or capital gains taxes.
- ***Protect against lawsuits and creditors*** by structuring ownership through legal entities or trusts. These separate legal entities can make it harder for lawsuits or creditors to reach your personal income or business revenue.
- ***Ensure income continuity if incapacitated.*** With powers of attorney and living trusts in place, you can tap someone you trust to manage your income and financial affairs if you're unable to do so.

Protect your future income

Estate planning isn't just about distributing assets, it's a proactive way to secure financial stability down the road. Here are several ideas to protect your future income.

- ***Preserve wealth using tax planning strategies.*** Trusts, retirement accounts, and gift giving can minimize your future estate and income taxes, helping you retain more of your earnings over time.
- ***Safeguard business and investment income.*** Planning for succession or setting up buy-sell agreements ensures that income from businesses or investments can continue in the future, even after death or incapacity.
- ***Provide long-term control over assets.*** Set specific terms in wills or trusts to dictate how and when income-generating assets are used. This can protect them from mismanagement or being wasted in short order.

Protect your children

Estate planning isn't just about money – it's also about protecting your kids if something happens to you. Here are several ways to protect your children.

- ***Ensure guardianship.*** If you pass away or become incapacitated, a will lets you name who should raise your children. Without this, the decision goes to the courts, and a judge will choose a guardian. Naming someone in your estate plan ensures your children are raised by someone you trust, in a stable and familiar environment.
- ***Control their inheritance.*** A well-structured estate plan allows you to manage how and when your children receive their inheritance. For example, you can create a trust and decide when to distribute money and for what purposes, such as education, health care, or buying a home.
- ***Minimize conflict.*** When your wishes are clearly written in legal documents, it leaves less room for disagreements among family members. This can help prevent costly legal battles or emotional fights over who should care for the kids or how money should be used.

Many people believe estate planning is only for the very wealthy. But as you can see, managing an estate is important for everyone, regardless of income level. Consider reviewing your situation with a qualified expert and help create peace of mind for yourself and your loved ones.