

PASADENA BUSINESS NOW

Business: How Will a Trump Presidency Affect Pasadena's Economic Climate?

Pasadena based financial planner discusses the possibility of increased federal spending for local infrastructure, defense-related projects

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Left; Pasadena City Hall, Right; Donald Trump

Local industries that provide raw materials and equipment for construction and civil engineering firms could benefit more from an increased flow of federal money for local projects under the Trump presidency, a Pasadena-based investment and finance management consultant said in interviews.

Mitchell Kauffman, managing director and owner of Kauffman Wealth Management, said President-elect Donald Trump's avowed policy of tax simplification and reduction could mean more money in the hands of local consumers and businesses, a phenomenon that

could lead to a more active local economy that could then spur construction and, hopefully, more federal dollars.

“Based on historical trends, they’re more likely to spend the money made available from tax reductions – consumers on consumption, and businesses on capital investment and new hiring,” Kauffman said. “So we would hope for some new job creation, wage growth, and a real bump in local business sales.”

Kauffman said the way the markets have been rising since the elections showed there was “a lot more demand for a Trump presidency than anybody thought,” but more importantly, it speaks of a greater number of industries and businesses that are comfortable and supportive of a Trump presidency.

For Pasadena, Kauffman said local firms that have to do with defense and the military could benefit from increased federal funding.

“Trump ran on a pro-defense, pro-military platform, and so we would expect funding to increase for defense firms and local firms will benefit from that,” Kauffman said. “As far as space exploration, I’m not sure I heard a lot about his intentions. He also ran on a platform of national pride, and space exploration is a rallying point for national pride. It might be a positive opening for that, but nothing as definitive to be outstanding. But he was very clear he wanted to expand the military and to rebuild the armed forces.”

Kauffman also indicated he does not see any definite reduction in federal funding for NASA’s Jet Propulsion Laboratory and Caltech, both of which are Pasadena-based.

“I’m not sure if it’s clear-cut that JPL and Caltech would suffer,” Kauffman said. “They may not be as robust a recipient of federal funding as projects that are more geared toward defense specifically. As an example, with all the saber-rattling from the North Korea nuclear program and the threat that poses, we could see a lot of new funding going into Star Wars defense, which we assume would help firm up deals with space exploration and we would be benefactors of that to some extent.”

Trump himself has not been vocal about his plans for NASA and its \$2 billion annual budget Earth science, but in an op-ed published on SpaceNews weeks before the election, two of Trump’s space policy advisors – former congressman Robert Walker and economist Peter Navarro – said NASA is too focused on “politically correct environmental monitoring” and has largely been reduced to a “logistics agency concentrating on space station resupply.”

In the article, Walker and Navarro indicated that under a Trump administration, NASA would focus on “deep space activities rather than Earth-centric work that is better handled by other agencies.”

“Human exploration of our entire solar system by the end of this century should be NASA’s focus and goal,” Walker and Navarro wrote. “Developing the technologies to meet

that goal would severely challenge our present knowledge base, but that should be a reason for exploration and science.”

Even when there was so much uncertainty with a Trump presidency, there was also so much of a demand for change that he says is helping fuel the optimism that the markets have shown so far.

Kauffman added the optimism could create conditions where interest rates would rise, which typically favor the banking industry and can be a disadvantage for the real estate industry.

In regards to federal funding for local projects, Kauffman said one big question would be how federal spending filters through to the state and local level.

“I’m not sure if anybody has ever really addressed that,” he said. “But on the surface of it, we would expect to see more money coming in for projects which should be an impetus for growth both in job creation and business expansion.”

Asked how Trump’s economic direction could affect the lower income bracket of the country’s population, Kauffman said he is not sure how much of the higher paying jobs that have gone abroad could be brought back and how many our country would want to have back, given advances in automation and productivity. A significant challenge for the incoming Trump administration centers on how to create new jobs, train workers in new skills, and help them retool to jobs of the 21st century.

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Mitchell Kauffman provides wealth management services to corporate executives, business owners, professionals, independent women, and the affluent. He is one of only five financial advisors from across the U.S. named to Research magazine’s prestigious Advisor Hall of Fame in 2010, and among a select list of 100 over the past 20 years.

Inductees into the Advisor Hall of Fame have passed a rigorous screening, served a minimum of 15 years in the industry, acquired substantial assets under management, demonstrate superior client service, and have earned recognition from their peers and the broader community.

Kauffman’s articles have appeared in national publications, and he is often quoted in the media. He is an Instructor of Financial Planning and Investment Management at the University of California at Santa Barbara and Santa Barbara City College.

For more information, visit www.kauffmanwm.com or call (866) 467-8981. Kauffman Wealth Management and serves clients from two office locations: 140 South Lake Avenue, Suite 307, Pasadena, CA 91101 and 550 Periwinkle Lane, Santa Barbara, CA 93108 (by appointment only). Investment products and services are offered through Wells Fargo Advisors Financial Network LLC (WFAFN). Kauffman Wealth Management is a separate entity from WFAFN.