4 New Federal Regulations That Could Impact Your Finances in 2017

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By Katie Tiller for MagnifyMoney

The new year rings in a few federal regulations that could impact your wallet and savings accounts.

With no major tax legislation taking effect in 2017, the changes are not as drastic as in past years. For example, Roth and Traditional IRA contribution limits will stay the same, capped at $5,500 for individuals under 50 years old and an additional $1,000 contribution for individuals 50 and over.

"This is a pretty quiet year," says Eddie Patat, a CPA and owner of Turner and Patat, an accounting firm in Athens, Ga.

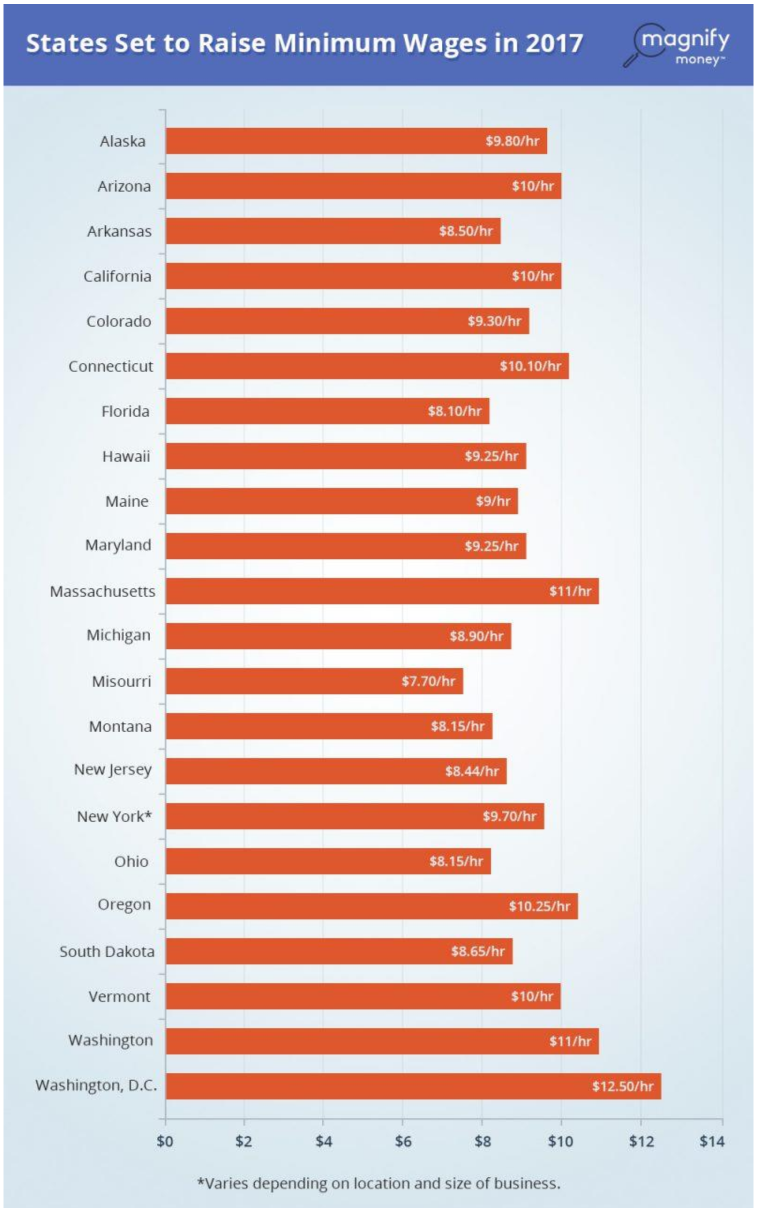
However, low-wage employees, individuals who work with financial advisers, college students, and Hurricane Matthew victims could earn and save a bit more, with these four rules and tax benefits in 2017.

Higher minimum wage

Millions of workers will pocket more each week due to minimum wage increases in 21 states.

The first state to do so will be New York, raising its minimum wage from $9 hourly to up to anywhere between $9.70 and $11 per hour on Dec. 31, 2016.

Eighteen states will raise their minimum wage beginning Jan. 1, 2017: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Hawaii, Maine, Massachusetts, Michigan, Missouri, Montana, New Jersey, Ohio, South Dakota, Vermont, and Washington.



Some of these states — Alaska, Florida, Missouri, and Ohio — will see wage increases of only 5 cents per hour. However, Washington and Massachusetts will see increases of a dollar, while workers in Arizona will have an extra $1.95 added to their wages each hour.

Workers in Maryland, Oregon, and Washington, D.C., won't see their wages rise until July 1.

Some states, such as Arizona, California, and New York, are raising wages with an endgame in mind. Arizona's goal is to eventually raise wages to $12 hourly, while California has plans to raise the wage a dollar each year until 2022, when it will hit the $15-per-hour mark. New York state's newest wage increase is reportedly the first of five moves with the goal of increasing wages to $12.50 an hour.

However, many experts argue that increasing wages may not assist those the increase is meant to help. As the cost of labor grows increasingly more expensive, businesses will likely have to take steps to preserve their bottom line. As minimum wages increase, Patat says it is likely that businesses will raise prices on consumer goods to cope, decreasing workers' spending power.

"So the people who are trying to be benefited by a minimum wage increase would simply see prices for things they use every day go up," he says.

Or, if the prices of goods can't be raised, employers could find other ways to save money, adds Michael Chadwick, a certified financial planner and owner of Chadwick Financial Advisors in Unionville, Conn.

"It seems like a great thing on the surface," says Chadwick. "But it'll hurt the minimum wage worker by cutting their hours and outsourcing their jobs to computers or some other form of automation."

Chadwick points to the expansion of self-checkouts, automated restaurants, and stores like the new Amazon Go in Seattle, and the takeover of the movie rental industry by Netflix and Redbox as proof that human employees can easily be replaced when the cost of employment is too high.

The new "fiduciary" rule

On April 10, 2017, the Department of Labor will enact its new "fiduciary" regulation. This rule will ensure that every financial adviser is acting in the best interest of the client rather than himself or herself.

According to the White House Council of Advisors, about $17 billion in income is lost to investors due to conflicts of interest by financiers each year. The new rule will apply to retirement accounts, IRA accounts, and regular brokerage accounts, which are at risk for being misadvised. Financial advisers are often commission-based and receive their fees according to the transactions that they make.

Patat says the new "fiduciary" rule offers added protection for investors. Financial advisers will be required to provide details about services and fees, and their clients will receive a best-interest contract that will explain the relationship and disclose any conflicts of interest on the adviser's behalf.

"It's going to provide a little more transparency, especially with respect to the fees the client is charged," Patat says. "There has always been probably a degree of people who didn't know how the broker was making money. I think this kind of disclosure is probably going to help open up people's eyes as to what this product might mean as far as commissions to a broker. With all these disclosure rules on how much they're making, I think you'll see only good things happen for investors."

Many firms, such as Merrill Lynch, will begin offering fee-based advising services, self-directed accounts, and an automated, fee-based adviser alongside commission-based advising

Chadwick, however, says while most clients should make more in the long run, this new rule may not help out smaller investors who are not contributing to their retirement accounts or saving enough to make it worthwhile for the financial advisers.

"It'll be hard for small clients to get good advice moving forward," he says.

Hurricane Matthew relief

Victims of Hurricane Matthew in the Southeast will be able to access their retirement account without the typical restrictions in order to help recover from the 2016 storm.

Those who have been affected by the hurricane will be able to withdraw money from retirement accounts without incurring the 10% early withdrawal fee. Those who do will be able to spend the money on food and shelter, which do not typically qualify for IRA hardship withdrawal.

However, Patat says, this won't apply just to those within the hurricane's path. Volunteers with government or religious organizations who helped with cleanup and assisted victims are also entitled to relief.

"It does apply to people who live outside the area," Patat says.

Those who have incurred a loss can file it on the previous year's tax return. In the case of Hurricane Matthew, he says, the 2015 tax return can be amended to receive an immediate refund.

The relaxed IRA rules will continue until March 17, 2017.

Federal student financial aid changes

In 2017, students and parents filling out the Free Application for Federal Student Aid (FAFSA) form will be required to provide household income information from two previous years. This stems from a decision to begin sourcing earlier income information

from those who apply for federal financial aid, rather than requesting the previous year's income information. This means that students applying for financial aid for 2017 will need to submit income information from 2015.

While at first glance it seems as if students will simply receive the same benefits they did for the 2016 school year, Patat says this move will benefit students in the long run.

"There was always a rush to get information in for financial aid that required you to get your tax return done quicker than almost humanly possible," he says, "so the fact that they are going back over a year to get old financial information, that saved a lot of hassle of going back and changing information that may have been estimated at that time."

Furthermore, in order to make reporting income even easier, Chadwick notes that students can now fill out their FAFSA information for the coming school year in October, instead of January.

In the case of a drastic change in income, Patat says not to worry.

"You can still speak to your financial aid office at the school based on your financial situation," he says.