

Citywealth Quotes Josh Rubenstein and Ronni Davidowitz on US Events Impacting Wealth Management

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Private Wealth partners Joshua Rubenstein, national chair, and Ronni Davidowitz were quoted in a *Citywealth* article about US events impacting the wealth management industry, including the "debt crisis" and the upcoming 2024 Presidential election.

Joshua summarized key insights from major US headlines, saying, "The gap between what the US government spends and earns continues to grow, and Congress continues to spar over it without resolution. Republicans ran up big budget deficits under Trump with major tax cuts, and now Democrats under Biden are struggling to provide aid to Ukraine and Israel without major social budget cuts – which of course means major tax increases. Yet none of this has enabled the Republican majority in the House to coalesce and enact a Speaker since ousting Kevin McCarthy. And Trump continues to be the leading Republican presidential candidate for 2024, notwithstanding defending against four separate indictments. While these headlines speak poorly for the state of American politics, there is hope that inflation is going down and interest rates will soon follow suit. In the words of James Carville, a chief strategist in Bill Clinton's successful 1992 presidential campaign against George W. Bush, it's 'the economy, stupid.' At the end of the day, the wealth management industry will survive politics if the economy improves."

Ronni added to Joshua's comments by expanding on the practical repercussions of this recent political strife. "[I]t seems to me that the current chaos in our US House of Representatives with the inability to select a speaker in a timely manner, the looming prospect of a government shutdown and the resultant debt crisis adds strains to an already strained administrative process," she said. "If we face a shutdown and among others, IRS personnel get furloughed, then already evident processing delays of release of lien applications, review of not-for-profit organizations' exempt status determinations, and estate tax audits with fixed deadlines get further delayed. This would have a domino effect on pending sales, charitable endeavors and settlements of estate. Add to that the uncertainty of the 2024 presidential outcome and its potential impact on many of our tax provisions that are due to sunset without legislative intervention. This leaves the field of planning open with a

rush to take advantage of the current tax laws, as the potential exists that such provisions may go away due to the sunset provisions and/or as part of horse trading in later negotiations, depending on who takes office. All of this makes for challenging times to best advise our clients who are in position to take advantage of tax laws but were not otherwise ready to commit to do so."

Looking ahead beyond 2024 to 2026, Joshua shared several top-of-mind industry concerns that may not be evident from global headlines. "The private wealth profession is starting to turn its sights to 2026 when, absent Congressional action, our historically high nil bands (\$13.61 million in 2024) will essentially halve. With only two more years of unprecedently high gift and estate tax exemptions, there will be a lot of activity to 'use it or lose it' – particularly given Congress's demonstrated inability to coalesce over almost anything. On the other hand, since the enactment of the estate tax in 1916, rates have increased and decreased many times, but exemptions have never decreased. What will end up happening is anyone's guess, but for sure there will be a lot of activity."

"The private wealth industry is also struggling with what it means to diversify," he added. "Before 2008, everyone thought diversification meant of assets. After the discovery of Madoff, Sanford and other Ponzi schemes in 2008, diversification evolved to mean diversifying not just assets but also managers. Now with the turmoil in the crypto and alternative industries, as well as calls for social-based investing, everyone is trying to redefine yet again what it means to be appropriately diversified."

In conclusion, Joshua stated, "Finally, the fact that the most rapidly growing segment of the US population is the over-65 segment, preparing for the largest transfer of wealth ever, while expectant beneficiaries are waiting longer than ever for their inheritance ship to come in, is creating an enormous increase in lifetime controversies, as patriarchs and matriarchs live longer than expected but with diminishing capacities and increased susceptibility to influence."

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