



*This Publication Brought To You Courtesy Of:*

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## **CLIENT BULLETIN**

*June 2014*

### ➤ ***Continuing Education***

At the end of June I am looking forward to attending an economic/investment conference at Yale University. Yale's School of Management and their gold-standard endowment fund have some of the top academic minds in the country including Nobel Laureate Robert Shiller. Topics include portfolio construction, the changing healthcare and housing landscapes and a deep dive into behavioral finance. This last area is one academics do not typically delve into because it can't be explained by numbers so it will be interesting to learn how they are incorporating it into their research.

### ➤ ***Countdown***

I know I sound like a broken record in regard to the impending government debt/deficit situation, but the numbers refuse to go away. According to the government's own Accountability Office (GAO), in 14 years 100% of federal tax receipts will be needed to pay for social security, Medicare, Medicaid and interest on the debt. The result is that 100% of the funds needed to operate the government (military, parks, veteran's benefits etc.) will have to be borrowed. The GAO, by the way, uses relatively optimistic assumptions in their forecasts.

### ➤ ***Investing for Innovation***

A challenge for all investors is factoring innovation into their investment portfolios to make sure they are keeping up with change. For long-term investors, innovation and the adoption of new products among consumers can provide investment opportunities that few could have imagined even a decade ago. Innovative companies aren't limited to the technology sector either. Innovation can be found in mundane industries or established companies that are honing their competitive edge. The key is identifying companies that have a global vision, a culture of experimentation and the financial wherewithal to thrive rather than being a victim of what economist Joseph Schumpeter called the "creative destruction" feature of capitalism.

### ➤ ***Siding Innovation?***

Consider cement siding – not a product category you would expect to be a hotbed of innovation. Yet an Australian company invested \$30 million per year to develop an asbestos-free siding and as a result has a dominant 90% share of the fiber cement-siding business in the U.S. where it generates 70% of its revenue.

*Steven F. Carter, CFP® is a Registered Principal with and securities offered through LPL Financial, Member FINRA/SIPC.*

### ➤ *Smartphone Takeover*

The most obvious manifestation of innovation has been the smartphone. I could quote you statistics all day long about how smartphones are changing the world – for the first time more than 1 billion smartphones were sold last year; sales have **doubled** just since 2011 and on and on - but nothing can capture the change like the pictures below. Both were taken at St. Peter's Square, the top one in 2005 at the funeral of Pope John Paul II and the bottom one at the inauguration of Pope Francis in 2013.



### ➤ *Only the Lonely?*

It turns out that 1 may not be the loneliest number after all. In China, the unmarried celebrate their status on “Singles Day” (on 11/11 of course) by showering themselves and each other with gifts. It has turned into an online shopping spree without equal. Alibaba, a Chinese e-commerce company, reported that on singles day last year it had 402 million unique visitors to its sites and processed \$5.75 billion on its online payments system, a record for a single day. Alibaba is a privately held company but publicly traded Softbank and Yahoo! have stakes in Alibaba.

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