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CLIENT BULLETIN

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➤ *Slow Going*

On Friday, the Commerce Department reported that Gross Domestic Product, the official scorecard for the economy, grew just 1.6% in 2016. This marks the **11th consecutive year of sub 3% growth**. The next longest streak in U.S. history of sub 3% growth was the 4 years during the Great Depression from 1930-1933. This sub-par growth is devastating. If the financial media reported on matters of importance, this would be a blaring headline. In economics, there is what is known as the “seen and unseen.” Sub 3% growth is the “seen” and it is not disastrous – after all, the U.S. has created 15.6 million jobs since the low point after the financial crisis of 2008. The disaster is the “unseen” – the millions of jobs and billions of income that were **not** created because the economy did not grow at its full potential. Strong economic growth is the closest thing humankind has to a magic bullet. The problems that it can overwhelm include joblessness, budget deficits and debt, under-employment, income inequality and Social Security and Medicare solvency.

➤ *Dive Right in*

The new president and Congress already have their calendars full with fiscal deadlines. On March 17th, the government’s authority to continue to borrow ends, after which Congress must raise the debt ceiling to avoid the dreaded but never-going-to-happen “default on U.S. debt.” Then on April 28th government funding runs out which means that Congress must appropriate funds before then to avoid the always-threatened but barely noticeable “government shutdown.” Rather than being serious deadlines, these cutoff dates will most likely be used as threats by various political factions to force actions that align with their interests.

➤ *Supply and Demand*

At the bottom of the financial crisis, home prices were down and interest rates were at all-time lows. Those factors led to high affordability and a surge in demand for homes. As we know from economics 101, increasing demand leads to increasing prices. As housing prices have grown out of reach for the majority of people and interest rates rise, more people have turned to renting as an alternative. More than **50,000** apartment units were rented by tenants in the 4th quarter of 2016, six times the number rented in the 4th quarter of 2015. Economics also tells us that as demand increases, producers jump in to provide supply. This is happening in a big way, maybe too big. Real Estate tracker Axiometrics Inc. estimates that **88,000** new rental units were completed in the 4th quarter of 2016.

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

➤ *Tax Season*

As we enter tax reporting season please keep the following in mind:

- We will send appropriate investment-related tax documents directly to your tax preparer by secure e-mail.
- In some cases, income reported on a 1099 form will be **reclassified** after security issuer companies (such as mutual funds, REITs and ETFs) complete their year-end auditing and reporting processes. This income reclassification can result in revised 1099 forms being issued through March. Reclassification is an industry-wide activity. All financial industry firms receive reclassified data from the issuers.
- If you have taxable accounts (living trust, individual, joint) and have the flexibility, waiting until late March to file your income tax returns may potentially save you some tax filing fees and hassles. We will keep an open line of communication with you and your tax preparer.

➤ *Staying Mobile*

The greatest strength of the US economy continues to be income *mobility*. Income mobility means that those who are born poor do not necessarily remain poor. 60% of Americans who are now among the top 20% of earners grew up in families that were not in the top 20%. The same is true for the bottom 20% of earners, where almost 60% come from families that were not in the bottom 20%. (Source: Organization for Economic Cooperation and Development (OECD))

➤ *He's Baaack*

Harry Dent, a financial bookseller and prognosticator, is back at it again with a new book titled "The Sale of a Lifetime: How the Great Bubble Burst of 2017-2019 Can Make You Rich." Of course, any book that makes salacious predictions like this should be dismissed out of hand, but especially so with anything penned by Dent. You have to give him credit for swinging for the fences. He came to fame with his 1993 book "The Great Boom Ahead: Your Comprehensive Guide to Personal and Business Profit in the New Era of Prosperity." His timing was good with this one as the stock market and economy performed well throughout the remainder of the decade. Since then, Dent has struck out spectacularly with each new book:

- **1999:** "The Roaring 2000's: Building the Wealth and Lifestyle You Desire in the Greatest Boom in History". **Prediction:** the Dow Jones Industrial Average would hit 35,000 by 2010. **Actual Result:** Just a few months after the book came out the stock market began a 55% decline.
- **2006:** "The Next Great Bubble Boom: How to Profit from the Greatest Boom in History: 2006–2010." **Prediction:** the Dow could hit 40,000 by 2010. **Actual Result:** within two years the financial crisis led to the worst economic period since the great depression.
- **2009:** "The Great Depression Ahead". **Prediction:** the title says it all. **Actual Result:** the stock market has tripled since 2009.
- **2011:** "The Great Crash Ahead: Strategies for a World Turned Upside Down." **Prediction:** the next financial crisis is just around the corner – coming between 2012 and 2015. **Actual result:** slow but steady growth. (Source: A Wealth of Common Sense, January 3, 2017)

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