



This Publication Brought To You Courtesy Of:

STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™, Practitioner



4225 Executive Square, Suite 1030
La Jolla, California 92037-1486
Phone: (858) 678-0579 · Fax (858) 546-0792
E-mail: steve.carter@lpl.com
www.stevencarterfinancial.com

CLIENT BULLETIN

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➤ *Don't Get Your News from the News*

From *Enlightenment Now* by Steven Pinker: “News is about what happens, not what doesn’t happen, so it features sudden and upsetting events like fires, plant closings, rampage shootings and shark attacks. Most positive developments are not camera-friendly, and they aren’t built in a day. You never see a headline about a country that is not at war, or a city that has not been attacked by terrorists—or the fact that, since yesterday, 180,000 people have escaped extreme poverty. The bad habits of media in turn bring out the worst in human cognition. Our intuitions about risk are driven not by statistics but by images and stories. People rank tornadoes (which kill **dozens** of Americans a year) as more dangerous than asthma (which kills **thousands**), simply because tornadoes make better television. It’s easy to see how this cognitive bias—stoked by the news policy “If it bleeds, it leads”—makes people conclude the worst about where the world is heading”.

➤ *Peak Age Quiz*

Business Insider recently published a report showing the age at which humans “peak at everything” throughout life. Can you guess at which age people peak in the following categories (see answers at the end)?

1. Learning a new language
2. Brain processing power
3. Remembering names
4. Muscle strength
5. Bone mass
6. Life satisfaction
7. Psychological well-being

➤ *Friendly Neighbors*

The United States exported more goods to Canada in 2017 (\$282.4 billion) than the combined amount exported to China (\$130.4 billion), Japan (\$67.7 billion) and the United Kingdom (\$56.3 billion) (source: Commerce Department).

➤ *Social Security Decisions*

48% of women and 42% of men begin taking their monthly Social Security retirement benefits at age 62, the earliest age possible with the largest reduction in monthly benefits. Only 4% of women and 2% of men delay taking their Social Security retirement benefits to age 70, the age at which benefits are maximized assuming an average life expectancy (source: Social Security Administration).

➤ *Stealth Tax*

While the recently passed Tax Cuts and Jobs Act (the Act) did cut taxes in most areas, it also included some not so apparent tax **increases**. The Act changed the inflation index used to increase the income levels at which progressively higher tax rates take effect. The Act substitutes “chained” Consumer Price Index (CPI) for the standard CPI used under prior law. Chained CPI acknowledges that consumers might switch to less expensive alternative goods when the prices of some get too high (for example switching to chicken if the price of beef gets too high). Chained CPI increases less quickly than unchained CPI. As a result, the income levels will not increase as rapidly, forcing taxpayers into higher tax brackets more quickly as their income increases, a process known as bracket creep. Over time this simple change will deliver a significant amount of additional revenue to federal and state governments.

➤ *Student Loans (Gifts?)*

A 2015 study, using the most recent data available, revealed that **28%** of student loan borrowers (by number, not by dollar amount) **default** on their student loans. Government student loans give access to a higher education to countless deserving people, but no rational entity would continue making loans when 28% of borrowers default without charging sky-high interest rates to account for that kind of default rate (source: Looney and Yanellis 2015 study).

➤ *\$21 Trillion*

The total debt of the US government as of 3/15/18 was \$21.03 trillion, consisting of \$15.36 trillion of “debt held by the public” and another \$5.67 trillion of “intergovernmental debt”. The intergovernmental debt figure includes money the federal government has borrowed from the Social Security “trust fund”, a different arm of the U.S. government (source: Treasury Department).

➤ *Picking up the Pace*

The aforementioned government debt is being racked up at an increasing rate. The US government ran a \$215 billion budget deficit in the **month** of February of 2018. In 2007, the budget deficit for the entire fiscal **year** was \$161 billion (source: Treasury Department).

➤ *Jobs – It Doesn’t Get Much Better*

The unemployment rate in the United States today is 4.1%, the lowest it has been in 18 years. There were 6.7 million jobless Americans as of 2/28/18 and 6.3 million job openings as of 1/31/18 (source: Department of Labor).

Peak age answers: #1 (age 7); #2 (18); #3 (22); #4 (25); #5 (30); #6 (69); #7 (82)

The information contained in this newsletter is of a general nature and is not intended to be a substitute for specific individualized financial or tax advice. It should not be acted upon in your specific situation without further details and/or professional assistance. Investing involves risk including the potential loss of principal.