



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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➤ *Medicare Costs*

If you received a letter from the Social Security Administration informing you that you will pay a higher Medicare premium in 2017 due to your income level please give our office a call. In many cases the reason for the increase no longer exists and a form can be filed to keep your Medicare premium at the lower, standard level.

➤ *Been There, Done That*

President-elect Donald Trump has proposed a one-time tax of 10% on the estimated \$2.5 trillion of profits held in overseas subsidiaries of US-based firms instead of the current top marginal tax rate of 35% that may be deterring movement of the funds back to America. A similar “tax holiday” was implemented in 2005 when a 5.25% one-time tax incentive motivated American businesses to repatriate \$360 billion back to the United States. While they’re at it, why not permanently reduce the industrial world’s highest corporate tax rate that kept the capital out of the United States to begin with. (Source: Internal Revenue Service).

➤ *How the World Shops*

As the world’s population nears 8 billion, some momentous economic trends are manifesting themselves. Below are some of the most significant economic issues in our world today, which ensures that the media does not cover them:

- By 2025, 4.2 billion people will be part of the consuming class. This means that for the first time in history, the number of people with discretionary income will exceed the number struggling to meet basic needs.
- By the year 2050 Goldman Sachs Research projects that **90%** of the world’s population will be considered middle class.
- 25 years ago, India embarked on a journey to open its doors to globalization and world markets that has made them one of the most important components of the world economy. India’s growth rate has overtaken that of fellow Asian giant China.

- India should also benefit from a demographic tailwind. India has approximately 830 million people under the age of 35 that make up its 1.3 billion population. Over the next decade, about 150 million new people will enter India's workforce. That's equal to the present size of the entire U.S. labor force.
- In 2015, Americans spent more than \$11 trillion, accounting for two-thirds of the nation's gross domestic product. The *way* Americans spend their money is changing dramatically - away from goods and toward services. Given this evolution, political promises to "bring back factory jobs" will be difficult to keep.
- The same development is being seen in other countries - China's service sector has surpassed their manufacturing and agricultural sectors and now represents over 50% of China's GDP. (Source: Capital Group)

➤ ***The Robots Are Coming***

Major advances in robotics and artificial intelligence are increasingly leading to reports that millions of workers will lose their jobs to automation, be it machines, software or cloud computing. While breakthroughs in technology and innovation may cause fear and anxiety, technological advances have historically created more new jobs in the long run than are destroyed in the short run. There are two reasons this occurs:

- Technological advances create new positions. As an example, there are approximately 250,000 unfilled jobs in cyber security to combat the expanding attempts to invade your privacy by hackers.
- Substituting machinery for humans lowers production costs. This leads to lower consumer prices for you and me, which leads to a positive "income effect" enabling us to buy more of everything else. This leads to job growth in many industries even if the job loss was concentrated in a single industry.

➤ ***Don't Fear, Retrain***

A long trail of empirical evidence shows that the increased productivity brought about by automation and invention ultimately leads to higher living standards and greater societal wealth. Certain workers are painfully displaced during this process, however, and one focus of government spending should be on cushioning those who are dislocated and retraining them for the new jobs that will be created.

➤ ***Be Thankful***

No matter how challenging things are in the U.S. consider the monetary incompetence in Venezuela. The government recently voided the bank note that has the largest circulation in the country – the 100-bolivar bill – and failed to immediately replace it with a new bill. This made the 100-bolivar bill virtually worthless overnight – valued at about 3 cents. Imagine taking your life savings in a wheelbarrow to the bank and waiting in line for hours to turn it in for a few dollars. All of this on top of an inflation rate running at 289%. This is a sad state for one of South America's most resource-rich nations.

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