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CLIENT BULLETIN

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➤ ***Principled Behavior***

Warren Buffett's participation in the deal to merge Burger King and Tim Horten appears at first blush to put profits before his principles. The combined Burger King/Horton company would be based in Oakville, Ontario. Canada has a corporate tax rate that is at least 10 percentage points below the United States. Buffet has consistently laid out the case for why the wealthy should pay more in taxes, leading to the so-called buffet rule, a tax fairness principle that requires millionaires to pay a minimum tax. In the end, for all of his folksy charm, the "Oracle of Omaha" is about as Wall Street as they come and has always legally reduced his and his investment's tax liability at every turn, as any rational person would do.

➤ ***Millionaire Retiree***

The maximum retirement benefit paid by Social Security to an individual retiring in 2014 at full retirement age is \$2,642 per month. The lump sum necessary in an IRA account to generate that type of after-tax income for a lifetime is approximately \$1.1 million. (Source: Social Security).

➤ ***Reigning Dollar***

Soon after World War I solidified America's status as the world's top economy, the U.S. dollar dislodged the British pound as the world's leading currency. Nearly 100 years later, many are questioning whether the dollar's reign may be coming to an end. Growing debts, budget deficits, excessive regulation and a relatively weak foreign policy have raised concerns that another currency might displace the dollar as the world's premier currency for international trade and banking.

➤ ***Global Reserve***

Economists refer to the dollar's position as being that of the "global reserve currency". This means that the U.S. dollar is the currency of choice for countries looking for a safe place to hold some of their funds and for international transactions. The constant demand for dollars that results from its status as the world's reserve currency has helped to keep the dollar's value up and the interest we pay on U.S. Treasury bills down despite our lackluster economic recovery. The broad, liquid financial markets found in the U.S have also helped the dollar stay atop the currency heap.

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➤ ***Are the Dollar's Days Numbered?***

So is there a possibility that another currency could dislodge the dollar as the global reserve currency? Someday maybe, but not soon. The main reason the dollar will stay on top for the foreseeable future is that its potential replacements are not ready for prime time. In order for the dollar to be replaced as the world's reserve currency, another currency must be more suitable in order to take its place. China, despite its superior economic growth, has financial markets that are thin, rudimentary and far from open to the world. As a result, their currency the Yuan lacks the credentials to be the world's reserve currency. The other major contender, the Euro, suffers from an economy that is growing even more slowly than the U.S. and faces an uncertain future.

➤ ***Here They Come***

8,000 baby boomers will turn age 65 *every day* for the next 15 years according to Forbes magazine.

➤ ***Just What We Needed***

Because the Affordable Care Act (ACA) is linked with the income tax system to determine eligibility for subsidies and payment of penalties, look for a new tax form in the mail next year. It is called a 1095-A and it is similar to a W-2. The form lists who in each household has health coverage and whether the government paid to subsidize their insurance premiums. The deadline for the Department of Health and Human Services (or state governments that run their own healthcare exchanges) to deliver the forms is January 31st. (Source: Healthcare.gov).

➤ ***Less Time Out of Work***

Since December of 2013 the median duration of unemployment in the U.S. has fallen by 22% - the fastest decline in history. Two factors likely played a role in the decline – there were 4.7 million job openings in June of this year vs. only 2.1 million job openings in July of 2009; Secondly, Congress allowed extended unemployment benefits (99 weeks) to lapse in December of 2013. (Source: United States Bureau of Labor Statistics)

➤ ***Pension Shifting***

Motorola Solutions Inc. recently announced a deal to transfer their pension responsibilities for 30,000 retirees to Prudential Financial Inc. As part of the deal Motorola will transfer approximately \$3.1 billion of pension liabilities to Prudential along with a portfolio of bonds and other assets totaling \$3.1 billion. Prudential will use the portfolio to generate cash to cover the retiree payouts and a profit for themselves.

➤ ***Future Trend***

This is not the first pension-risk-transfer deal and certainly won't be the last. In the past two years GM (110,000 employees and \$25 billion of liabilities) and Verizon (41,000 employees and \$8 billion of liabilities) have struck similar deals. Corporations face significant risks associated with defined benefit pension plans including longer-living retirees, poor investment returns and interest rate risk. They are eager to transfer these risks to large insurance companies that are in the business of addressing these issues.

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