



This Publication Brought To You Courtesy Of:

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CLIENT BULLETIN

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➤ *Here We Go Again*

Tomorrow (September 30) marks the end of the U.S. government's fiscal year. Congress must pass a budget for the upcoming year and raise the debt limit by the end of tomorrow or technically they shut down as of October 1st. It has become a tradition at this time of year for the party not occupying the White House to threaten to shut down the federal government by not passing a budget until some event takes place. In 2013 the federal government shut down on October 1 for sixteen days over a Republican proposal to defund the Affordable Care Act. This year Republicans are talking about defunding Planned Parenthood, a proposal the President has said he will veto. There is also significant disagreement on funding social programs generally.

➤ *Not If But When*

The difference this time is *when* the debt limit must be raised to allow the federal government to borrow additional dollars and reopen. In 2013 the government only had two weeks' worth of rob-Peter-to-pay-Paul transfer mechanisms to keep themselves afloat temporarily until they were forced back to the negotiating table to arrive at a compromise and reopen rather quickly. This year it looks like the fiscal balls can be juggled until late November so it will be a little longer until the fireworks start for real. Once you start hearing threats of "defaulting on the government debt" (which has no practical chance of occurring) you will know that a compromise is near.

➤ *Just Can't Wait*

73% of the retired workers who were receiving a monthly Social Security benefit payment in December of 2013 (latest data available) began taking their retirement benefits early, i.e., before attaining their full retirement age (source: Social Security).

➤ *Good News, Bad News*

Danny Chasteen got some good news recently. He won \$250,000 last month in his state's lottery. When Chasteen went to collect his winnings he got the bad news. The state he lives in, Illinois, ranks dead last in fiscal health and is looking at a budget deficit of over \$5 billion this coming year, due mainly to underfunded retiree benefits. Illinois has no cash on hand and is entering its third month without a budget. Instead of a payoff, Chasteen received a \$250,000 IOU from the state. p.s – Buying lottery tickets is the worst "investment" you can make. The odds of winning are roughly the equivalent of getting hit by lightning *while* you are being attacked by a shark.

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

➤ *Which One Jack?*

For 50 years Vanguard pioneer Jack Bogle has relentlessly encouraged Americans to shun financial advice and “do it yourself” using Vanguard mutual funds. Now, however, he seems to have had a change of heart. Vanguard recently published a white paper titled “Advisor’s Alpha”. Alpha is the fenglish term (English combined with financial-speak) for generating returns greater than what is expected given the level of risk taken. Through 28 pages the paper painstakingly demonstrates that through rebalancing, behavioral coaching, asset-location tax strategies and a spending strategy (withdrawal order from accounts), a financial advisor can add roughly 3% per year to investor returns. I’m not sure how Vanguard magically discovered that a financial advisor can add three hundred basis points per year to real outcomes, but it is astounding that no one calls them on *costing* investors 3% per year by telling them to avoid advice. (Source: Vanguard Funds 2014)

➤ *Global Facts*

I attended a seminar recently analyzing global economic and demographic trends. Most of the information was a collection of economic factoids that were fascinating but ultimately useless. Others, however, carry important investment implications. Take a look at the chart at right which shows a map of the world which has a population of 7.25 billion people. More than half of the people in the world live in the red region generally referred to as “Asia.” This partly explains why U.S. exports to China in the year 2000 were less than ½ as much as the exports shipped to German. In 2014, U.S. exports to China were more than double the exports shipped to Germany. (Sources: B of A Merrill Lynch Global Investment Strategy and U.S. Department of Commerce).



➤ *Nearly Half*

47.8% of the sales of the companies that make up the S & P 500 came from outside the U.S. in 2014, up from 46.3% in 2013. (Source: S & P Dow Jones Indices).

➤ *These are the Good Old Days*

Most of us have an idealized vision of the past being a much better time vs. today, but a look at average statistics about living in the U.S. then vs. now doesn’t validate this view:

	<u>1950s</u>	<u>Today</u>
Avg. home size:	983 sq. ft. with 3.5 residents	2,349 sq. ft. with 2.5 residents
Inflation-adjusted earnings:	\$11,000	\$44,000
High school graduation rate:	41%	88%
College graduation Rate:	8%	31%
Life expectancy	68 years	78 years
% seniors living in poverty:	50%	9%

(Sources: Statistical Abstract of the United States, International Labor Organization, Bureau of Labor Statistics)

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