



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



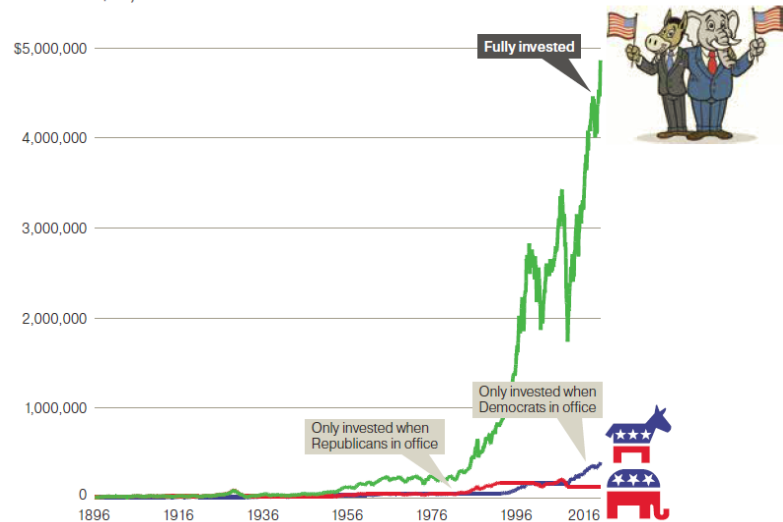
CLIENT BULLETIN

December 2018

➤ **Politics and Investing Don't Mix**

While talking politics may be interesting, history offers compelling evidence that there are far more important factors impacting the economy and markets than which political party controls Washington. Based on the chart to the right, would you rather invest only when “your” party is in power, or just invest? (Source: Bloomberg).

Growth of \$10,000 Since 1896 in the Dow



➤ **Where to Cut?**

62% of the \$4.108 trillion of total outlays for the U.S. government during the recently completed fiscal year (which ended 9/30/18) was in just 4 categories: Social Security (\$988 billion), National Defense (\$655 billion), Medicare (\$589 billion) and interest on the existing debt (\$325 billion). Interest on the debt is the fastest growing component of the budget. It is projected to exceed Medicare spending within two years and exceed defense spending within the next three years. Defense spending has fallen from 43.2% of government outlays in 1966 to 16% in 2018 (source: Treasury Department).

➤ **Here Come the Boomers**

Even though interest on the debt is the fastest growing expense, the Social Security and Medicare categories referenced above are guaranteed to increase significantly in the coming years as well. The overall U.S. population is forecasted to increase by 11% by the year 2030 while the number of Americans over age 65 is projected to increase by 44% (source: Social Security)

➤ **Advertising**

eMarketer estimates that mobile ad spending in the U.S. will surpass TV ad spending by more than \$6 billion in 2018. By the year 2022 mobile ad spending is projected to more than double TV ad spending.

➤ *Global Economy*

The chart to the right takes the unique view of looking at the relative size of the economies of countries around the world in the form of a soccer ball.

➤ *Another Look*

In addition to looking at global economies on a static basis, it is important to look at how the economies of the various countries have grown (or shrunk) over the past 50+ years. This link (https://www.visualcapitalist.com/wp-content/uploads/2018/11/gdp-economies.mp4?_u=5) provides a dynamic view

of the globe's economies. Note Japan's ascendance until the mid 90's before they fall back and China's steady rise since the mid 2000's. It's apparent that China should no longer be considered an "emerging" market.

➤ *Healthy Pensions*

The defined benefit pension plans of S & P 500 companies were 91% funded as of 9/30/18. This is the highest level since the end of 2007 according to the Wall Street Journal. There are two main drivers of the healthy state of pensions: the new tax law that took effect this year allowed companies to make pension plan contributions through mid-September that could be deducted in the prior calendar year when corporate tax rates were much higher; and recently rising interest rates reduce the amount of funding needed due to the way in which required contributions are calculated.

➤ *Next Step?*

Ironically, the healthy level of pension funding may hasten the decline of defined benefit pension plans on the retirement landscape. It could lead to more corporations transferring pension plans to large insurance companies to get away from the risk of increasing longevity of the participants. Because a pension plan must be fully funded before it can be transferred to an insurance company, an under-funded plan would require a large contribution by the company prior to transfer to an insurer.

➤ *Holiday Jobs*

Challenger, Gray & Christmas reported that companies have announced plans to hire more than 704,000 seasonal workers for the holidays, breaking the previous record high of 696,000 in 2014, according to *Kiplinger*. The biggest demand will come from warehouses and distributions centers. Shipping companies are expected to add tens of thousands of seasonal workers. Other businesses that tend to hire more staff are traditional retailers, restaurants, caterers and event venues that host holiday parties.

