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CLIENT BULLETIN

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➤ *Lame Ducks*

Congressional leadership will change beginning January 1, 2015 as a result of the November 4th elections. In the meantime, however, the current lame duck Congress has a number of items to address in their December session. Among those items:

- *Government Funding:* although overall spending limits are set for the federal government through September 2015, Congress must apportion that spending among the various government agencies by December 11th. There could be some brief spats as President Obama and Congress stake out their positions for future years, but Congress should be able to address this relatively ministerial task without incident.
- *Tax Extenders:* A group of tax provisions that expired at the end of 2013 need to be addressed. These include the ability of an IRA holder over age 70 ½ to donate up to \$100,000 from his or her IRA directly to a charity without triggering taxable income. Congress is likely to extend this provision retroactively to January 1, 2014 and forward through 2015 or 2016.
- *Internet Tax Moratorium:* Existing legislation that prevents the imposition of sales taxes on purchases made through the internet is slated to expire. Congress will likely extend that legislation into next year.

➤ *Flying off the shelves*

International Data Corporation (IDC) reported that vendors shipped 327.6 million smartphones worldwide in the 3rd quarter of 2014, up 25.2% year-over-year from the 261.7 million units shipped in the 3rd quarter of 2013. IDC noted that most developed markets are experiencing single-digit growth, while emerging markets are growing at better than 30% collectively.

➤ *Nice Guy*

Bill Gates, the world's wealthiest person with a net worth of \$81.3 billion, has given away \$30 billion of assets since the year 2000. Just the \$30 billion in assets that he has given away would make Gates the #14 wealthiest American today. (Source: Forbes Magazine)

➤ ***Good News by the Barrel***

As the price of oil has dropped, so too has the national average price of gasoline - by 31.5 cents per gallon from 12/31/13 to 10/31/14 - to \$3. Every 1 cent decrease in the price of gasoline saves Americans roughly \$3.69 million a day, so the price decrease is equal to a daily savings of \$116 million for US consumers. (Source: AAA, Department of Energy).

➤ ***Bigger Picture***

The decline in the price of a barrel of oil goes beyond just the gas pump. The Labor Department reports that the average family dedicates some 10% of its budget to fuels of all kinds. The 36% drop in oil since the end of June alone amounts to what effectively is a spendable income gain of 2.7%, the equivalent of a nearly \$400 billion addition to household's gross spending power. Lower oil prices also benefit shipping, warehousing, manufacturing and all the rest of American businesses that are net energy consumers.

➤ ***Larger Trend?***

There is every reason to expect low oil prices to persist. Increased sources of oil and gas production – from fracking in the United States, tar sands in Canada, and, broadly, from technologies that permit greater recoveries from existing conventional wells – has enabled global oil output to climb by nearly 50% just since 2010. This supply growth has far outpaced demand as the world's economies have expanded slowly. A strict supply-demand consideration would set oil prices even lower than the current \$66/barrel. (Source: Lord Abbett Research).

➤ ***Middle East Concerns***

For all the favorable impact of new supplies, there is nonetheless still a meaningful chance of upward price spikes. The unstable Middle East remains, after all, an important source of oil. Some 35% of all the oil shipped in the world passes through the Persian Gulf. Any threat to that flow could push oil prices back up.

➤ ***Two More Trouble Spots***

Two countries in particular also pose a significant risk to lower oil prices and the economic benefits they bring. Oil accounts for 80% of Russia's exports and 50% of the Kremlin's revenue. Russia's leadership may calculate that it has more to gain by fomenting geopolitical tensions than it does by cooperating in Europe and elsewhere. Secondly, a strong possibility of growing tension between the United States and Iran remains. Tehran has already accused the United States of fostering the decline in the price of oil in order to destabilize Iran's economy. It would be questionable to forecast geopolitical trouble on the basis of such pressures, yet these risks recommend against a reliance purely on favorable supply-demand calculations for the price of oil.

➤ ***New Limits***

The IRS announced limits for qualified account contributions for 2015. Eligible employees can contribute up to \$18,000 to their 401(k) plans for 2015 (up from \$17,500 in 2014) and those over age 50 will be able to contribute an additional \$6,000 (up from \$5,500 last year) as a catch-up contribution. IRA contribution limits remain at \$5,500 with a \$1,000 catch-up contribution.

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