



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](mailto:steve.carter@lpl.com)  
[www.stevencarterfinancial.com](http://www.stevencarterfinancial.com)



## CLIENT BULLETIN

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### ➤ *Holiday Spending*

Deloitte recently released the findings of its 2016 Holiday Survey. 50% of respondents said that online will be their favored venue for shopping, followed by discount/value department stores then traditional department stores. Online spending is expected to match spending at “brick and mortar” stores for the first time ever. Of those polled, 86% said that they will research online before visiting a physical store.

### ➤ *Really Long-Term Thinking*

Austria recently issued government bonds with a **70-year maturity**. The €2 billion of debt pays 1.5% interest and matures in November of 2086. This is taking the concept of locking in low current interest rates to the extreme. (Source: Financial Times)

### ➤ *Prediction Follies*

The November election results once again drove home the futility of human efforts to predict the future. The same pattern was visible in June when polls, markets and pundits were caught flat-footed by the Brexit vote. The lesson here is one of humility. Complex events cannot be predicted with confidence. The lesson also applies to investing. Investing without pretending to know the future puts one on a path to long-term success.

### ➤ *Populism*

Donald Trump’s presidential victory and the vote by Britain to leave the European Union earlier this year are indicative of a populist uprising by those who feel left behind by an increasingly globalized economy. These votes ostensibly give governments a mandate toward protectionism, but free trade is such an elemental part of the modern economy that impeding it will almost certainly produce the opposite of the desired effect. Imposing tariffs on Chinese imports and punishing U.S. companies that manufacture in Mexico makes for satisfying politics but ultimately does not translate into viable job creation strategies. Policies that promote economic growth and worker retraining are more likely effective solutions to the causes of protectionist sentiment.

### ➤ ***Profitable Education***

9 of the 10 highest paying bachelor degrees by salary potential for college graduates in 2016 were engineering degrees. (Source: PayScale.com)

### ➤ ***Rationality in an Irrational World***

The 3<sup>rd</sup> quarter earnings report from Halliburton was brought to my attention recently. The energy services giant was massacred along with its peers in the second quarter due to the severe decline in oil prices. In that second quarter Halliburton reported a **loss of \$3.88 billion on revenues of \$3.3 billion**. For Q3 they booked roughly the **same amount of revenue** as the second quarter - **\$3.3 billion** - yet they reported **positive earnings of \$128 million** on that same revenue amount. How did they do that? In CEO Dave Lesar's words by "relentlessly managing costs." This rational behavior is exactly what CEOs and boards of directors are charged with doing on behalf of the shareholders – taking defensive actions in adverse seasons regardless of the pain involved to steward capital until the storm passes.

### ➤ ***Affordable Care Act Realities***

Health insurance coverage available through the Federal exchange will show a 25% average price increase in 2017. Price hikes are the largest in states with fewer carriers offering health-exchange plans. This is economics 101 – lack of competition increases prices. The premium jump this 4<sup>th</sup> year of open enrollment also is no surprise – for the first three years of the Affordable Care Act the government was subsidizing participating insurance companies to cover the losses they were realizing by participating in the exchanges. 2017 is the first year that the whole system must stand on its own financially so the increases were expected. (Source: Dept. of Health and Human Services)

### ➤ ***MEMRI Checklist***

A recent continuing education seminar I attended gave financial advisors observational tools for assessing whether a client may benefit by a referral for further evaluation of cognitive capacity. One tool is a MEMRI checklist:

- **Memory Lapses:** Has the client become forgetful, including demonstrating word-finding difficulties, inability to retain new information, or lacking recall of familiar names?
- **Emotional Ability:** Has the client recently demonstrated personality changes including sudden flashes of anger or damaging impulsive behavior.
- **Math Loss:** Has the client had increasing difficulty with simple calculations related to completing taxes, bills or checkbook balancing?
- **Recognition Lapses:** Is the client increasingly unable to recognize familiar faces, places, or events, including missing scheduled appointments or experiencing car "dings" or other accidents?
- **Insight Limitations:** Is the client indifferent or dismissive of positive findings on the above points? Often when someone suggests there might be a problem, clients dismiss concerns with circular or unrelated explanations. (Source: MarketPsych, LLC).

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