



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

*July 2018*

### ➤ *Trade*

Call it a tiff, dispute, spat or squabble, but the tariffs imposed so far by President Trump – and the Chinese response – are troubling and weigh on investor sentiment. While the media loves to throw around the term “trade war”, there are some facts surrounding the situation that make the macroeconomic impact of the proposed tariffs on China less than crippling:

1. The Chinese economy is no longer export-driven. **Net** exports (exports minus imports) account for only 2% of China’s Gross Domestic Product (GDP)
2. Chinese exports to the U.S. account for only 19% of their total exports
3. The proposed tariffs affect only 10% of the value of all Chinese imports to the U.S. last year
4. The really important trade flows in the modern economy involve data and capital, which are more difficult to restrict.

The cumulative effects of these facts are that the new tariffs would be levied against only about **2%** of all Chinese exports and would reduce China’s GDP growth rate by approximately **1/10<sup>th</sup> of 1%** if fully implemented. Let’s hope the situation doesn’t get out of hand, but for now it looks containable. (source: Matthews International Capital Management, LLC)

### ➤ *A Force*

A more important aspect of the Chinese economy is that the China has more millennials (400 million) than the population of the entire United States (328 million). Millennials were born between the early 1980’s and late 1990’s. (source: Financial Times)

### ➤ *Not So Secure*

When constructing durable financial plans for the long term, we assume that the annual Social Security cost of living adjustments (COLA) will not keep up with the increase in the actual costs of living as a result of inflation. Here’s why: a person receiving the national average Social Security benefit of \$816 per month in the **year 2000** would have seen their benefits increase to \$1,193 per month by the **year 2018** – a 46% total increase. The **expenses** for the typical Social Security recipient, however, increased by nearly 100% during that same time period. As a result, the average recipient has seen a 34% decrease in the buying power of their Social Security benefit. (source: The Senior Citizens League)

## ➤ *Learning*

Last week I attended a continuing education seminar at the Wharton School of Business Institute of Executive Education program on the University of Pennsylvania campus. Wharton was the first collegiate business school, founded in 1881. Some of the topics covered included:

- A deep dive into the finances of the Social Security, Medicare and private pension plan systems in the U.S.
- A comprehensive review of estate and income tax planning under the new tax law
- Updates on economic activity and investment markets globally

## ➤ *More Out Than In*

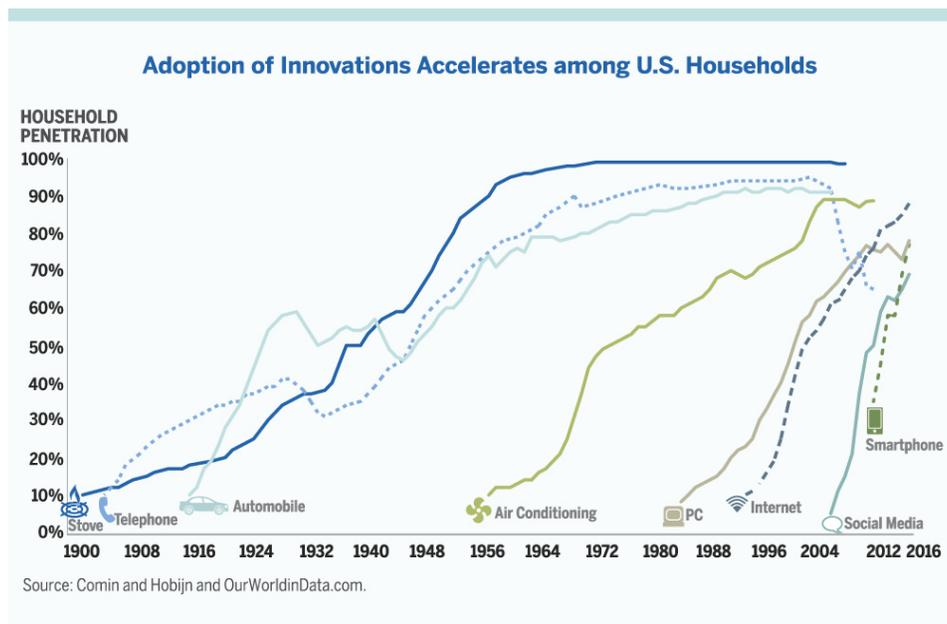
For the last 35 years, total **contributions** to the nation's Social Security program (i.e. payroll taxes plus interest income) have exceeded the total **cost** of the program (i.e. benefits paid out plus administrative expenses). That streak is projected to end in 2018. This deficit will grow consistently in coming years as approximately 10,000 baby boomers reach retirement age every day (source: Social Security Trustees Report 2018).

## ➤ *Even Better*

Last month we reported that in March, the gap between the number of unemployed individuals in the U.S. and the number of job openings was only 35,000, the smallest gap in 17 years. April's employment figures brought even better news. Job openings rose to a record of 6.7 million while the number of unemployed workers declined to 6.35 million, resulting in **more jobs being available than unemployed workers** for the first time since this type of data has been tracked. So much for the misperception that machines are stealing jobs from humans. (source: United States Department of Labor)

## ➤ *Life IS Faster*

Does it seem like technology is moving faster over time? It's not your imagination. Innovations are being developed more quickly and diffusing through our society faster than ever before. The chart below takes an interesting look at how quickly "innovations" over the decades have reached various penetration levels of U.S. households.



*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.*