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CLIENT BULLETIN

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➤ *Negotiations on the Edge*

If you are like me, you might be looking for your own cliff to jump off of if you read one more headline, or see one more time clock on your computer screen ticking off the seconds until our government hurtles off the so-called “fiscal cliff.” As everyone presumably knows by now, the fiscal cliff is a combination of tax, spending and benefit cuts set to expire at midnight on New Year’s Eve. The confluence of these events - which Congress voted into existence just 16 months ago as a forcing mechanism to address the issues by the way - would presumably remove enough money from our economy to throw us into a recession.

➤ *The Cliff’s Not All Bad*

Even though no one wants a Thelma and Louise-style drive off of a fiscal cliff, at least there is finally general agreement that the government’s current fiscal path is unsustainable and we need to keep driving in the general direction of the cliff – government spending cuts and some degree of tax increases – in order to move toward a balanced government budget. The key to deficit reduction is doing it at an appropriate pace that allows the economy to continue to grow, thereby generating more tax revenue organically.

➤ *Low Hanging Fruit*

There are some items in the negotiations that both sides agree upon: extending a “patch” to keep the Alternative Minimum Tax from hitting more taxpayers; delaying cutbacks in fees paid to doctors under Medicare and Medicaid; and allowing a payroll tax cut and extended unemployment benefits to expire. Beyond those items, odds are that we will most likely see continued ideological posturing right up to, and possibly just beyond, the midnight deadline that will result in some grotesque combination of patching and postponing. Whatever the result, it will most likely be a temporary resolution that merely replaces this fiscal cliff with another one farther down the road. The question needs to be asked: if our government lacks the political courage to go over *this* fiscal cliff, will they be able go over the next one, especially since each time we delay going over the cliff it increases in size?

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➤ *It's Not All Bad News*

A critical distinction to make is that although the U.S. **government's** fiscal situation is bleak, **companies**, especially in the U.S., continue to respond rationally and appropriately to the circumstances with which they are presented. As an example, Forbes magazine, in conjunction with consulting firm Landor Associates, recently attempted to put a dollar value on the brand names of the most well known companies around the globe. Their study measured 24 attributes such as innovation and quality. Below are the top ten brands in the world with the dollar value of the brand below the logo. Note that **nine of the ten most valuable brands on the planet are owned by American companies**.



Source: Forbes magazine; Landor Associates.

**This listing is for general information only and should not be taken as a recommendation to trade the listed companies.*

➤ *More Bright Spots*

For an additional reality check, take a look at the October issue of *Scientific American*. In their scorecard feature “The World’s Best Countries in Science”, the magazine ranks the top 25 countries in science using four metrics: 1) the number of research papers published in peer-reviewed journals; 2) number of patents issued; 3) research and development expenditure by companies; and 4) the number of science and engineering doctoral degrees awarded. I hope the results surprise and delight you, as they did me:

- ❖ Research papers: U.S. #1 followed by Germany then China (with five times more people than the U.S.)
- ❖ Patents issued: U.S. #1 followed by Japan, South Korea, Germany and Taiwan
- ❖ R & D Expenditure: U.S. #1 followed by China
- ❖ Doctoral degrees: U.S. #1 followed by Germany, the U.K., Japan and France

Maybe even more importantly, the United States is the unchallenged leader when it comes to innovation and entrepreneurialism. America remains the country where the best science is done, and the place to which the rest of the world’s best minds come to do it.

➤ *New Employee*

I’d like to introduce you to a new assistant at Carter Financial – Heather McCune. Heather comes to us with an education background, having earned her teaching credential from California State University, San Marcos. With security of sensitive information always being our primary concern, potential new employees are put through numerous background searches, credit checks and other security screens before being employed.

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