



This Publication Brought To You Courtesy Of:



STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™, Practitioner

4225 Executive Square
Suite 1030
La Jolla, CA 92037-1486
Phone: (858) 678-0579
Fax: (858) 546-0792
E-mail: steve.carter@lpl.com
www.stevencarterfinancial.com

CLIENT BULLETIN

June, 2013

➤ ***Change is in the Air***

The world of economics and finance is constantly evolving. The key to successfully planning a financial future is knowing which changes to ignore because they are short-term or inconsequential (which represents most of them), and which changes represent fundamental shifts that demand a response. This month's Client Bulletin focuses on just a few of the seismic shifts occurring in the U.S. and global economic landscape that are worth paying attention to.

➤ ***Energy***

Technological breakthroughs in horizontal drilling and hydraulic fracturing have set in motion a chain of events that would have been hard to imagine even a few years ago. These include the probability of ending our country's dependence on foreign oil in the next 10 years. The trends are already showing – U.S. oil production grew more in 2012 than in any year in the history of the domestic industry and the U.S. is expected to surpass Saudi Arabia in crude oil production by 2020. These would be game-changing events for the world.

➤ ***Cause of Death?***

When Eastman Kodak filed for bankruptcy last year the conventional wisdom was that their inability to gain a foothold in digital photography did them in. In reality, that had very little to do with why they had to throw in the towel. The bankruptcy resulted primarily from one fact – on the day Kodak filed, the company had twice as many retirees drawing benefits in the United States as it had active employees worldwide. It simply could not support the pension and healthcare promises it had made over the course of its 130-year history.

➤ ***State Demographics***

The same issues are playing out in the public sector as well. Illinois state employees with over 20 years of service have never had to pay health insurance premiums for their own coverage during their retirement years. Last year, however, in an attempt to repair their dreadful budget situation, Illinois passed a bill to remove this benefit retroactively which will affect 80,000 retirees. The Illinois Supreme Court is currently hearing appeals from 4 lawsuits challenging the premium shift.

Steven F. Carter, CFP® is a Registered Principal with and securities offered through LPL Financial, Member FINRA/SIPC. CA Insurance License #0685681

➤ *Global Business*

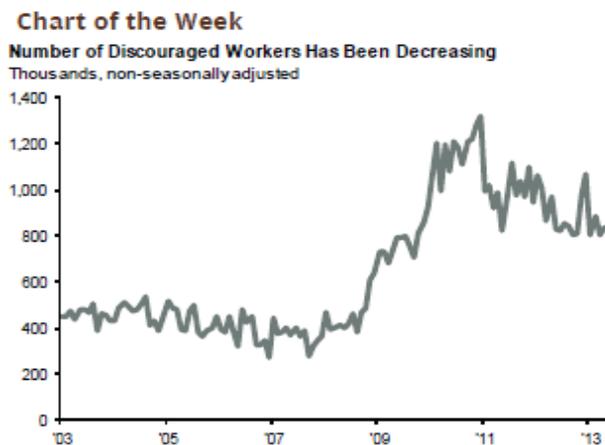
Traditional investment approaches that measure a company's geographic exposure based on its country of domicile are increasingly disconnected from the fundamentals that drive companies and portfolios. Coca Cola, for example, is categorized as a U.S. company even though more than 80% of its revenues come from outside of the United States. Free trade agreements, the European Union, economic reforms and the rise of the middle class in Asia, Latin America and parts of Africa have allowed companies to compete for customers, labor, capital and natural resources on a global basis.

➤ *Implications*

Measuring *economic exposure*, rather than country of domicile, should become part of a broader tool kit for building and analyzing investment portfolios. It appears that a company's **revenues** provide the best available measure of its current and prospective business opportunities. This shift leads to asking different questions about investment portfolios: Is it more pertinent to ascertain how much exposure a portfolio has to companies based in Europe; or is it more important to know how much exposure the portfolio has to the moribund European *consumer*? Similarly, is it more important to understand a portfolio's investments in China-based companies; or is it more useful to focus on a portfolio's exposure to growing consumer demand in China and India?

➤ *Employment News – Good? Bad?*

The unemployment rate fell recently to 7.5%, down 2.5% from its peak in October of 2009. Good news like this is usually followed by commentators alleging that the decline is due to so-called “discouraged workers”, people who give up searching for a job and drop out of the unemployment rate calculation.



Apparently fact-checking isn't part of the reporting process. The Bureau of Labor Statistics actually tracks the number of “discouraged” workers and over the past 2 ½ years, as shown by the accompanying chart, the number has actually fallen. The decline in the labor force participation rate is more likely explained by demographics, as more workers enter age groups more associated with retirement than work.

**The information contained in this newsletter is of a general nature and is not intended to be a substitute for specific individualized tax advice. It should not be acted upon in your specific situation without further details and/or professional assistance. Investing involves risk including the potential loss of principal. No strategy or product can assure success or protect against loss. Past performance is no guarantee of future results.*