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CLIENT BULLETIN

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➤ *Debt Ceiling Perspective*

At literally the eleventh hour, Congress reached a compromise last month to reopen the government and raise the nation's debt limit. The deal funded government operations through January 15th, 2014 and permitted the government to borrow until February 7, 2014 when we will most likely do all of this again. Not raising the debt ceiling seems to be about the only forcing mechanism severe enough to get Congress to act. Each time the issue comes around, not raising the ceiling is equated with cutting up the government's **credit card**. A better analogy, however, is that it would be cutting up the government's credit card **bills** because the ceiling would prevent the government from making payments for spending that **has already occurred**. This is why the next threat to not raise the ceiling will most likely be just as hollow as past threats – the U.S. defaulting on debts it already owes and the havoc that would cause is the most severe forcing mechanism there is.

➤ *Adam Smith at Work*

Fortunately, while Washington has dithered the past few years, Adam Smith's "invisible hand" comprised of the cumulative actions of millions of economic agents (you and me) has been slowly but persistently improving the nation's finances. Just four years ago the U.S. faced a 10%+ deficit to GDP ratio. Now, instead of losing 800,000 jobs a month we have been gaining more than 200,000 jobs a month. When people get jobs and have an income they start paying taxes and no longer qualify for unemployment and other forms of assistance. As a result, the deficit to GDP ratio is coming in at 4% this year. ***A balanced budget does not create economic growth; economic growth creates a balanced budget.***

➤ *Big Cloud Data*

According to Cisco, global cloud traffic is expected to grow by 35% per year between now and 2017, at which time it will surpass a zettabyte of data. A zettabyte is one billion terabytes, or in terms I can almost comprehend, the equivalent of 250 **billion** DVDs.

➤ *Energy Independence – Thank you George*

As you may have read, America recently overtook Russia as the world's largest oil and gas producer. This would have been unthinkable a few years ago and we have one man, who recently passed away, to thank for it. His name was George Mitchell – the son of a Greek goat herder who came to America and started out working at a shoeshine shop but ended up creating an economic revolution that in the long run will probably rival that precipitated by Steve Jobs. Mr. Mitchell didn't discover oil and gas nor did he even invent horizontal drilling or hydraulic fracturing, but he had a vision in the 70's that those two technologies could be synthesized to unlock vast shale reserves. After close to 20 years with nothing to show for his vision, in 1998 he hit upon the idea of using water rather than gunky drilling fluid to fracture the shale rock. This drastically reduced the cost of drilling and set in motion the progression that has brought the U.S. back to being the world's energy leader.

➤ *Please Sign Up*

The website rollout woes of the Affordable Care Act are putting a crimp in the plans for the funding of the legislation. The White House has estimated that 2.7 million young, healthy people between the ages of 18-35 need to sign up for their insurance on the health insurance marketplaces in order to subsidize the higher expense of insuring older, lower-income and less-healthy Americans. This works out to an average of 14,835 **a day** who need to sign up over the enrollment period. Actual numbers are hard to come by, but so far it appears that just a fraction of the needed sign-ups have occurred.

➤ *Longevity*

I recently attended a seminar addressing the issues of aging and longevity. A few takeaways:

- There is a 45% chance that at least one of a 65 year-old couple will live to age 90. These numbers are average, which means that for one of a 65-year old couple, nearly 50% will live **beyond** age 90, many by a significant amount. These numbers do not take into account medical advances that will be made in the next 30 years.
- If social security benefits had been indexed for these longevity statistics the age for beginning retirement benefits would be **81**.
- Women still live on average about 3 years longer than men, but the gap is closing as more women have entered the workforce and are subject to chronic stress.
- While genetics play a big role in longevity and there is nothing you can do about that part of the equation, there are other factors under your control such as:
 - 2 ½ hours per week or more of exercise buys you 3 years of longevity
 - Not smoking buys you at least 6 years
 - Having a bachelors or graduate degree buys you 2-3 years compared to having a high school education or below
 - Individuals in the top 1/5th of the income scale live on average 3 years longer than those in the lowest 1/5th of income.

The bottom line is that when you are retired, your job is to live a healthy lifestyle.

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