



*This Publication Brought To You Courtesy Of:*



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## **CLIENT BULLETIN**

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### ➤ ***From Headscratching to Scary***

Most proposals coming out of Washington cause anyone with common sense to scratch their heads, but some are ominous. Consider President Obama's 2014 proposed budget <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/budget.pdf> which on page 18 "Prohibits Individuals from Accumulating Over \$3 Million in Tax-Preferred Retirement Accounts." Of course \$3 million is a lot of money, but the dollar amount is not the issue. As someone who is passionate about promoting retirement savings & readiness, just the concept of prohibiting a person from saving money because the government thinks he or she already has more than they deem as "reasonable" seems pointless & un-American.

### ➤ ***Healthcare***

Employees who have health insurance coverage through their employer do not pay federal or state income taxes on the economic benefit of the portion of their coverage that is paid for by the employer. This exclusion from taxation saves US taxpayers \$164 billion each year. The average premium in 2012 for an employer-sponsored health plan covering a family of four was \$1,312 per month. On average, an employee pays 27% of the total premium (\$360 per month) and the employer pays the remaining 73% (\$952 per month).

Source: Kaiser Family Foundation











### ➤ ***Demographics is Destiny***

A country's economic growth depends on two factors: labor force growth plus productivity growth. If you are like me, you may have fallen prey to the notion that the US is in for a long-term struggle economically because of the aging of the baby boom generation. A look at the facts, however, reveals that U.S. demographics appear better than almost every country in the developed world. Of the G20 countries, only the US and India are poised to see their share of the world's population increase over the next 40 years. Additionally, the median age in the US today is 37. In 50 years, it will still be less than 40 years old. So while the looming expansion of the nation's entitlement programs poses a significant challenge, it is political in nature and hard to reverse rather than demographic and next to impossible to overcome as in Japan.

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## ➤ *Corporate Taxes: Myth And Reality*

Two of the more prevalent myths are that major oil companies benefit from tax loopholes in order to avoid paying taxes and that profits of the big banks should be severely curtailed or the banks themselves should be broken up. (I'm not sure why no one calls for an excess profits tax on Apple, whose pre-tax profit margins are nearly twice ExxonMobil's, but I digress). I'm no fan of big oil companies or banks, but even a cursory glance at a tabulation of the ten largest corporate taxpayers for the calendar year 2012 seems to suggest that if you were looking to **reduce** federal tax collections, a good way to start would be to cripple major oil companies and big banks. The chart below shows the top ten tax-paying companies in the U.S. (their tax liability is listed as "Income Tax Expense" in the chart). All numbers in the table are in billions of dollars. The three oil companies on this top ten taxpayers list paid more in taxes than the other seven companies combined.

COMPANY	REVENUE	EARNINGS BEFORE TAXES	INCOME TAX EXPENSE	COMPANY	REVENUE	EARNINGS BEFORE TAXES	INCOME TAX EXPENSE
1.  ExxonMobil	\$428.38B	\$78.73B	\$31.05B	6.  ConocoPhillips	\$60.35B	\$15.42B	\$7.94B
2.  Chevron	222.58	46.33	20.00	7.  JPMorgan	91.66	28.92	7.63
3.  Apple	164.69	55.96	14.21	8.  BERKSHIRE HATHAWAY	162.46	22.24	6.92
4.  WELLS FARGO	79.45	28.47	9.10	9.  IBM	104.51	21.90	5.30
5.  Walmart <small>Save money. Live better.</small>	469.16	25.74	7.98	10.  Microsoft	72.93	20.03	4.57

## ➤ *Introductions*

Because Carter Financial does not advertise, put on seminars etc., we appreciate receiving introductions from existing clients and advisors to potential new clients for financial planning assistance. The people we can be of greatest assistance to are in or near retirement, have strong values and more significant financial situations. Some situations in which financial advice can be especially critical include friends, co-workers or relatives who are wondering whether they can afford to retire or not; layoffs or job changes, or an inability to manage finances following a spouse's death. An easy way to start is to find out if it is ok to pass along someone's e-mail address to me and I will simply add them to the distribution list for this monthly Client Bulletin. Thank you for your consideration.

## ➤ *In Memoriam*

“Of course it's the same old story. Truth usually is the same old story.” - Margaret Thatcher

*\*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.*