



This Publication Brought To You Courtesy Of:



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CLIENT BULLETIN

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➤ ***Tax Time Again***

In the next few weeks we will be sending out the investment related tax information directly to your tax preparer that they will need to complete your 2013 income tax returns. If you have any questions or need any additional information please just let us know and we will try to make the whole process as simple and painless as possible.

➤ ***Municipal Turnaround***

Despite the high profile municipal bond default of the city of Detroit, the financial status of most municipalities is steadily improving. Data collected by the Rockefeller Institute shows that state income tax collections rose 6.1% year-over-year in the 3rd quarter of 2013, the **15th** consecutive quarter in which municipal revenues have increased. The number of municipal bond issues that defaulted last year – 23 – declined from 30 defaults in 2012 and 46 in 2011. The 23 defaults last year represent a .00107 default rate.

➤ ***Bad News Bears***

One city that may not want to get too complacent in light of the numbers above is Chicago. The unfunded liability of Chicago's six pension plans for city workers is \$26.8 billion, a total that is nearly eight times the size of the unfunded liability of Detroit's pension plans for its city workers. (Source: CNBC).

➤ ***Tired Topic***

There are not many issues that virtually 100% of economists agree upon, but having a high minimum wage is one of them. While proposals to increase the minimum wage for fast-food workers, for example, sound like a good idea and of course are irresistible as a political talking point, they are economically damaging. If you increase labor costs for a business without a proportionate increase in output, the outcome is virtually assured – some workers will be laid off, consumer prices will rise (anyone for a \$7 Big Mac?) and there will be fewer opportunities for young people, minorities and immigrants to break into the job market and earn money while getting the skills needed to improve their situations.

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

➤ ***Offshore Income***

U.S. corporations routinely and legally leave income generated in other countries in overseas accounts rather than move it back to the U.S. and subject it to the U.S.'s corporate income tax rate, which at 35% is nearly the highest in the developed world. A recent proposal by Senator Max Baucus would tax the estimated \$1.7 trillion held outside of the U.S. at rates of a maximum of 20%. This change could generate more than \$200 billion in new tax revenue for the United States if implemented (Source: U.S. Congress).

➤ ***Stop the Madness***

U.S. government debt has increased by \$3.66 billion *per day* over the past 5 years. In total the debt has increased by \$6.66 trillion since the beginning of 2009. The bipartisan Budget Act of 2013 that was passed recently was a step in the right direction – a very small step. Estimates are that the compromise will produce \$23 billion of debt reduction over the next ten years. Unfortunately, the Congressional Budget Office estimates that our national debt will grow by \$6.34 trillion over that same ten years, meaning that the compromise will reduce the growth of our debt (not reduce the debt itself mind you, just the **growth** of it) by .00363 or about 1/3rd of 1% - basically a rounding error. If we all had one vote for ourselves and one vote for our child or grandchild we might cast them very differently.

➤ ***Good Immigration***

A recent report from U.S. Trust highlights the positive effect immigration can have, especially when the immigrants are inventors. From 2006-2010, over 117,000 immigrant inventors landed in the U.S.—57% of the worldwide total who moved from one country to another. Immigrants make up 12% of the U.S. labor force yet constitute 25% of U.S. scientists & engineers, 60% of post-doctoral students & 26% of U.S.-based Nobel laureates.

➤ ***Health and Wealth***

I recently read a book called *The Great Escape: Health, Wealth, and the Origins of Inequality* by Princeton professor Angus Deaton primarily so you don't have to. The mind-numbing statistics and directionless conclusions left me no better off than when I started reading it. I learned a lot more by watching a 4-minute Hans Rosling YouTube video which you can view at <http://www.youtube.com/watch?v=jbkSRLYSojo>

➤ ***Brother, Can You Spare a Bitcoin?***

I have been trying to avoid the topic because of its trendiness, but there have been a lot of questions about bitcoins recently. Bitcoins are a digital currency that exists without a central bank. They are created through a fascinating process called mining in which computers race against each other to solve problems and win blocks of a limited supply of bitcoin. Bitcoins seek to be an alternative to existing currencies by acting as a medium of exchange for transactions across the globe whereby people can send bitcoin via the internet from their electronic "wallet" to any other electronic wallet. The risks and challenges to such a system are too numerous to list, but suffice it to say that the bitcoin, for all of its novelty, will not challenge conventional monetary or payments systems.

**The information contained in this newsletter is of a general nature and is not intended to be a substitute for specific individualized financial or 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. There is no guarantee that a diversified portfolio will enhance overall returns.*