



This Publication Brought To You Courtesy Of:

STEVEN F. CARTER
CERTIFIED FINANCIAL PLANNER™, Practitioner

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



CLIENT BULLETIN

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➤ *Unreal Update*

The Motley Fool is not normally a go-to source for sound economic and financial perspective, but a blog post on that website by Morgan Housel is not to be missed. It is an imaginary news article - a kind that will never see the light of day in financial journalism – reporting the relentless day-to-day progress of American life. It is attached to the same e-mail as this bulletin or you can access it here (<http://www.fool.com/investing/general/2015/09/09/a-market-update-for-business-investors.aspx>).

➤ *Agreement Reached*

In early November Congress reached an agreement on government spending that President Obama has agreed to. The agreement includes a corresponding increase in the nation's debt limit and eliminates talk of a government default until after next year's elections. The only potential hitch is that the agreement provides only **aggregate** spending numbers for defense and domestic programs. Congress must apportion those numbers among the various agencies in an appropriations bill Before December 11. This could cause one final political dust-up in 2015.

➤ *A Closer Look*

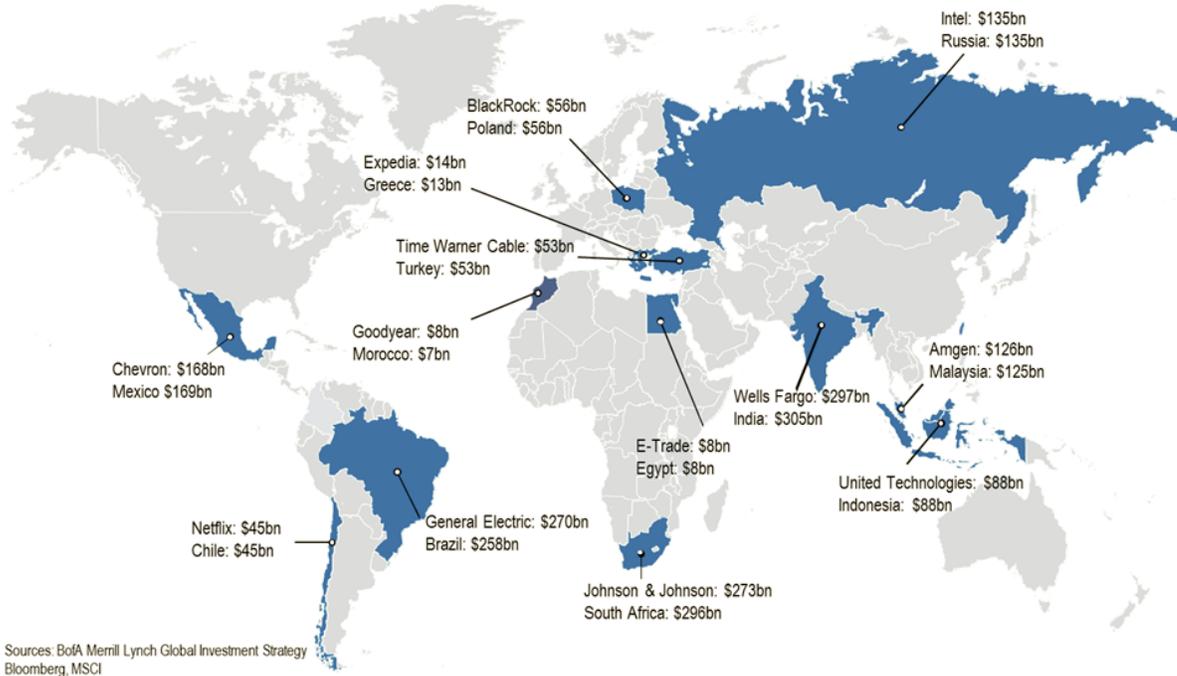
A careful review of the compromise, which increases spending on defense and domestic federal programs by \$80 billion total, shows the extent to which politicians will avoid telling people the hard truth. A summary of some of the main points:

- Due to a quirk in the way Medicare premiums are borne, the increase in the cost of the Medicare program was scheduled to be absorbed by only 30% of retirees. The legislation reduces the impact of increases in the Medicare premium. That's good news for the 30% who were scheduled to pay it, but bad news for future generations because the increased Medicare costs will be added to the national debt.
- Next year the Social Security **disability** fund is on track to run out of money. The legislation shifts \$117 billion from the Social Security **retirement** account to the disability fund to keep that from happening. Moving money from a system that is going broke later to shore up a system that is going broke sooner is the definition of kicking the can down the road.
- The agreement includes no substantive income tax increases to pay for the additional \$80 billion of spending. It "pays" for the additional spending with questionable moves such as transferring \$1.5 billion from a crime victim's fund and selling 58 million barrels of oil from the Strategic Petroleum Reserve (at seemingly low prices).

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

➤ *U.S. Companies vs. Emerging Markets*

Even though emerging markets are projected to be a major cog in the global growth engine in the future, the U.S. still provides contains the lion's share of global market capitalization. The chart below compares the market capitalization of several U.S. **companies** vs. various emerging **countries**. (Figures depict "free-float" market capitalization. Source: Bloomberg, MSCI)



➤ *Home Ownership Impact*

Republican Presidential candidate Dr. Ben Carson recently proposed the elimination of the mortgage interest deduction from the U.S. tax code. What percentage of U.S. tax filers would this proposal affect? (see answer below).

➤ *Housing Rebound*

The conforming loan limit in San Diego County for Fannie Mae and Freddie Mac loans was recently increased by 3.27% from \$562,350 to \$580,750.

➤ *Major Turnaround*

At the end of October in 2010, the United States domestically produced 5.59 million barrels of oil per day while we were importing 8.58 million barrels of crude oil per day, a 39/61% split between domestic production and imports. As of the end of October 2015, the United States was domestically producing 9.16 million barrels of crude oil per day while we were importing 6.94 million barrels of crude oil per day, a 57/43% split between domestic production and imports (Source: Department of Energy).

Answer: According to the Internal Revenue Service, only 26% of all US tax filers claim the mortgage interest deduction.

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