This Publication Brought To You Courtesy Of:

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CARTER FINANCIAL

CLIENT BULLETIN

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➢ *Crisis Averted - Temporarily*

As reported last month, Washington DC faced debt and financial deadlines at the end of September. Oddly enough, hurricanes Harvey and Irma spurred politicians into action. A government shutdown, the likely outcome of a failure to pass a 2018 budget, would have been detrimental at a time when states are looking to the Federal government for much-needed assistance. As a result, Congress and the President reached a deal to raise the debt ceiling and fund the government for – wait for it – three months, which means that we will go through the fiscal cliff/political turmoil again leading up to December 15th.

➢ *Hurricane Economics*

The human tragedy is of course the most significant aspect of hurricanes Harvey, Irma or any other natural disaster for that matter, but there are economic implications as well. It is estimated the Harvey caused approximately $90 billion of economic damage while Irma was responsible for $45 billion. This is where the media typically makes one of two different mistakes about how these massive weather events affect the economy. Some headlines shriek that these natural disasters will cause a recession. Others take the opposite tack and believe that replacing destroyed property with new will eventually boost economic activity and help the economy. Neither viewpoint is correct.

➢ *Broken Windows*

Economic history shows that weather-related disasters have caused short-term economic pain but have not pushed the U.S. economy into recession. This includes the most damaging hurricane on record (Katrina in 2005) and superstorm Sandy (2012). As for recovery from natural disasters causing economic growth, that topic is covered in economic circles by an analogy called the “fallacy of the broken window.” In the analogy, a vandal throws a rock through a shopkeeper’s window. Repairing the window results in the glassmaker getting an additional order, thereby resulting in more overall economic activity than if the window had not been broken. The story doesn’t end there, of course, because the shopkeeper was planning on using the same money he paid to the glassmaker to buy a new suit, so the tailor loses an order. In other words, even though rebuilding from Harvey and Irma will appear to create new economic activity in the months/years ahead, repairing physical capital does not generate new wealth, it only replaces old wealth.

- ***Plans vs. Reality***

In a study published earlier this year by the Employee Benefit Research Institute, ***38%*** of U.S. workers under age 65 said they expect to retire at age 70 or beyond. In the same survey, only ***4%*** of current retirees surveyed said they worked until age 70 or beyond.

- ***Gigged***

With pension plans becoming more and more of a rarity, a vast majority of Americans have become responsible for their own retirement and healthcare financial security. Nowhere is this truer than in the "gig" economy, where 69.8 million people (25% of the labor force) make their living as part-time or freelance workers. Working part-time lends itself to greater flexibility than a steady job, but it also shuts off workers from enrollment in a company retirement savings plan and access to group healthcare plans. There are numerous retirement and healthcare options available to freelance workers, but it is up to them to track them down. If they do nothing, they will have nothing. (Source: Bureau of Labor Statistics).

- ***Cryptocurrencies***

The first cryptocurrency (bitcoin) was created in 2009. A cryptocurrentcy is an unregulated digital currency that can be used for cash and payments with a degree of anonymity. There are two aspects of bitcoin – one as a short-term investment and the other as what it was created to be - a currency similar to the dollar, Euro etc. As an investment, over the past three years bitcoin has been spectacularly profitable, although in the past few weeks it has come back to earth almost as spectacularly.

- ***Currency?***

As a currency, however, bitcoin has failed to prove its capability. Pulling out the old economics textbook shows that a currency has three functions: a medium of exchange; a unit of account and a store of value. As a medium of exchange, only three of the top 500 online retailers accept bitcoin. This low adoption rates means that suppliers and purchasers are unwilling to attribute a value to their goods and services in terms of bitcoin (unit of account). Finally, bitcoin fails on the store of value front as well – its volatility is nearly 10 times as great as the U.S. dollar over the past three years. It is these shortcomings as a currency that cast a shadow over bitcoin's long-term prospects. (Source: JP Morgan Asset Management)

- ***Taking Longer***

Fewer than 1 in 5 full-time college students enrolled at a 4-year American college graduate within 4 years (Source: Complete College America).

- ***It's a new world***

Late last year the 14 members of the Organization of the Petroleum Exporting Countries (OPEC) agreed to slash oil production by 1.2 million barrels a day in an attempt to prop up oil prices. Thanks to new extraction techniques available from technological breakthroughs, US oil producers have responded by increasing their production of crude oil from 8.699 million barrels a day to 9.502 million barrels a day (Source: Department of Energy).

<u>Information Security Supplement</u>

- ***Breached***

In May hackers broke into Equifax's credit database. The hack was discovered in July, but wasn't made public until early September. It's estimated that 143 million records were accessed by the hackers, or roughly 44% of the adult population of the United States. This breach is far more serious than when retailers like Target or Home Depot are hacked. In those cases, thieves might get a credit card number, name and address, but likely little else. With the Equifax hack they have likely stolen Social Security numbers, past address information, account histories, etc.

- ***What can I do to protect my finances following the breach?***

1. Equifax has created a dedicated website that provides more information about the breach and a tool to determine if a consumer has potentially been affected (www.equifaxsecurity2017.com). For more information, we recommend reviewing the tools and information at this site. Equifax is also offering one year of free credit monitoring for those who have been affected by the breach, and it's worth considering. There has been some concern that taking them up on the offer may limit your ability to join the many lawsuits that have been filed (and are expected to be filed), but you can always pay for a separate service independently, too.
2. If you don't want to pay for a service, you can still check your credit report for free at www.annualcreditreport.com. Each of the three credit reporting companies (Equifax, Transunion and Experian) is required to provide you with one free look at your report every year. You can thus pull a report from one of the companies every four months to keep on top of the financial accounts linked to your Social Security number.
3. You could consider placing a freeze on your credit with the three credit reporting companies. This makes it very difficult for others to access your credit report without your express authorization. It may cost a nominal fee to place or lift the freeze, even temporarily, and it can make applying for new credit like auto loans or new credit cards somewhat cumbersome. But it is also the strongest protection for your financial information available today.
4. If a freeze is a bit too drastic, you can place a fraud alert on your credit record with each of the credit companies. This will remain in effect for 90 days, and is often free. This will trigger a notice to you any time someone tries to open new credit in your name, though it can be somewhat involved to remove the alert. Each of the companies has instructions for how to do this on their websites.
5. Consider a security protection and repair service such as Lifelock if you don't have this type of coverage already

- ***Who to Call***

For either a Freeze or a Fraud Alert, contact:

- Equifax – 800-349-9960
- Experian – 888-397-3742
- TransUnion – 888-909-8872