



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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➤ *Scary Thought*

In a 2017 survey by the Associated Press Center for Public Affairs Research, **57%** of respondents said that they plan to rely on **Medicare** for costs related to long-term care such as assisted living or skilled nursing. Medicare **does not cover** most care and services provided by assisted living facilities and nursing homes.

➤ *More Scary Stats*

52% of US households headed by someone at least 55 years old had **no money** saved in any pre-tax defined contribution account, e.g. 401(k) or IRA (Source: Government Accountability Office).

➤ *Going to Ground*

The island nation of Puerto Rico recently filed for bankruptcy protection. As their government has been going deeper and deeper into debt, citizens have trusted them less and less. As a result, it is estimated that the "underground economy" of Puerto Rico, defined as the percentage of its economy that is conducted in cash to avoid sales and income taxes, is 30%. Greece's underground economy is estimated at 21.5% while the USA's is 5.4% (Friedrich Schneider, "The Size of the Shadow Economy").

➤ *The Four "ates":*

A fulfilling retirement is often determined by our ability to maintain connections to the people and institutions that are important to us. In addition to staying close to family, these connections typically fall into four categories:

- **Educate:** where you went to high school, college or served in the military
- **Recreate:** hobbies and pastimes that you dedicate your free time to keep active and engaged
- **Congregate:** places where you come together to work, celebrate, or worship with others
- **Donate:** this is not just about giving money to a particular charity. It's about how to spend your free time and employ your talents to help others

➤ *China Rising*

Despite being home to some of the world's most dynamic and innovative companies, investing directly in Chinese businesses has traditionally been off-limits or at best a risky enterprise due to a lack of accounting transparency and the potential for government intervention. Since launching economic reforms in 1978, however, China has experienced a staggering transformation that is changing the prospect of investing in mainland Chinese companies. They still have a long way to go, but the market capitalization of Chinese equities has grown from nothing in the mid-1990s to \$6.6 trillion at the end of 2016, surpassing Japan and the UK. Beginning in May 2018, the MSCI Emerging Markets Index will add 222 China "A" Shares to its benchmark index. This means that companies such as PetroChina, Bank of China, and Air China will be included in the index and more companies will be added over time. Opportunities in the investment world just got a little bigger (Source: MSCI Barra).

➤ *Food – Ripe for Change*

The U.S. food industry is undergoing a transformational shift. Here's what's going on:

- A long-building consumer preference for fresh, natural farm-to-table vs. packaged and processed food. This is putting pressure on big companies such as Campbell's, General Mills and Kraft Heinz
- There has been a proliferation of channels from which shoppers can buy food. Traditional supermarkets are being encroached upon by the likes of Walmart – more than ½ its revenue comes from food sales – Costco and Target.
- There is more competition from European grocers such as Trader Joe's and discounter Aldi.
- Finally, e-commerce has entered the scene via Amazon with its recently announced deal with Whole Foods. Walmart will not be far behind

Changing consumer tastes, competition and technology demand that an investment portfolio remains nimble to keep up with these shifting trends (Source: Federated Investors).

➤ *Age is Just a Number*

You are probably seeing media reports that the current growth cycle of the economy is getting long in the tooth which means that a recession is imminent. The most commonly cited statistic is that the average U.S. expansion since World War II has lasted **64** months while the current expansion just hit **96** months. A slightly more in-depth study reveals, however, that expansions don't just die of old age. The current economic expansion has resulted in lackluster cumulative Gross Domestic Product (GDP) growth of **17%** while past expansions have produced **24%** cumulative GDP growth on average. Recessions generally are the result of a buildup of imbalances in the economy, such as high inflation, a buildup of inventory or other bubbles. To be sure, unexpected policy shifts or external shocks can trigger a recession at any time, but there do not seem to be any obvious imbalances in the economy today. (Source: National Bureau of Economic Research).

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