



This Publication Brought To You Courtesy Of:

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# CLIENT BULLETIN

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## ➤ Major Milestones

In light of Apple reaching the \$1 trillion valuation level (joined even more recently by Amazon), we thought it would be interesting to look back at previous market milestones in U.S. history. From railroads to tech, each landmark is highly descriptive of the business climate at the time. The # of companies column is the number of publicly traded companies in existence at the time (source: Global Financial Data).

<u>Valuation</u>	<u>Year</u>	<u>Company</u>	<u>% of total market</u>	<u># of Companies</u>
\$1 million	1781	Bank of North America	100%	1
\$10 million	1791	Bank of the United States	85%	4
\$100 million	1878	New York Central Railroad	6.9%	777
\$1 billion	1924	AT&T	3.0%	3,179
\$10 billion	1955	General Motors	5.3%	2,343
\$100 billion	1995	General Electric	1.8%	7,912
\$1 trillion	2018	Apple	2.7%	5,186

## ➤ You Can't Borrow Your Way Out of Debt

The City of Chicago, much like the entire state of Illinois, faces serious debt problems. They have a **\$28 billion** shortfall in the funding of their pension plans this coming year. The logical approach that you or I would take to remedy the situation would be to try and increase revenue into the system or cut expenses. Not so for the City of Chicago – they are planning on borrowing \$10 billion in the bond market to help plug the gap (source: City of Chicago CFO Carole Brown).

## ➤ Longer Life

The website [understandinguncertainty.org](http://understandinguncertainty.org) defines a “microlife” as a unit representing a half-hour change in life expectancy. Various voluntary behaviors and choices can cost you or buy you microlives. Smoking a pack of cigarettes each day for a year, for example, will cost you 10 microlives (5 hours) per year. Over the course of a lifetime this can shave years off of your life. On the positive side, eating 5 servings of fruits and vegetables each day will buy you 4 microlives (2 hours) of life each year. Other activities and their microlife effect include daily sausage consumption (-1 microlife), physical activity (+2), obesity (-3), being female (+4).

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

## ➤ *Please Come Back*

During the 2007 – 2009 financial crisis, an estimated 1.5 million residential construction workers left the industry. As of September 2018, there are 243,000 unfilled construction jobs in the U.S. (source: Bureau of Labor Statistics).

## ➤ *(No) Thanks for the Memories*

It was roughly 10 years ago that Lehman Brothers filed for a record-setting \$691 billion bankruptcy that ushered in a more serious phase of the financial crisis. From that point, wave after punishing wave of events ensued including the fire sale of Bear Stearns, the government takeover of Fannie Mae and Freddie Mac and a money market fund “breaking the buck” and going below \$1 in price. Each incident seemed like a final “blowoff” event until the next one came along. After it was all over, six of the 10 largest bankruptcies in U.S. history had occurred and the S & P 500 Index had suffered a 54% peak-to-trough drop. (source: Bureau of Labor Statistics).

## ➤ *Lessons to Learn*

For individuals, some of the best lessons to learn from the financial crisis include:

- **Be conservative** – spending less than you earn, using debt judiciously, maintaining adequate liquidity and having a long-term plan will make you a spectator during crisis events.
- **Stay diversified** – investment diversification is the conscious decision never to be able to make a killing in return for the blessing of never getting killed.
- **No one can consistently predict the cause and timing of a crisis** - permanently bearish prognosticators sound smart during and immediately after a crisis, but they always end up being wrong.
- **Intestinal fortitude helps** - if you had the unfortunate timing of investing \$100,000 in the broad U.S. equity market on the Friday before the Lehman Brothers bankruptcy, by mid-February of 2009 it was worth \$54,000. Ouch. If you did absolutely nothing in response, your original \$100,000 investment would be worth over \$240,000 today.
- **Have faith** - don't bet against the resiliency and creativity of mankind and global businesses. The past 10 years have brought us autonomous cars, virtual reality, gene editing and therapy, 3D-printed replacement organs, the sharing economy and countless other innovations.

## ➤ *My Prescription Costs What?*

Ever wonder why some drug prescriptions cost so much? The answer lies in the cost to produce them. U.S. drug companies invest nearly 20% of their revenues into research and development (R&D), more than any other industry. On average, it takes more than a decade and \$2.87 billion to develop a new drug. The United States funds nearly 50% of the world's medical R&D (source: Council of Economic Advisers and Fortune).

## ➤ *Housing Data*

20% of the single-family homes for sale in San Diego dropped their asking price in June 2018, the highest percentage to do so in any major US city. 14% of single-family homes nationwide lowered their asking price in June 2018 (source: Freddie Mac).

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All investing involves risk including loss of principal. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.*