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CLIENT BULLETIN

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➤ *We Just Don't Learn*

It seems that 10 years is the memory lifespan of the investing public. More than 207,000 homes were “flipped” in 2017, the most since 2007. A flip is defined as a property bought and sold in the same 12-month period. The number of people flipping homes totaled 138,410 last year, also the highest in a decade (Source: ATTOM Data Solutions).

➤ *Changing with the Times*

The Standard & Poors 500 Index is viewed as an unmanaged, static investment holding, but it has come a long way since 1957 when it was introduced. Back then, 400 of the 500 firms in the index were **industrial** companies. Since that time, composition of the index has swung significantly. Thanks to the 1973 Arab oil embargo, **energy** stocks became the dominant industry in the S&P 500. By the 1990s, the dominant industry was **technology**, accounting for about a third of the index. Following the bursting of the Internet bubble, it was **financial** firms' turn to dominate the index. When the financial crisis of 2007 to 2009 took down many financial firms, **technology** retook the lead with about 22% of the index currently. This probably won't last long with **healthcare, entertainment and communication** companies on the upswing. One other substantial change for the S&P 500 - more than half of the earnings of its members come from overseas, so considering it a U.S.-only investment misses new realities (Source: Investment News).

➤ *Debt, Debt and More Debt*

The mayor of Hartford Connecticut, that state's capital **city**, recently threatened bankruptcy as a way to deal with the city's budget deficits and declining liquidity. In response, the **state** of Connecticut agreed to take over responsibility for paying Hartford's \$39 million of debt service on its \$550 million of debt (of course Connecticut's two largest cities – Bridgeport and New Haven – immediately criticized the deal asking “what about us? but that's another story). Connecticut is in no position to bail out Hartford – it faces a \$192 million budget deficit of its own. Hopefully Connecticut won't look up the ladder to assistance from the **federal** government – the Congressional Budget Office (CBO) reported last month that the US government is projected to run a \$12.4 trillion cumulative budget deficit over the next decade which will push the national debt to \$38 trillion by the end of 2028.

➤ *Trade Winds*

Hopefully the ongoing kerfuffle over tariffs on Chinese goods and China's predictable retaliatory response with tariffs on US goods, is more posturing and negotiating than it is substance. Changes are needed – China badly mistreats foreign companies in the area of intellectual property and has not conformed to the rules they accepted when they joined the World Trade Organization in 2001 - but they are already a strong trading partner of the US: Boeing delivers more aircraft in China than in the US; General Motors sells more vehicles in China than it does in the US; China delivers approximately 20% of Apple's revenue; Nike shoe sales in China accounted for approximately 17% of their global shoe revenue, and roughly 1/3rd of the US soybean crop is sold to China. On the other side of the trade ledger, the US takes about 19% of China's exports (Source: CEIC and China's National Bureau of Statistics).

➤ *Hidden Figures*

The iPhone X is an example of how slippery trade deficit figures are as a starting point anyway. The components of an iPhone X cost approximately \$370.25. Of that amount, \$110 goes to Samsung electronics in South Korea for supplying displays; another \$44.45 goes to Japan's Toshiba Corp. and South Korea's SK Hynix for memory chips. Assembly done by contract manufacturers in China like Foxconn (a Taiwan-headquartered company that employs more than 1 million people in China) accounts for a portion of the manufacturing cost as well. So, while the sale of an iPhone X accrues to Apple when it is included in trade figures, there is a lot going on under the surface (Source: Reuters).

➤ *Finally, a New High*

After adjusting for inflation, the median household income in 2016 of \$59,039 (2017 data isn't available yet) is the highest ever recorded in the United States, besting the previous record of \$58,665 set in 1990 (Source: Federal Reserve Bank of St' Louis).

➤ *Protecting Loved Ones*

If you need to hire a caregiver for a spouse, parent or other loved one in need of assistance, think about protection from financial abuse. The dangerous situations that could arise aren't hard to imagine – a caregiver stealing key financial information or ingratiating themselves in an attempt to gain ownership of assets. Whether it's workers providing in-home care or staff in a facility, you need to protect against financial loss, identity theft and other scams.

Steps to Take:

- ✓ Keep all financial information, such as tax returns and other documents containing Social Security numbers and account numbers, under lock and key
- ✓ Mail should be sorted by a family member or other trusted person, not hired personnel unless they are bonded and vetted to do so
- ✓ Close credit card accounts held by anyone suffering from memory loss
- ✓ Have duplicate bank and account statements sent to trusted family members so they can check for unauthorized withdrawals
- ✓ Based on legal counsel, give powers of attorney to responsible family members

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