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CLIENT BULLETIN

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➤ *Schwab + TD Ameritrade = Schwabitrade?*

As you may have read, Charles Schwab and TD Ameritrade have entered into an agreement for Schwab to acquire TD Ameritrade. This acquisition would create the top “custody” firm to provide services for fiduciary wealth managers like Carter Financial, LLC. These services include providing clients with account statements and tax reporting, executing investment transactions and processing transfers of funds. The proposed acquisition needs to clear some regulatory hurdles, but if approved would occur in the second half of 2020. During this time there should be no impact on operations. It’s important to note that we stand largely independent from the firm we use as custodian. We outsource this function just like we outsource our technology, compliance and research capabilities to some of the top experts in our industry. We will keep you updated on any future developments, but in the meantime we’ll continue with the important work of taking care of our clients.

➤ *You Thought California Real Estate Was Expensive*

Businessman Johnny Cheung recently sold a **parking space** in Hong Kong for \$969,000. The Mercer Cost of Living Index has ranked Hong Kong as the most expensive city in the world for two years running (Source: The South China Morning Post).

➤ *Harvest Season*

December is a busy month for diligent investors. One of the main reasons is that many investment holdings are required to pay out a share of any profits from transactions throughout the year to shareholders. Now is the time of year when investment companies provide estimates of how large these payouts will be. At Carter Financial LLC, we spend the month combing through taxable accounts looking for ways to minimize 2019 income tax burdens due in April of 2020. These include:

- Liquidating an investment holding before a capital gain is paid out if the liquidation doesn’t cause more gain than the upcoming distribution itself
- “Tax loss harvesting”. This involves selling an investment that has declined temporarily in order to “harvest” the loss and then reinvesting shortly thereafter in order to maintain a balanced investment portfolio. This loss can help offset gains in other parts of the portfolio.

➤ **Can't Pull the Trigger**

When UK voters went to the polls on 6/23/16, they approved a referendum to leave the European Union on **3/29/19**. As 3/29/19 approached, the date was delayed until **4/12/19**, then delayed again to **10/31/19**, and then delayed a third time to **1/31/20** (source: BTN Research).

➤ **Really Long**

When interest rates are historically low as they are now, borrowers should consider locking in the interest rate on their loans for as long as possible. The Federal government is no exception. Last month Treasury Secretary Steven Mnuchin said that the Treasury Department is considering issuing a **50-year** Treasury bond in 2020 (source: Treasury Department).

➤ **Are You Willing?**

In order to eliminate the \$984 billion federal deficit from fiscal year 2019, individual income taxes paid by each American taxpayer would have to increase by 57% (source: Treasury Department).

➤ **The Times They Are a Changin'**

In 2016, 46% of American homeowners ages 65 to 79 had outstanding mortgage debt on their primary residence, almost double the 24% of this age bracket that had mortgage debt 30 years earlier (source: Joint Center for Housing Studies of Harvard University).

➤ **At the Top**

The top 1% of income earning Americans in 2017 (the last year that tax data has been released) paid 38.5% of the \$1.6 trillion of federal income tax paid nationwide. The top 3% of US taxpayers paid 52% of the total tax for that year, and the top 10% of taxpayers paid 70.1% of all federal income tax (source: Internal Revenue Service).

➤ **Bad News, Good News**

The trade deficit in goods and services came in at \$52.5 billion recently, somewhat smaller than in previous months. The biggest news in the report was that for the first time on record, the dollar value of US petroleum **exports** exceeded the dollar value of US petroleum **imports**. Yes, you read that right - the US was a net petroleum exporter. Updated drilling techniques have transformed the global energy market and the US is no longer dependent upon foreign oil (U.S. Department of Commerce).

➤ **States Bounty**

The **United States** income tax dates back over 100 years, to the Revenue Act of 1913. Back then, the U.S. received most of its tax revenues from tariffs. Since that time, the federal government has moved to a progressive personal income tax to raise most of its revenue. Many, but not all, **states** have followed the federal government's lead in collecting a progressive income tax. Some have larger sales taxes. Still others depend on property taxes for the bulk of their revenues. States collected just over \$1 trillion in tax revenues in 2018 from the sources in the chart to the right.

A Breakdown of All States' Taxes Revenue
All State Government Taxes by Category in 2018



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