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CLIENT BULLETIN

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➤ *No One is Average*

The median home in the United States costs approximately \$257,600 according to the National Association of Realtors. Assuming a 20% down payment and average mortgage interest rates, a prospective buyer would need to have an annual income of \$61,453 in order to afford such a purchase. Based on your frame of reference, these national averages may seem extremely low or quite high. That's because the annual salary required to afford a home in the major metropolitan areas in the U.S. ranges anywhere from \$37,650/year in Pittsburgh (based on an average home price of \$141,625) to \$254,835 in San Jose, CA (based on an average home price of \$1,250,000) (source: HowMuch.net).

➤ *Love/Hate*

California has a love/hate relationship with high-income earners. The hate shows up in the form of high marginal state income tax rates and relatively high business regulations. The love comes in the form of the state income taxes that high-income earners pay. More than any other state, California is dependent upon high-income earners. In fiscal year 2016, the top 1% of income earners paid 46% of all California income taxes. Much of this result stems from Silicon Valley where newly wealthy tech employees cash in capital gains from Initial Public Offerings (IPOs) (source: Standard & Poor's Global Rating).

➤ *More to Come*

2019 should only accelerate this dynamic in California. The number and size of companies headquartered in the state that has gone public or is planning an IPO this year is unprecedented. Lyft, Pinterest, Airbnb, Instacart, Slack and Uber are just a few. California is expecting a tax windfall from the capital gains that will result as executives and employees cash in over the coming months.

➤ *Spending Problem*

All of this would be unadulterated good news except for the spending side of the income statement. Revenues like this tend to be one-time or short-lived, but any increased spending based on the windfall tends to stick around – it is “invited for lunch but stays for dinner.” Following the dot-com bust of 2001, the state swung from a surplus to a \$12.4 billion deficit in one year. Hopefully we'll be a little smarter this time around.

➤ **7.5 billion People – Where We Live in One Chart**

Which countries do people live in? It's a simple question, but it's also hard to get an accurate sense of the answer by browsing through a lengthy table of country-level population data. That's because there are close to 200 countries spread around the globe, with populations ranging from nearly 1.4 billion (China and India) to countries a mere 0.001% of that size. The accompanying chart allows us to see the location of the world's 7.5 billion

people by resizing countries based on their populations and then coloring and organizing them by region.

This simple application of data visualization makes it more intuitive to comprehend where



people live around the globe, as well as how different countries compare in size. Regionally, Asia takes up a whopping 60% of the visual space while Europe, North America, South America, and Oceania combined total just 25% of the mix. China and India combine to 2.7 billion people, together accounting for 36% of the world's population (source: PopulationPyramid.net).

➤ **The Returns Are In**

The first tax-filing season under the new tax law is now in the books. Nearly 2/3rds of households paid lower taxes in 2018 than they would have if Congress had done nothing. So why did so many taxpayers have an unhappy surprise in the form of a smaller refund or larger tax bill than usual when they filed their 2018 returns? For many the answer is because they didn't watch their withholdings. Last year the Treasury Department lowered paycheck withholding for millions of workers early in the year in order to speed up delivery of the tax cuts. While individual results varied, most of the taxpayers who were expecting a larger refund actually received it, but it came in over the course of the year due to lower withholding from each paycheck. (Planning note: using a tax refund as a means of forced savings is the absolute worst way to save - it means you have made an interest-free loan to Uncle Sam by letting the government use your money during the year (source: Internal Revenue Service and Tax Policy Center).

➤ **Policies Matter**

In late 2015 Congress lifted the 40-year ban on most sales of oil overseas. At the time the US was exporting 67,000 barrels of crude oil per day. As of 4/12/19, the US was exporting 2.4 million barrels of oil per day (source: US Energy Information Administration).

➤ **Half Way Through**

Baby Boomers were born between 1946 and 1964. The oldest boomers turned 65 in 2011. Boomers reaching age 65 in 2019 represent the 9th year of 19 years of the boomers turning 65 (source: Insured Retirement Institute).

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.