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
www.SteveCarterFinancial.com

CARTER FINANCIAL, LLC

CLIENT BULLETIN

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➢ *Back to Business*

The transition of accounts to TD Ameritrade Institutional is essentially complete. The process went as smoothly as humanly possible thanks to countless hours of hard work by the Carter Financial staff. Thank you again for your patience and responsiveness dealing with the inevitable paperwork. We are looking forward to the improved service and expanded capabilities we can now deliver. Please note that you will receive account statements from both LPL Financial and TD Ameritrade for the month ending September 30th.

➢ *Investment Note*

I'd be remiss if I failed to note an event that occurred a little over a month ago. For a few days, the yield on the 30-year US treasury bond dropped below the dividend yield on the S & P 500 Index. What this means is that for a few days, investors had the choice of allocating their hard-earned capital to one of two investments:

A. a 30-year treasury bond that virtually guaranteed a loss of principal for 30 years after inflation is considered (how could it not be?) with an additional guarantee of no potential upside, or;
B. an investment with higher current income than option A with 30 years of growth in earnings and dividends of the 500 best companies in the world thrown in **for free**.

This is a remarkable situation that rarely occurs (source: Bespoke Investment Group).

➢ *$1 Trillion and Counting*

With one month of reporting left to go in the fiscal year, the U.S. budget deficit passed the $1 trillion mark at the end of August. The government usually runs a surplus in September, so the budget deficit for the full Fiscal Year 2019 should come in at roughly $950 billion, but we all love round numbers so let's call it $1 trillion. The **deficit** is the annual shortfall of government revenues vs. expenses. Like most cash flow problems, the deficit is not a result of insufficient income (federal tax collections grew 3% to an all-time high of $3.1 trillion), but of excessive spending (which grew 7% to $4.1 trillion). The spending increase was led by interest on the debt (9% increase), military spending (9%) and Medicare expenses (10%). In any given year this size deficit is not necessarily an issue, but $1 trillion annual deficits as far as the eye can see are virtually assured as retiring baby boomers push up federal spending on retirement and health-care benefits thereby ballooning the $22.5 trillion accumulated **debt** (source: Congressional Budget Office, Treasury Department.).

➢ *Unexpected*

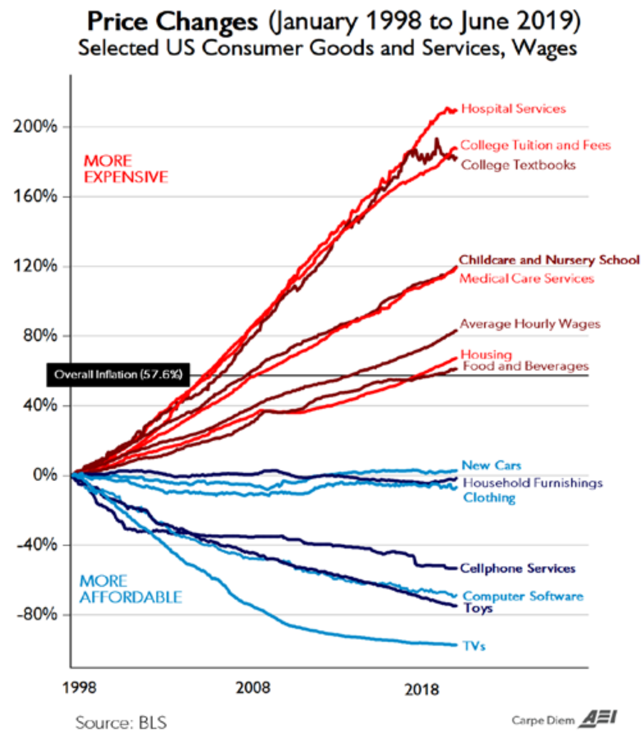
The average interest rate nationwide on a 30-year fixed rate mortgage dropped from 4.51% on 1/3/19 to 3.64% on 9/27/19 (source: Freddie Mac).

➢ *They Don't Stay at the Top*

The Williams Group, a wealth transfer consultant, reported that **70%** of wealthy families lose their wealth by the second generation, and **90%** lose it by the third generation. This pattern is so pervasive that different cultures have sayings to express it. In America we say" shirtsleeves to shirtsleeves in three generations"; the Scottish saying is "the grandfather buys, the son builds, the grandson sells, and his son begs"; the Chinese saying is "the first generation builds the wealth, the second generation lives like gentlemen, and the third generation must start all over." No matter which culture, the message is the same – train the next generation to be good stewards of whatever wealth they have.

➢ *All Time Favorite*

The chart to the right is a classic. It reports the change in prices for 14 categories of goods and services over the past 20+ years. The average increase in prices over that time period (the CPI) was 57.6%, or roughly 2.7% per year. Seven of the price categories have increased more than average inflation, led by hospital services (+210%) and college tuition (+188%). The other seven price series have declined since January 1998 led by TVs (-97%), toys (-75%), software (-69%) and cell phone service (-53%). Before going on to the next bullet point, take a moment to ask yourself why the cost of some goods or services has gone up and some have gone down.



➢ *Why?*

Various observations have been made about the divergence in price patterns over the past two decades:

- Prices for **manufactured** goods in general have declined while price for **services** have generally increased;
- The degree of government involvement in the provision of a good or service affects price increase over time (e.g. hospital care and college tuition have a high degree of government funding/regulation while electronics and software have a relatively low degree);
- The greater the degree to which a good or service is exposed to international trade (competition), the greater the price decline.