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CLIENT BULLETIN

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➤ *The Next Bubble?*

Outstanding student loan debt in the US was \$360 billion as of 3/31/05, doubled to \$720 billion as of 12/31/09 and doubled again to \$1.44 trillion as of 9/30/18. A study of student loan debt released in October of 2017 predicted that nearly 40% of student loan borrowers will default within 20 years of entering the repayment phase of their student loans (sources: Federal Reserve Bank of NY and Department of Education).

➤ *Seems to Be Working*

The Tax Cuts and Jobs Act enacted in December of 2017 reduced the tax rate on repatriated foreign profits to 15.5% for cash held outside the United States in overseas subsidiaries of US multinational firms. The 15.5% tax rate replaced the previous 35% top marginal rate that may have been deterring movement of the funds back to America. For the 3rd quarter of 2018, the latest data available, U.S. corporations repatriated \$92.7 billion of cash back home, up from \$55.1 billion in Q3 2017 (source: Commerce Department).

➤ *Costs Less Today*

We all marvel at what it costs to live today relative to the past. One cost that we can't complain about is the price of gasoline. The average price of gasoline nationwide was \$2.24 a gallon as of 1/18/19. The average price of gasoline nationwide in 1969 was \$.35 a gallon. After adjusting for 50 years of inflation, the \$.35 price in 1969 is equivalent to \$2.48 per gallon in 2019 dollars (source: AAA, Department of Labor).

➤ *Big Impact*

43% of the Fortune 500 companies in 2017 were founded or co-founded by either an immigrant to the United States or the child of an immigrant (source: Center for American Entrepreneurship).

➤ *Good Drugs*

The Food and Drug Administration (FDA) approved 55 new drugs in the first 11 months of 2018, the most approvals ever for a calendar year with one month of reporting to go. The new drug pipeline is deep as well. In 2018 there were 7,201 Investigational New Drug applications on the FDA's books, up 25% from a decade ago

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

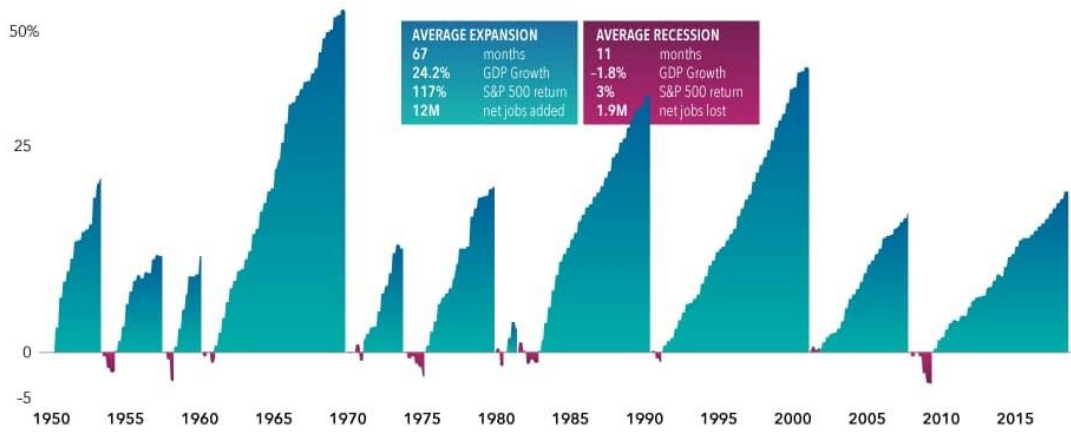
➤ *Long Summers, Short Winters*

The financial media is obsessed with finding indicators that will signal a coming recession. Historically, these indicators have been ambiguous – they warned of recessions that never happened in addition to ones that did. Ultimately, no one knows when a recession will begin.

When we are in them, they feel terrible. Companies pull back and people lose jobs. But how much lasting damage do they inflict? This chart shows expansionary time

Recessions are painful but expansions have been powerful

Cumulative GDP growth (%)



Sources: Capital Group, National Bureau of Economic Research, Thomson Reuters. As of 9/30/18. Month-end values used for S&P 500 returns. Nearest quarter-end values used for GDP growth rates. GDP growth shown on a logarithmic scale.

periods when Gross Domestic Product (GDP) was growing in blue and recessionary time period when GDP declined in red. If recessions can't be predicted and they don't do lasting damage, how much time should we spend worrying

about them?

➤ **Also Long Term**

Like the economy, investing in equities is a long game. This chart shows the historical

S&P 500: 1926-2018

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	69%	31%
One Year	75%	25%
5 Years	88%	12%
10 Years	95%	5%
20 Years	100%	0%

probability of seeing positive returns in stocks over different time frames. This is one of best illustrations of the power of long-term thinking in the markets. On a daily basis, it's more or less a coin flip between experiencing positive or negative returns, but the further out you extend the time horizon the better your chances of success

(source: Standard & Poor's).

➤ **Differing Costs**

The breakeven price of oil for Saudi Arabia to balance their sovereign budget is \$88 a barrel. The breakeven price for Russia is \$53 a barrel. The breakeven price for oil produced in the Permian Basin is \$50 a barrel. The price of oil closed at \$51.91 a barrel on 1/11/19

(source: International Monetary Fund, Federal Reserve Bank of Dallas).

➤ **Patient Patients**

Individuals who receive a referral from a general practitioner wait on average 5 months before receiving treatment from a specialist under Canada's publicly funded health-care system

(source: Fraser Institute).

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All investing involves risk including loss of principal. No strategy assures success or protects against loss.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.