

San Marco

FREE

M A G A Z I N E

Winter Issue

CREATING WEALTH:

THE PRINCIPAL IS BASIC, OUTSIDE INFLUENCES CAN IMPACT YOUR INDIVIDUAL...

by Steve Hyers, Capital Dimensions
Financial Planner



Steve Hyers

There is a basic premise in progressively striving to creating wealth: A couple of major recommendations are that you have to control expenses and accumulate assets that produce Capital Gains (taxable gains that are only triggered when an asset is realized or sold, not while the asset is held by an investor) at an early age and as rapidly as you can. Acquiring the appropriate types of Capital Gains assets and putting them together correctly is where a good financial planner can assist you. You may want to consider a ChFC and/or CFP, as those are the designations carried by most financial planners. As mentioned in previous articles, your broker-dealer (B/D) can help you also. I chose well five years ago when I opened my firm, and became a branch office with LPL Financial. LPL Financial is the fifth largest B/D in America, by revenues. It is the only one of those five that did not offer sub-prime loans. One of many good decisions the firm has made on behalf of its clients. Unfortunately, outside influences can impact your and your financial planners efforts though.

With the Dow Jones Industrial average having risen over 50% from its March lows, many folks are now more optimistic about the markets ability to overcome difficult financial news and "de-couple" itself from the economy and follow its historical pattern of rising before the general economy recovers from a recession. Earnings over the last three quarters have been better than forecast for the Dow and Standard & Poors Indexes (Bloomberg-Nov. 2009). As a result, it appears many people are more optimistic that profits and stock-prices will follow.

One of our problems though is that we, as individuals, have a tough time controlling our spending and expenses. Americans debt levels we're at all-time

highs prior to the recent recession. Many people purchased homes they knew they could not afford. Looser lending standards exacerbated the circumstances, with the Gramm/Leach/ Bliley bill from the 1990's allowing for the loosening of those standards. Also some members of Congress endorsed and allowed Fannie-Mae and Freddie-Mac to grow too large and let institutions offer ARM's and other types of exotic loans that led to the issuing of structured Investment Vehicles (SIV's) that, many folks believe ultimately led to overbuilding and excess lending. The result: one of the pillars of our financial system - housing- was damaged severely.

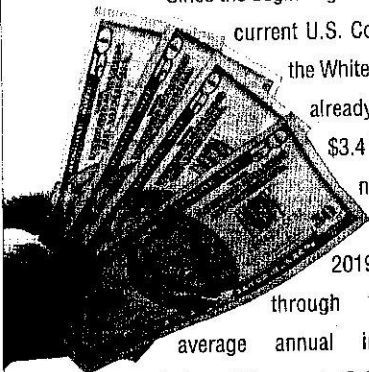
One of the supposed answers to the problem though has made the problem worse - GOVERNMENT SPENDING. Government serves a good purpose in providing some services that otherwise would not be available. But when government gets too big and consumes too many resources, it becomes an impediment to creating jobs and creating wealth. In my opinion, it is in that position now. When the economy slows down, we as consumers do what? Obviously, we cut our expenses. If we don't pay our bills our electricity gets cut, our water is shut off, our creditors pursue us - AND ALL IN A VERY SHORT PERIOD OF TIME.

Unfortunately government doesn't play by the same rules they ask us to play by. On the local, state and federal level we have the same problem, but at a higher dollar level than it's ever occurred before. Our local government has worked hard to balance its budget recently. Unfortunately they are doing it within the context of the spending that's occurring on the federal level. You cannot look at the two independently. The consumer has to pay at BOTH ends and on all three (local, state & Federal) levels CUMULATIVELY.

We are fortunate in Florida that we don't have a state income tax. Our property taxes were recently lowered. But now here come the local and state guys trying to make up for it through fees and service taxes (i.e. water & sewer taxes). They have got to make the

continued from page 32

tough decisions (like us) to cut expenses better. The federal level taxing and spending is making this the most unpalatable of all situations currently.



Since the beginning of this year, the current U.S. Congress and the White House have already proposed \$3.4 TRILLION of new spending through 2019. From 2001 through 2008 the average annual increase in appropriations bills came in @ 6.4% (double the rate of inflation). In the current Congress, spending is now growing SIX TIMES faster than inflation. This is before Cap & Trade and Health-Care reform (Wall Street Journal 10/26/09).

Folks, we cannot afford to keep spending at this level. Every time we allow a new tax to be created, we take away from the ability to create individual personal wealth within the context of our own ability. We do further damage to the greatest (and most charitable) economic system ever created in the world's history - CAPITALISM = the **FREE-ENTERPRISE** system. Continuous increases in taxes and massive spending inhibits and "chips-away" at our efforts and individual liberty to create wealth and spend our dollars the way WE see fit, not them.

continued on page 34