JFR
Financial Stuff
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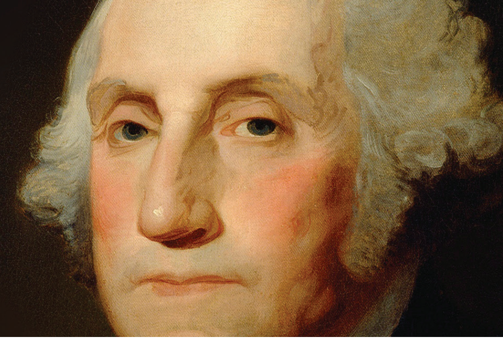

INSIDE

CJ – Social Chairman

BABY BOOMERS & RETIREMENT INCOME

The health and financial services industries are both heavily regulated by the government. The Covid-19 pandemic has not helped. We spend approximately 1-2 hours each day satisfying government regulations. Thankfully, the primary mission remains the same: ***Spend less than you earn, Be/become debt free and "Divide your Portions."*** There are 10,000 baby boomers turning 65 each day. The number of boomers retiring in 2020 quadrupled. Fewer will have pensions and need to rely on what they have saved. For most boomers that isn't much! Combined with being financially illiterate, we see some interesting situations. When money markets were paying 18% in the late 70s, money poured out of banks and into brokerages. When the rates started to fall, money moved into bonds to keep the double digit yields. When the bond market crashed in March 1987, money moved into stocks only to be ambushed by the October 1987 stock market crash! In the 1990s money was moving into annuities for the guarantees and managed accounts to ***"beat the market."*** The end of the 1990s was creating millions of day traders, where stocks were trading under a ***"new paradigm."*** The 2000 tech bubble caused money to both move out of the market and into asset allocation models. The end result is millions of baby boomers are unprepared for retirement and their money is spread all over the place. They chased the hot investment of the day and were disappointed. We see many who need an income strategy they won't outlive with not enough money to make it happen. The 4% rule comes to mind, but most boomers need 7%, which is not possible based on historical averages. There are all kinds of strategies and possibilities out there. A Morningstar study in 2013 concluded retirees could enjoy an increase in retirement income of ~23% by making wise decisions based on a comprehensive review of the financial situation and ***"optimizing"*** the withdrawal sequence. Sounds more like a magic wand our politicians like to wave to fix problems. There is no question there are ways to improve the likelihood of not outliving your money, but there is no magic wand. Like landing a plane in bad weather, it can be done. You just need a pilot who has done it before. There are more financial advisors today who know what they're doing than 20 years ago, but retirement income planning remains a very unique skill set. *(Source: Financial Advisor, Motley Fool, Fidelity)*

TULIPS 1630 AND BITCOIN 2018

There are all kinds of predictions and opinions. Some of the largest are Bitcoin will destroy or reform industry and may eliminate the need for banks. To be a currency, Bitcoin needs to have a stable value. Currently, it is 10,000x more volatile than any currency. Consumers like to know what their money is worth on any given day. Adding the variable of what day to sell does not result in good planning. If you want to buy something with Bitcoin, it takes the equivalent of 33,000 credit card swipes to happen. The first person who tried to buy a Tesla with Bitcoin was timed out by the 30-minute maximum. Imagine waiting an hour to pay for a bottle of water at 7-11. Presently, most transactions are for criminal activity and money laundering. It is impossible to count how many accounts have been hacked and/or stolen. It is also impossible to track the number of crypto exchange founders who disappear with billions of dollars. A plausible currency also needs to grow along with the economy, yet Bitcoin is fixed and was from the beginning. And 20% or more of the Bitcoins are already lost. Bitcoin promoters say the rules can be changed by majority vote, but if they could hold a vote that passed, that would destroy the claim of scarcity. Bitcoin is not backed by anything. You own a spot in a spreadsheet that is public knowledge. Picture the sports stadiums with the cardboard characters in the seats. Are they worth anything? Without the backing of a sovereign entity, how can it have value? Anyone with the money and ability can ***"mine"*** Bitcoin. Every country wants to protect its currency. What is their incentive to allow something else to replace that? At the least they would create regulations and rules for the use of Bitcoin within their boundaries. Bitcoin has many flaws and shortcomings. It will be replaced by the next best crypto, which will also be replaced. Where did Bitcoin come from? Where is it being ***"mined?"*** 90% in China, Iran and Russia; none of whom are concerned with the consumer. China alone could destroy Bitcoin overnight. They could hack into the miners and spend the money. What about losing your Bitcoin? You can lose your wallet or simply forget your password. The exchanges often get hacked. Stolen Bitcoin has no process for retrieval or to be made whole. 95% of all Bitcoin is held by 2% of the holders. What if they decide to sell? Like any ponzi scheme, without greater fools the system collapses. It is an ecological disaster. The amount of energy being used by the minors can power small countries. What about privacy? To buy, you must register with an exchange platform. Those looking for privacy must wire funds offshore to unregulated exchanges who buy tethers. The issuer of tether is in the Bahamas. Currently, there are more than 25 billion tethers, but only $5 billion worth of purchases. If everyone wanted to convert their tethers back into dollars, the system would collapse. Bitcoin's goal was financial freedom via eliminating the need for government in monetary transactions, but Americans are already required to disclose their holdings and activity. The end result of Bitcoin will be more government visibility within our private affairs instead of less. The Dutch tulip bulbs in 1630 set the standard for these situations. At the peak, one tulip bulb could buy a waterfront mansion. The promoters are now claiming it was never meant to be currency. Just a store of value. Uh huh. The CFO of Coinbase sold every share as soon as it went public. What does she know? *(Source: WSJ, Investors Business Daily, Advisor Perspectives)*

I WON'T SPEND ***THAT*** MUCH

While many expenses drop in retirement, ***some go up***. When you have extra time, what happens? Spend! Travel, go out to eat, home improvement… According to Virtuoso, the average retiree spends $11,077 a year on travel. That's a lot, considering half of all Americans 65 and older have incomes of less than $28,000. The government may tell us inflation is low, but we know that is not the case depending on what you need. Fidelity estimates retired couples will need $300,000 for health care. Getting old can be expensive. ***The first step is a rainy-day fund.*** 3-6 months of living expenses. There are always surprises and they are best handled with liquid funds. Some Americans still have a defined benefit plan. Should you take the lump sum or the monthly payout? This is a very important decision that we can help with. There are pros and cons, but the key considerations are the financial health of the pension fund and the payout rate. ***What if Social Security gets cut?*** **Spend less than you earn.** This simple principle will save your retirement. According to the Employee Benefit Research Institute, 50% of households spend more in the first two years of retirement than they did in the years before retiring. ~30% spend 120%! Go into retirement knowing how much you need each month for basic expenses. Know how much you will have coming in. Control your medical costs by shopping around. For example, here in Detroit a colonoscopy ranges from $1,600-3,300. Should I guarantee my income? Here's that word again; ***Annuity.*** They can be appropriate, but with interest rates at all time lows, the cost to guarantee a lifetime income is very high. *(Source: Fidelity, EBRI)*

> *Education is not the learning of facts, but the training of the mind to think.*
>
> ALBERT EINSTEIN

INFLATION IS DEAD?

Not just yet! Our problem today is the Fed thinks it controls events. And Washington, Wall Street and Main Street all seem to think they can. Inflation is a function of how many dollars exist relative to our real assets. For the moment, it is also a state of mind. Inflation, like debt, is an enemy. It must be respected. At the moment, we are not. The Fed will get caught unprepared as their definition of inflation is inconsistent with reality. Inflation is much higher than reported presently. The reason is the Fed adjusts prices for technological improvements. ***What?*** A car built today is more efficient than one built 20 years ago. So, instead of the price being 200% more, the Fed adjusts it down to 100%, making inflation lower. How about electric toothbrushes compared to manual? The adjustments made by the Fed are not scientific. The Fed thinks they control the markets and can fix inflation as needed, ***but what if they can't?*** History suggests that markets can handle a real interest rate of as much as 2.5%. Presently, the real rate is close to -2%, which is 4.5% below the alarm point. If/when we get to the trouble point, the Fed will attempt to correct the problem by changing the Federal Funds rate, buying Treasuries, selling Treasuries, etc. They want us to trust them and today we do, as revealed by record high margin debt, cryptocurrency purchases, stocks at all time highs, etc. Deflationary forces, like globalization of the labor force, are going away. The growth of the money supply is breaking records and the Fed has no concerns about same. How can they have our back when they are destroying the value of the dollar? Gold and Bitcoin are not the same. Gold is an established store of value throughout recorded history. Gold is not an inflation hedge, but it does work well in times of chaos and uncertainty. The world wants confidence and stability in their currencies. When it hits the fan, people will want gold and silver, not some spot in a spreadsheet. Inflation is not just an increase in the money supply. It is a breakdown in the government. Deficits matter as they threaten a government's solvency. Governments all over the world have been borrowing too much money for 50+ years. Today, the market is ignoring the deficit. It won't forever. Remember 1984 when the 30 year US Treasury was yielding 14%? Why didn't everyone lock that in? At the time they thought rates would continue to rise. Today, we are on the opposite end, thinking rates will remain low forever. *(Source: Federal Reserve, James Grant, Advisor Perspectives)*

NCIS AND THE END OF THE WORLD?

I was watching a rerun the other day and the very young bad guy was verbally assaulting the young agents on their ignorance concerning the world, clothes, etc. There are young children having nightmares about the climate and/or our extinction. 50% of French citizens think humans are heading for extinction. American students are having panic attacks over California wildfires. Most of humanity has a dismal outlook today. The good news is humanity has made huge progress in the last 250 years. Reliable global statistics are not being communicated. Gapminder routinely asks 12 multiple choice questions about basic changes in the past 20 years. The results are terrible, but it's not ignorance. If it were, then by chance we'd get 33% of the answers correct just like the chimpanzees who take the same test! Instead, we get 22% right, which means we are misinformed. The ***"news"*** inundates us with one catastrophe after the other, with little to no coverage on our progress. When a super hurricane kills hundreds today, they don't mention that the same hurricane would have killed hundreds of thousands 100 years ago. When one hundred thousand people are lifted out of extreme poverty on any given day, that's no longer news. Gapminder notes that ***"people end up carrying around a sack of outdated facts."*** The truth is life gradually gets better – not worse – as we solve more problems, invent better things and bring more people into the global marketplace. Facts are better than myths – especially for understanding the world. The world does have problems, **BUT!** progress is happening. It is gradual, but it has deep roots. The small heavens each of us create for ourselves results in a better place for everyone. Last year's pandemic was a setback and the 20th century experienced some of history's greatest atrocities, **BUT!** we are way ahead of where we were just 100 years ago. Did anyone know that wildfires destroy less acreage today than before the pilgrims arrived? Deaths from natural disasters are down even though the world's population has exploded. Child mortality is down despite more births. Food production is higher than ever. Disasters are quick and sudden; progress is slow and hard-won. Today, we are healthier, safer, and live more fulfilling lives, with better access to almost anything you can imagine than our counterparts just 50 years ago. Human ingenuity has outpaced anything our hostile planet has thrown at us. It hasn't been a straight path, but life is improving. ***Human Progress for Beginners*** in simple short chapters tells the dramatic improvements of human civilization since the dawn of the Industrial Revolution 250 years ago. *(Source: Gapminder, Rosling)*

THE PERFECT PLAN?

There isn't one, **BUT!** We can come close. The pandemic offers an excellent example of what can happen on any given day. Few predicted it would be so severe early on. We simply can't know or predict from day to day, year to year, how life will actually play out. Thankfully, like financial planning, we can be prepared for whatever comes our way. The best protector is thinking long-term and having a good idea of how to respond to emergencies. As I used to teach tennis players, anticipation helps your offense and defense. Over time, investing becomes very predictable. On any given day it is a coin flip what will happen. If you don't need the money for 10+ years, then what's in the news today doesn't matter much. Some try to plan for every contingency, but they are doomed to fail. The crystal ball will miss something and leave one scrambling. A more general plan works best. The best example being emergency funds. Some are comfortable with 3 months, others want 3 years. As a rule, 6 months of living expenses will handle 90%+ of the contingencies we face. Some professional investors have target prices for stocks they would like to own. If it falls to the target price, then they buy. If not, they continue to wait. Other than God, no one knows the future, but we can still plan for it. *(Source: Motley Fool, WSJ)*

WHERE'S MY REFUND?

The IRS was behind before the pandemic. Now they are really behind! As of 6/25/21, the IRS had 16.7 million individual tax returns that require manual processing. Some are paper returns and others were suspended during electronic processing for one reason or the other. And there is nothing you can do, but wait. At the moment, they hope to complete the 2019 paper returns by Labor Day. Give them a call? So far in 2021 the IRS has received 85.1 million calls compared to 7.3 million in 2019 and 12.1 million in 2020. Only 3% of calls are getting through to a live person. The IRS is still taking calls for missing stimulus checks. Our tax dollars hard at work. *(Source: IRS)*

KIDS & MONEY

Teach the little, and not so little, ones about working, saving, investing, borrowing… Especially since the topics are rarely taught in schools. The sooner they learn, the more prepared they will be to live their adult lives successfully. Give them chores to do and how much each job is worth. Teach them math with their money. If they have an allowance, then tie it to chores they are responsible for; dishes, trash, laundry, weeds, cleaning… Once they understand earning and saving, teach them how to spend money. Perhaps they can have a clothes budget for the school year. Perhaps there is something they want to buy. Help them create a plan to get there. When something happens that you experience together, discuss how the event impacts your money and/or their money. Allow them to make decisions. We all learn from good and bad financial decisions. Show them the bills and how leaving the lights on, or water running, costs money. *(Source: Lasalle Street)*

RELAX/RELOAD/REFRESH

One of the most popular outdoor activities for 150+ years is a picnic! The tradition was created after the Civil War as a way to cope. Unlike tailgating, picnics are meant to be simple and flexible. ***No rush. No cell phones.*** Just get into nature where you can enjoy the birds singing, clouds passing over, wind passing through the trees, walking barefoot, swim, nap… ***Just getting outside in God's creation.***

PRESIDENT CARTER'S LEGACY?

Did you know he signed IRS Code Section 401k into law? One of the best ways to accumulate capital via convenient payroll deduction. The average plan balance is close to $100,000 today and represents ~80% of the average American's net worth. *(Source: Fidelity, IRS)*

IRS NEWS

Like Social Security, you can now have an account on the IRS website. It is called ***"Get Transcript."*** It will ask for your SS#, DOB, filing status, cell phone number, email address, mailing address and an account number from a bank or credit card. Once you are signed up, it will allow you to access past returns, transcripts, what you owe, refunds due. The account can also be established by submitting a form by mail. With millions of Americans waiting on their 2020, and even some 2019, returns to be processed, refund checks reissued, and unable to get through to a live person by telephone, setting up an online account may be the only way to get more current information other than ***"in process."*** *(Source: IRS)*

> *Fashion is not restricted to clothes. When ideas become fashionable they are just as resistant to criticism as the length of skirts. All economic ideas need to be freely discussed and judged against the facts of real life.*
>
> **PRINCE PHILIP**

BEING AN EXECUTOR, PERSONAL REPRESENTATIVE, POWER OF ATTORNEY, SUCCESSOR TRUSTEE...

IT IS A PRIVILEGE TO SERVE IN THIS CAPACITY, but it's more work than many people realize. The person preparing the legal documents names someone they trust to handle their affairs after their death and/or when they are incapacitated. According to EstateExec.com it takes as long as 18 months to settle 80% of all estates. For estates over $5,000,000 the average time jumps to 3+ years. The average time spent by the executor is 570 hours for most estates and 1,167 hours for $5,000,000+ estates. Most executors have jobs, so the time to settle the estate often happens in the evening and/or on weekends. In today's world, being in charge also involves liability. To be a good executor, trustee, etc, one needs patience and organization. The heirs often are very impatient, need repeated updates, explanations and hand holding. There is often ***"lots"*** of paperwork. The one in charge needs to be willing to work with the many who get involved; attorneys, accountants, financial advisors, etc. Executors have to not only provide pertinent information and documents, but often are asked to redo and/or update same. Picture the situation as being the boss and the lowest level employee at the same time. Be prepared to make unpopular decisions and handle conflicts among the family members. The executor's fiduciary responsibility and loyalty is to the estate. If someone asks you to serve in these capacities, think about whether or not you have the time and skill to complete the task. You can always say no. It normally is a thankless job that can harm relationships. For those we name to these positions, our instructions should include their being paid and how much.
(Source: Advisor Perspectives, Financial Planning)

BEFORE YOU GO

While it is common for our life circumstances to change, beneficiary designations have a tendency to stay the same. We have added a beneficiary check to our reviews, but many of you have accounts, investments and/or life insurance policies with other companies. Many life events can/will trigger the need to update beneficiaries; death, divorce, new children... It's not that people misunderstand the ramifications, it's simply something most of us don't think about. The most common problems are with old accounts. An old life insurance policy that was taken out on you at birth with *"estate"* as the beneficiary. A stock certificate in your deceased parent's name. One common misconception is that your will or trust handles everything, but that may or may not be true. Nearly half of adult Americans don't have a will or trust. If any assets end up in probate court, a judge will determine who gets what. Many investments, such as retirement plans, are directed by the beneficiary designation on the account. Another matter for retirement funds are the tax implications. If you have children with a wide range of income levels, then some extra planning of who gets what may be appropriate. While not as popular as they were 30 years ago, trusts still have their place in estate planning depending on your desires, assets and/or your children's situations. Non-tax factors need to be coordinated with tax factors. Estate liquidity. Assets that could be lost to a beneficiary's creditors. A retirement fund with no beneficiaries may be immediately taxable. Health savings accounts (HSAs) are becoming more popular thanks to their triple-tax advantage, but they are not efficient ways to pass money to a non-spouse. *(Source: US Public Census, IRS, AARP)*

MONEY & HEALTH

The 2016 U.S. Health survey found that 71% of American adults don't smoke. 38% were following healthy eating habits. 10% had normal body fat levels. 46% get regular exercise. What is interesting is only 3% could say yes to all 4 questions. With the cost of cigarettes approaching $7 per pack, quitting will save ~$2,500 per year assuming a pack a day habit. Eating healthy at home is much less expensive than eating out, as well as good for our bodies. The Covid crisis is yet another example of the benefits of maintaining a normal weight. There are many free ways to exercise; running, biking, walking, swimming, yoga, aerobics... Poor health not only increases medical expenses, it can also reduce your income. 80% of Americans plan to work after 65, yet only 19% do. 40% of Americans over 65 are unable to work because of poor health. Why don't we take better care of ourselves? Like saving for retirement, taking action today to enjoy a benefit tomorrow isn't as motivating as immediate gratification. Some don't want to invest time and energy today when they don't believe poor health will happen to them tomorrow. Our reluctance often has deeper roots in our emotions and life experiences. *(Source: US National Health Survey, US Census, AMA)*

A TRILLION HERE, A TRILLION THERE

30 years ago the National Debt was ~$3 trillion dollars, the Gross Domestic Product (GDP) was ~$6 trillion, the population ~250 million and the Federal Budget $1+ trillion. Today, the National Debt is $28+ trillion, GDP $22+ trillion, the population ~330 million and the Federal Budget $5+ trillion. The average American income in 1990 was ~$30,000 and in 2021 it is ~$50,000. *(Source: GAO, Federal Reserve, IRS)*

SELLING YOUR HOUSE?

KISS. Keep it simple, Sweetie. The new owners are going to make changes you can't even imagine. Post many pictures. 70% of buyers look at homes online first. ***House, not home!*** Let go of the sentiment and memories. Unique features special to you will probably not be special to the next owner. Depersonalize. Put away family photos, pictures, collectibles… ***Get rid of stuff!*** The less stuff in a room, the bigger it looks. Look at each room as a stranger. Rearrange or remove things. In today's world it is possible to virtually stage your home. ***Let there be light!*** The brighter and fresher the home the better. Light filled rooms are energizing. Nice, but not too nice. If renovations/repairs are needed, then keep them simple. You don't want the nicest home on the block. Most improvements do not pay for themselves. *(Source: National Association of Realtors, Specialty Move Managers)*

WEAK/STRONG PASSWORDS

As computers become more powerful, they calculate much more quickly and efficiently. Hackers use this power to break into our computers at home and work. For example, an 8 character password with numbers only can be solved instantly. If it has upper and lower case letters as well as numbers, it takes 1 hour. Add symbols and it increases the time to 8 hours. A 10 character password with upper and lower case letters can be solved in 1 month. Add numbers and the time required is 7 months. Add symbols and it will take 5 years for a hacker to figure out a 10 character password with numbers, symbols, upper and lower case letters. Add another character and the time increases to 400 years. 13 characters requires 2 million years! If only we could remember our own passwords. The most common passwords remain simple, such as ***"123456," "password," "computer1," "654321…"*** Hackers create files with common passwords and check those first. *(Source: Kiplinger, Wikipedia)*

LONG-TERM CARE (LTC)

The Covid pandemic is a huge shot across the bow for insurance companies. The mystery is what will be the lasting effects? Companies are already making changes, including more stringent underwriting and product design. As a result, it is more difficult for people to obtain the type and coverage they want. Until the long- term mortality and health effects of Covid are better documented, along with actuarial data, insurers cannot properly analyze the financial impact. The hybrid plans are more popular given the underwriting is less stringent, but this will likely change as well.
(Source: Financial Advisor)

SPECIAL NEEDS TRUST

Like all estate planning, one size doesn't fit all. Some attorneys get into a routine where they recommend a trust when there are other options. When it comes to special needs situations, the first question is if the person can handle their own money. If so, then a trust may not be in their best interest. The most important factor is what government benefits do they rely on and if there are asset or income restrictions. Their future needs are also important and a plan should be in place to limit or eliminate any restrictions. If the person has no limitations, then they can receive money outside of a special needs trust. If they don't understand money or managing same, then do they have a support network. Family? Trustworthy friends? Do they have a system where someone is making sure they are making good financial decisions? A trustee may not be necessary. What is a special needs trust? It basically removes the ability for someone to control money independently. They will have to ask the trustee for permission to spend money. This may be the only option, but explore the others when possible. Like children, we raise them to be adults and on their own. Doing everything for someone can be more disabling than their disability. Before getting a special needs trust, make sure it is the best option for the situation. Spending too much money is rarely an issue for people with special needs. Protecting them from friends and family stealing the money is! People are happier when they can manage their own affairs. *(Source: Advisor Perspective, JFR)*

AUTO PILOT INVESTING?

Not So Fast! The Federal GAO (General Accounting Office) is investigating target date funds (TDF) as they have become the most popular investment option, often exceeding 70% of a company's retirement plan balance. The primary question is how aggressive or conservative are the investment strategies? One company's 2030 fund may have 80% in stocks, while another 65%. And what is the ***"glide path"*** these funds are on? Nearly all of these funds have a static allocation strategy that is adjusted very little once a year. The primary confusion is employees associate these funds with an investment that becomes very conservative in the year they retire. Conservative meaning very little and/or no stock. This simply is not the case. Most TDF 2020 funds have 50% stock allocations based on life expectancy and the need for inflation adjusted income over the next 20+ years. In the market crash of 2008, many TDF 2010 funds lost 40%. The ***"set it and forget it"*** approach to these funds is inconsistent with reality.
(Source: Financial Advisor, GAO)

WHAT IF?

This applies to everyone, but is written for college students. If your child needs medical attention while they are away, then they should have the following items.

1) **Healthcare Directive.** They protect students against the unexpected by making their wishes known to family members and doctors if they are incapacitated and unable to communicate. It also can nominate healthcare agents who will make healthcare decisions on their behalf if they are incapacitated. This is important for college students because as soon as they are 18, their parents are no longer automatically able to make decisions. Healthcare directives are only *"active"* when the college student is incapacitated. Every state has its own rules, so make sure the directive is specific to where they are.
2) **HIPAA Authorization.** The Health Insurance Portability and Accountability Act of 1996 (HIPAA) protects individuals from the disclosure of their healthcare information absent their consent. In the event of a health emergency, a HIPAA authorization form is needed for the college student's medical information to be shared with their healthcare agent. In some states, the HIPAA authorization form is incorporated within the healthcare directive. In others, it is separate.
3) **Health Insurance Card.** Avoid last-minute texts for a copy! College students should have an original or copy in a safe place. This includes medical, dental, and vision insurance cards. Whenever new cards are issued, give them the new one! Students can save pictures in their cell phones, which are usually accepted.
4) **Emergency Contacts.** Students should provide emergency contact information to their universities, coaches, advisors and dorm directors. In an emergency, this will ensure contacts are quickly notified in an emergency. With the ongoing *"pandemic,"* make sure college students are prepared. While they are at it, have your attorney prepare a simple will and power of attorney. Introducing youngsters to estate planning is a way to help them manage their finances. *(Source: Advisor Perspectives)*

SOME MORE SOCIAL SECURITY & MEDICARE NUMBERS

The projected 75-year shortfall in the Social Security Trust fund tripled from $6.5 trillion in 2011 to $19.8 trillion in 2021. Our tax dollars pay people to crunch these numbers and our *"representatives"* to review them! The Disability Insurance (DI) Trust Fund would have been depleted in 2016 had Congress not redirected 12% of the payroll taxes for 3 years; pushing out the projected exhaustion date to 2057. The Medicare Trust Fund is projected to be depleted by 2026. The long-term 75 year shortfall for Medicare could be corrected by raising the payroll taxes from 2.90% to 3.67% or an immediate 16% reduction in Medicare expenditures. Medicare covers ~63 million Americans and was cash negative in 2020. *(Source: Social Security, Medicare)*

A BILLION HERE... A BILLION THERE

According to Forbes, there are ~2,100 billionaires in the world. Their total net worth is ~$9 trillion. There are ~125 million households in America with a combined net worth of ~$96 trillion. 50% have a net worth less than $112,000. 10% have a net worth of $1,000,000+.

This amount of money is difficult to fathom, so let's compare money to time.

- **1,000,000 *(one million)* seconds = ~11 days**
- **1,000,000,000 *(one billion)* seconds = ~32 years**
- **1,000,000,000,000 *(one trillion)* seconds = ~32,0000 years**

(Source: Google, IRS, Census)

A DIFFERENT VIEW

A financial writer, Chuck Butler, came up with a creative way to understand our Federal Budget. He basically removed 8 zeroes to convert it into a household budget. The numbers help us, as well as our *"representatives,"* better appreciate what is impossible to comprehend in trillions of dollars.

Federal Numbers

U.S. Tax Revenue	$2.2 Trillion
Federal Budget	$4 Trillion
New Debt	$1.8 Trillion
National Debt	$29 Trillion
Recent Budget Cuts	$39 Billion

Household Budget Equivalents

Annual Family Income	$22,000
Money the Family Spent	$40,000
New Debt on Credit Cards	$18,000
Outstanding Balance on Credit Cards	$290,000
Recent Budget Cuts	$39.00

How would a family manage the credit card debt? What would Master Card and Visa do if we owed the money to them? What are our *"representatives"* thinking? Simply printing money will catch up to us. The only question is when. *(Source: Chuck Butler)*

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Business Planning and Development	Estate Planning	Employee Sponsored Retirement Savings Plans
Real Estate Investment Trusts	Asset Management	Retirement Plans: IRA, SEP, 401k, Keogh, 403b
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This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

Variable Annuities are suitable for long-term investing, such as retirement investing. Withdrawals prior to age 59½ may be subject to tax penalties and surrender charges may apply. Variable annuities are subject to market risk and may lose value.

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