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FINANCIAL FOCUS



LGT Financial Advisors LLC
A Registered Investment Advisor

Trust, Confidence, Experience

* A Registered Investment Advisor

By the Numbers

April 2010

1. **Tax Rates and Taxes Paid** - The last time the top individual marginal tax bracket increased was 1993. The maximum marginal tax rate of 31% in 1992 was raised to 39.6% in 1993. Individual income tax receipts were 17.5% of GDP in 1992 and were the same 17.5% of GDP in 1993. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US. (source: IRS, White House)
2. **Too Many Homes** - At the end of 1989, there were 60 million families that owned a home and 34 million families that rented a home or an apartment. At the end of 2009 (i.e., 20 years later), there were 75 million families that owned a home (i.e., an increase of +25% over 2 decades) and 37 million families that rented (i.e., an increase of just +9% over 2 decades). (source: Department of Housing and Urban Development)
3. **More Cash, Less Credit** - Consumer borrowing (e.g., credit cards and auto loans but not including home mortgages and home equity loans) in the USA totaled \$2.45 trillion as of 2/28/10. That amount of indebtedness is 3.6% less than the \$2.54 trillion of consumer credit as of 2/28/08. (source: Federal Reserve)
4. **Not Paid Off?** - 52% of retirees are still making monthly payments on home mortgage debt. (source: Society of Actuaries)
5. **Almost Nothing** - 27% of US workers surveyed have retirement savings of less than \$1,000, not counting the value of their primary residence or the present value of any defined benefit pension plan they have accrued. (source: Employee Benefit Research Institute)

6. **Help Needed** - 2 out of 3 employees that have access to a pre-tax retirement plan at work (66%) acknowledge that they do not know as much about retirement investing as they should know. (source: Transamerica)
7. **Utilization Has Increased** - Americans aged 55-64 that go to an emergency room seeking medical assistance are 3.6 times as likely today to receive a MRI (Magnetic Resonance Imaging) or a CT scan (Computed Tomography) as they were 10 years ago. (source: Department of Health and Human Services)
8. **College Grads With Jobs** - Students graduating from college in 2010 with a degree in Petroleum Engineering that have received job offers are anticipating an average first year salary of \$86,220, the highest average salary for any college degree this year. Majors involving some variation of an engineering degree rank as 8 of the top 9 in terms of average salary offers in 2010. (source: National Association of Colleges and Employers)
9. **Simplification Needed** - The size of the US tax code, tax regulations and various IRS rulings is 71,684 pages, more than quadruple the 16,500 pages that this data consisted of 41 years ago in 1969. (source: Cato Institute)
10. **And What If It Doesn't?** - The Congressional Budget Office (CBO) has estimated the combination of HR 3590 (the Senate health care bill) and HR 4872 (the reconciliation bill) would produce a net reduction in federal deficits of \$143 billion over the 10 years from 2010-2019. However, in the footnotes of the projections, the CBO admits they “expect that Medicare spending would increase significantly more slowly during the next two decades than it has increased during the past two decades (per beneficiary, after adjusting for inflation)”. (source: CBO)
11. **Too Expensive** - When Medicare was signed into law by President Johnson in 1965 (former President Harry Truman was the #1 enrollee into Medicare), the projected annual cost of Medicare in 1990 (i.e., 25 years in the future) was \$12 billion. The actual cost of Medicare was \$13 billion just 10 years later (1975) and was \$98 billion in 1990, more than 8 times as large as the original 1965 forecast. (source: Office of Management and Budget)
12. **More Claims** - Social Security anticipates that it will receive an average of 63,000 applications for disability benefits every week during the current fiscal year that ends on 9/30/10. The actual number of weekly disability applications was 50,000 in the prior fiscal year. (source: Social Security Administration)
13. **Not Right Away** - The US is officially in a recession that began on 12/31/07. In the 2 other recessions our nation experienced in the last 25 years, the Federal Reserve first raised interest rates 34 and 31 months after the recession officially ended. (source: National Bureau of Economic Research, Federal Reserve)
14. **Was Worse Before** - The unemployment rate nationwide peaked at 10.8% during a 16-month recession that occurred during 1981-82. The rate peaked (so far) at 10.1% during our current recession. (source: DOL)