

Perspectives - On Business

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Intelligent Gifting

This time of year many are pondering whether to hold onto their money, give it to charity, let the IRS have it, or spread it around like the Unsinkable Molly Brown.

Often the conclusion is to keep it in the family but get it out of the estate. While estate taxes aren't the huge concern they were a few years ago, it is only a few years until they will likely reclaim their more formidable expectations on your family's wealth. When that happens, the old concept "you can't take it with you" may mean that most cash assets will go to the IRS to pay your estate taxes and those assets that require a long time to sell, or need maintenance, insurance, or property taxes will be left to the family. Good luck coming up with the cash flow.

For many years, Kiddie accounts were considered the way to give money to children. The trouble was, Kiddie accounts incur Kiddie income tax that may be at a higher rate than the family would normally pay. Among other drawbacks, such as ineligibility for scholarships, UTMA's became a major disincentive to most families.

In today's 529 College Savings Plans there is a more modern alternative in transferring money effectively to minors. College Savings plans can be set up by any family member, then, others who wish to, can contribute to them. They have appropriate flexibility and reasonable controls built into them. Most families will find them a reliable and satisfactory method of transferring money to a younger generation.

We keep information on various plans available - yes, Ohio has an active plan. We typically recommend another plan with lower expenses, however. Call for information. It isn't a trick question, but you may wish to know the answer to "What costs less than free?"

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Future Finances' Market Update

By Max Larsen

Monday, December 13, 2004

Greenspanism - In what may be the most important comments of the decade.

I finally mustered up the energy to read Alan Greenspan's speech a couple of Friday's ago (Nov. 19th). It gave me an epiphany, a revelation, an acute understanding... (I think you get the point) of the crossroad that our economy has the potential to cross.

Before starting with Greenspan I do want to point out that the stock market had a pretty good week with all of the major indices up thanks to plunging oil prices. We started with crude oil at \$55.17 a barrel in October and by the close on Friday, the price dropped to \$40.71 - over a 26% plunge (*The Wall Street Journal*). The great news on oil helped offset the weak employment numbers and the uncertainty over the lackluster sales figures.

Now, to the subject at hand. Most of the excitement about Alan Greenspan's speech revolved around his comments that the U.S. current account deficit has become "increasingly less tenable". I fully acknowledge that "increasingly less tenable" is a fine and well-crafted Greenspanism, I also feel that the Oracle's true meaning was hiding an even deeper and more poetic phrase.

His speech may well go down in history as one of the three classic Greenspan utterances (alongside "irrational exuberance" and "infectious greed") not because of the current-account comments but because of the warning that anyone who buys U.S. bonds at today's prices is "obviously desirous of losing money".

With those five simple words, the Fed Chairman has cut straight to the heart of one of the great financial mysteries of all time. He has also saved humdrum, prosaic economists, such as me, months of fruitless effort. No longer need we waste our clients' time and lie awake at night thinking up ever more elaborate explanations for the bond market's bizarre behavior - for example, the plunge in yields, which followed this month's unequivocally bearish figures in inflation, growth and employment. We can now simply repeat those magic words: "obviously desirous of losing money".

Suddenly, everything is clear. If investors are really serious about losing money, there is definitely no better way to do this than to pour their wealth into the biggest most liquid market ever invented. The U.S. bond market is an infinitely capacious anti-cornucopia. It can absorb trillions of dollars, offer investor endless losses and still have plenty of room for more. For Greenspan's new breed of loss-seeking investors the U.S. bond market is indeed the answer to all their dreams.

Okay, all kidding aside, we are seeing an appetite for U.S. government debt from China and Japan. This has more to do with preventing their currencies from rising than the investment appeal of U.S. Treasuries. Keeping their currencies low also has the effect of keeping the price of their exports low - low prices means more sales. The question is: How long can they continue holding out for cheaper inventory all the while watching their investments in the U.S. bonds go down? This may be an accident waiting to happen.

That is all for today my friends.

Thanks to friends like you who refer new business to us, our practice continues to grow.

As always, your comments and reactions are welcome. Please feel free to share this newsletter with others you think may find it interesting or useful. We respect your privacy and will not share your address with others. Click [here](#) to send a comment, to subscribe, or unsubscribe.

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