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Medicare Expenses

"Sometimes one pays most for the things one gets for free." The author of the Theory of Relativity, Albert Einstein (1879-1955), penned this quotation.

Relatively speaking, this oxymoronic quotation sums up my feelings on the new Medicare bill. The new Medicare Prescription Drug Plan looks attractive to many seniors -- it is estimated that the benefits provided to most seniors will reduce the cost of their prescription drugs by approximately one-half.

The expense of this program seems (dare I say modest?) at \$400 billion over the first ten years. Looking ahead, its estimated cost will be \$1 trillion during the first ten years the baby boomers are retired - 2013 to 2023.

Congress' favorite spot for raiding funds, the Social Security System, is projected to have used its surplus by 2015.

Now, consider that the potential repeal of the estate tax over that decade may cost between \$500 billion and \$1 trillion.

Where will the money to pay for these prescription benefits come from?

If you realize that it all comes out of our pockets, you may reach my conclusion. If we don't pay these expenses ourselves, today, who is going to pay them? When - and how -- will the costs be covered? As time goes on, the permanent repeal of the estate tax seems less likely.

Best Wishes,
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Future Finances' Market Update

By Max Larsen

Monday, December 1, 2003

I have always thought personal experience is usually better than reading about it in the paper. If my foray into Kohl's this weekend to buy a pair of gloves is any indication of what's to come - all I can say is shoppers are starting to spread a little bit of Christmas cheer to the economy!

I can remember my favorite economics professor chiding my class about not making assumptions, i.e., "one experience does not a theory make". Of course he is correct, but walking into Kohl's at 7:45 in the morning, with a full parking lot and lines ten plus deep at the counters is hopefully a good indication consumers are willing to open up their purse strings and wallets this holiday season. And no, I never did buy the gloves - I can't stand waiting in lines.

Fortunately, the data coming in this morning confirms my observations. According to *The Wall Street Journal* - Visa reported a 9% increase in retail shopping on Friday and Saturday versus last year. The Chicago retail-data firm ShopperTrak estimated total retail sales for Friday rose 4.8% over the same day a year ago to hit \$7.2 billion.

For the week, all I can say is WOW! In a normal shortened Thanksgiving week, with many investors on sidelines digesting their Turkey dinners, the stock market managed post positive gains. The Dow, NASDAQ, and S&P 500 were higher by 1.7%, 3.5%, and 2.5%, respectively. That is not what excited me. Rather, it was the economic news on Tuesday and Wednesday that is showing a strong economy.

- The U.S. GDP (Gross Domestic Product) shot up at an 8.2% annual rate in the 3rd quarter, the fastest pace since 1984 and much stronger than anticipated.
- Orders for durable goods -items designed to last three years or longer (refrigerators, TV's, etc.), swelled 3.3% - the best since July 2002.
- Orders for computers and electronics rose 4% and are 30% ahead of this time last year (Commerce Department).
- Jobless claims were below 400,000 again (351K).
- Consumer confidence and income continue to be up.

All in all, this looks like a recipe for a strong holiday retail season that will force companies to hire, consumers to keep spending and corporate profits to rebound nicely. Needless to say, this looks great for the next 6 to 9 months and we should probably enjoy it while we can. My crystal ball is much cloudier towards the end of 2004, however even though the 4th year in the election cycle has historically been great for the stock market, I also have some long-term worries that I'm watching closely - more on that later.

Finally, I have to share my amusement at what I saw of the TV coverage of the international Free Trade conference in Miami, Florida. No, it wasn't the attendees or the content. Rather, it was the protestors I saw being covered by the media. Yes, I understand there are professional protestors paid to go from rally to rally organizing whatever cause they are pushing that week, but the average protestor looked very young and seemed to be having a pretty good time. I couldn't help but wonder what they really understood about free trade (they didn't look like

economy majors) and how did they get the time off work to attend? Are they just attending a party?

That is enough for this week my friends. I hope everyone had a wonderful Thanksgiving. Now it's time to get back to work and back on my diet yet again.

Max Larsen

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