

## **Perspectives - On Business**

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The Cost of College Credit

"If you haven't the strength to impose your own terms upon life, you must accept the terms life offers you." T.S. Eliot

Per the student loan organization, Sallie Mae, almost 10% of college students owe more than \$7,000 on their credit cards. The average student's credit card debt in 2000 was \$2,748, a 46% increase over the average debt of just two years earlier. Your student will likely tell you, "Don't worry, I only pay \$50 a month" - forever!

Please make sure any college age friends and relatives you care about are aware that credit card rates change, sometimes exorbitantly. A student absorbed in their mid-terms may forget to pay a credit card bill promptly. Having suffered no immediate painful consequences, when finals roll around, that bill may slide once again.

Quietly, what was formerly a reasonable interest rate takes a significant jump. With a few more slips they can be facing interest rates in the range of 20% or more, and the monthly cost of credit becomes greater than the previous minimum payment required. Students who experience this may find themselves working 20+ hours per month just to pay the monthly interest charges on their credit cards - never touching the principle.

Perhaps you can get the conversation going with the paradox of the following quotation by Dr. Mardy Grothe:

"Saying 'no' can be a powerful positive choice and saying 'yes' a devastating negative one."

Best Wishes for the New Year,  
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## **Future Finances' Market Update**

By Max Larsen

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Monday, January 5, 2004

There's an old joke: Grandmother buys her darling little grandson a new outfit and takes him to the beach. She is watching him play by the ocean when suddenly, a huge wave comes up, sweeps the boy out to sea, and he disappears. Grandma raises her hand towards the sky and shouts, "God, how could you do such a thing! An innocent, perfect boy, and this? What kind of God are you!" She continues this harangue until suddenly, another wave appears and deposits the boy, unharmed, back on the beach. She takes one glance at her grandson, looks up at the heavens, and snaps, "Where's his hat?"

If you read the headlines and listen to the politicians - do they remind you of the grandmother? After three years of misery with wars, scandals and a recession, we finally had a year where GDP growth hit record highs, productivity went nearly 10%, industrial output went up and, yes, the retail sales ended much better than anticipated. And yet, by and large, we remain as focused on what this economy isn't as we are on what it is.

I think everyone understands that this is not the same world it once was. We have gone from practicing nuclear attack drills in grade school to the resignation of the idea that open societies will always be vulnerable to terrorism. Yet, it's hard to deny we live in a safer world. Terrorist acts simply don't have the same impact as a full blown nuclear war. Yes, it still creates anxiety but it's one of the things we have learned to live with.

Times change and we all must adapt. Those that do not are destined to be left behind. The same is true with the economy. We, as a nation, have to understand that this is no longer a true manufacturing economy. The Wall Street Journal says manufacturing accounts for 15% of our GDP (Gross Domestic Product) yet some people still hold on to the belief that you get a job in your mid-20s and stay with the same company until retirement. This cradle-to-grave employment is a thing of the past. We have to continually educate ourselves so we can adapt to opportunities that present themselves.

So, what can we expect to see from the stock market in 2004? There's an old saying: "A third of the people will say it's going up; a third will say down while a third will say it's going to stay the same." At least some of them will be right. Don't count on a reprise of 2003's great returns. This decade is unlikely to resemble the second half of the 1990s, when 20% to 30% yearly run-ups were the norm. What's possible for stocks of large companies is an 8% price gain, plus a 2% dividend yield, for a total return of 10%. It would put the Dow Jones industrial average close to 11,000 by the end of '04. I will still go with my prediction that the Dow will hit 11,700. It has just broken the 10,000 level, and I still believe in going with the average growth of the stock market in the 4th year of the Presidential cycle.

Before you get too excited and put everything in the stock market, I also see some problems on the horizon. Interest rates are still at 40 to 45 year lows, they can't stay there forever. If this economy keeps growing we should see higher interest rates again. This will most likely result in an increase in inflation. That could hamper the future growth of the economy.

Fortunately, we also have the ability to adapt our portfolios to meet the upcoming challenges. Remember, what worked yesterday may not work today. I will be keeping everyone informed as the year goes on.

That is all for now my friends. I hope we all experience a safe, healthy and happy 2004!

Max Larsen

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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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