

Perspectives - On Business

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Check Clearing Changes This Week

No More Float. You may have noticed that the float in your checking account has been disappearing. This Thursday, it will have virtually vanished. October 28, 2004 is the day that "Check 21" officially goes into effect. The Check Clearing for the 21st Century Act was designed to streamline the check collection system, thereby making check processing faster.

Electronic transmissions at the point of sale allow the bank to immediately withdraw the money from your account. Substitute checks created from the electronic images are legal replacements of the original check. It is believed that eliminating the paper check, and speeding processing, fraud will be reduced, and the banking system becomes more secure overall.

No more writing a check at the cleaners on your way to make a deposit at the bank. Considering that, thanks to the Patriot Act, checks in excess of \$5,000 demand extra clearing time, it would appear the float has been replaced by an anchor.

I find a certain irony in Columbus having selected October 28th as Beggars Night. May your Trick or Treats be safe, sweet and solvent.

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Future Finances' Market Update

By Max Larsen

Monday, October 25, 2004

A man hears what he wants to hear and disregards the rest.

-Paul Simon

Last week history was made. Not in the markets but in the fabled game called baseball. For the first time in baseball history, the Boston Red Sox climbed out of a 3 game deficit and won 4 games in a row, beating the much loathed New York Yankees and advancing to the World Series. Down 3 games, no other team has ever accomplished this feat in 25 Major League Baseball championship series or 73 NBA playoff series. The reason I bring this up is to remind all my readers that just about any "statistic" can turn against you.

While the Boston Red Sox were winning, the Dow and S&P 500 were knocked to the mat with some authority while the NASDAQ fought its way to a respectable

showing. We saw oil prices closing above \$55 a barrel for the first time and Elliot Spitzer hitting yet another industry. Fortunately, corporate earnings continued to shine with earnings growth at S&P 500 averaging 15.2% in the third quarter and expectations of 15.4% for the fourth quarter (FirstCall). We also saw an increase in activity in Iraq all against the backdrop of the politically charged presidential campaign, which will thankfully be over in about a week.

I want to comment today on two market issues: oil and corporate earnings. First, the price of oil is a concern. I do believe the price is inflated by a "terrorist premium" of \$8 to \$10 per barrel. But, I don't believe we will see the price drop to the \$20 to \$25 range again. There is simply too much demand and not enough new supply. The chief culprits are China and India. Their economies have been growing rapidly, and they too need and want oil and gas.

I don't think many people understand the magnitude of the problem, but I recently read where if the population of China walked past you, in single file, the line would never end because of the rate of reproduction. If the price of oil doesn't start coming down soon, we will see a slowdown in the world economy.

Secondly, corporate earnings will not continue growing at 15% per year. I looked at the last 10 years and earnings in the S&P 500 have only grown by 6.33%. 15% growth is simply not sustainable, and no one should be surprised when earnings start gravitating back to the historical averages. Unfortunately I suspect the media will see this slide as anything but normal.

Finally, I can't help but mention that last week the IRS released 2002 data on the distribution of the income tax burden. They pretty much quashed the contention that the rich are not paying their fair share and should be taxed more.

Income Group	Tax Share
Top 1%	33.7%
Top 5%	53.8%
Top 10%	65.7%
Top 25%	83.9%
Top 50%	96.5%

So, looking at these numbers the top 5% of income earners pay over one-half (53.8%) of income taxes. That is unbelievable. There's a bumper sticker circulating on the Internet: *I actually voted for John Kerry before I voted against him.* Cute.

That is all for today my friends. I still believe we will see a "relief rally" in the stock market in the fourth quarter. I make this prediction based on historical facts. But, please remember the Boston Red Sox when it comes to making predictions.

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