Horton Financial Services, LLC

Insights about financial choices

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Financial Choices ™

Lead Story: ## *Who Decides When?*

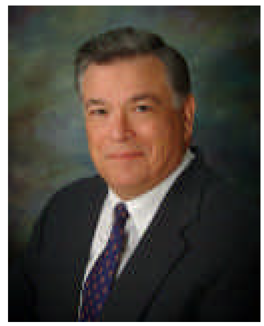
The sensational case in Florida over whether or not to pull the plug of life support for a brain-dead young woman is one of many similar stories around the Country.

The **"Living Will"** is a device that is designed for just such a controversy. It delineates your wishes in the event you are in a life support situation with no hope of recovery.

Whichever side of the issue you are on, it requires enormous compassion to support.

I held onto hope for my own father after he suffered a stroke and had severe brain damage. He lived five days. I was the last in the family to let go, and when I did, he did. That was thirty-nine years ago, and we had no knowledge of living wills. Knowing my dad, he would have wanted to pass with dignity as soon as his condition was determined. Patients all over this Country have been on life support for years.

You can decide for yourself when, and if, to terminate life support



Raymond C. Horton, Sr.

with a "Living Will". See your attorney about the "Living Will", and ask about your regular "Will" at the same time. A little planning now can save a lot of pain later, and you get to make the decisions.

Inside this issue:

"Always take hold of things by the smooth handle"... attributed to Thomas Jefferson

The Price of Down is Up

Since we, as an economy, are not too far removed from one of the worst extended periods of stock market history, we are still a little uneasy about its swings.

Veteran investors know that the swings are a natural order of things, as it goes. Minor corrections happen on an ongoing basis; larger ones a little less frequently.

Does this imply one should change strategy? Absolutely not. One's strategy should allow for, expect, and , on occasion be thankful for the market's automatic adjustments.

The market's upward movement often passes up the true value of its assets. A downswing can help place things back in a more reasonable price range.

The market was greatly overvalued in the late nineties. We saw things happening that no one understood, because of the rapid coming-of-age of the technology market, particularly the Internet.

Now, we have seen the ugly face of over-valuation, and are beginning to understand its inherent weaknesses. We want to earn all we can, but we must recognize the potential for over-valuation, which will eventually result in devaluation of our assets.

So, when the market is down a little bit, we don't have to be down also. We can be "up" when it is "down", because we know these adjustments are necessary in finding the correct values.

Points of Interest……

- **The "Living Will" may be a useful tool.**
- **A downturn in the market isn't always a bad thing...**
- **Some interesting stats.**
- **Losing money is more costly than you think...**
- **Some ideas that can help you choose...**
- **People are loosening up with their money...**
- **A clever way to fund a business buy-out...**
- **The nature of our practice is "planning".**
- **Congress did a good thing with education.**

The Dow Jones Industrial Average is very close to the 10,000 mark as we go to press. In a earlier issue, we made a disclaimed expectation that it could do so by the end of the year.

editor

Did You Know?

- That Louisiana is only 1.55% of the U. S. population?
- That Louisiana is the only Southern State losing population?
- That the numb er of persons per square mile in the U. S. is 80?
- The population of the United States is approximately 285,000,000?
- The median household income in Louisiana is 78% of the U. S. median?
- Texas median household income is about $40,000, which is 95% of the U.S.?
- The number of persons age 65 or older in the U. S. is 37 million, or about 13%?
- The District of Columbia has the highest numb er of deaths per thousand residents?
- 17% of the United States population age 5 and over have some form of a disability?
- Arkansas has the highest number of deaths per 100,000 residents from cerebrovascular diseases?
- Mississippi has the highest number of deaths per 100,000 residents from motor vehicle accidents?
- The safest State for residents to drive is Rhode Island, followed closely by Massachusetts and New Jersey?
- Arkansas is 4th highest deaths per 1,000 residents, Oklahoma 6th, Mississippi 8th, Louisiana 19th, Texas 45th?

2000 U.S. Census

Never Lose Money

One of the best axiom's about acquiring wealth is to "never lose money". As good as that sounds, it is often difficult to do on an ongoing basis.

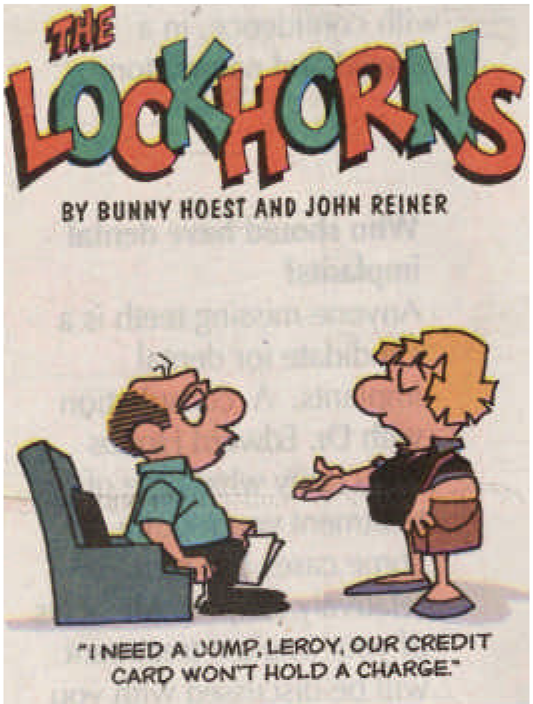
Losing money hurts even more than it appears to do on the surface. If you are in an investment that has been earning around 8% each year, and suddenly it loses 24%, how much do you have to earn the following year to get back on track?

a. 8%
b. 16%
c. 24%
e. None of the above

It would require an astounding 32% plus the time value of money for the period!

One might be better off playing it a little closer to the vest. An attempt to recoup 24% in one year is chock full of risk. At the usual earnings of 8%, one would never make up for the loss, unless you didn't count the 8% you normally gained, but you would likely be in a better position than if you had tried to make up the loss in a hurry.

A person trying to make up their losses in a hurry is much like the gambler that wants to win back his losses. The inherent difference, however, between investing and gambling is that in gambling, the money only changes hands, while investment assets typically create greater value by virtue of building and distributing widgets, or some product or service.



Hot Ideas!

- Convert taxable investment income into tax-deferred or tax-free income with either insurance annuities or municipal bonds or municipal bond mutual funds.
- Business owners may be eligible for additional disability benefits to offset the potential loss of company perks, such as cars and cell phones.
- By use of the Uniform Gift to Minors Act, investment gains in a custodial account for a child under legal age will be taxed to the child, thereby shifting the tax burden from a higher marginal bracket to a lower tax bracket, subject to specifics of the law.
- By now, everyone knows that a first or second mortgage on one's home is a good way of acquiring needed capital at generally low rates with tax deductible interest charges, subject to applicable law.
- Some "interest-only" home mortgages are available at even lower rates that let you knock down the principal as you desire.
- A friend of mine and his wife put their credit cards in a glass of water, and placed the glass in the freezer to make it a little less convenient to use to charge things they could live without.
- Fund college education with "Section 529" plans. New rules have liberalized previous restrictions. Parents can save big bucks in income tax.

CONSUMER CONFIDENCE

One of the more reliable economic indications that we as a nation are in an economic recovery is the "Consumer Confidence Index" (CCI). That figure has been rising this Fall, and has slightly passed analysts' and economists' expectations.

Consumer spending makes up about two-thirds of all economic activity, so economists watch for that closely. If you find it difficult to locate a parking space at a Wal-Mart Super Center, Sears, Home Depot, Dillard's, or other major retailers, you can bet that little index figure is inching its way up. It was 91.7 ending November, 2003, a jump of 10 points from the previous month.

Consumer confidence is contagious. If people are buying, then businesses are more inclined to acquire capital for production and expansion. If we can just get the auto industry, manufacturing, and construction on track, those would be big pluses for us.

The lowest short-term loan interest rates in forty-five years are also fueling attitudes toward economic growth. If the CCI continues to improve and interest rates remain low, there should be evidence of somewhat parallel economic growth.

I am hopeful the next five years will be an extended "window of opportunity" for us ordinary citizens to improve our lot in life in the United States. That, of course, is the optimistic view, but that is just me, and I base that upon what I see and read and analyze. Consumer confidence plays no small part.

Split Dollar Plans

Unless you are a business owner or a financial services professional, you probably are not familiar with "Split Dollar Plans".

"Split Dollar" is a method of accounting for premiums and reporting of taxes that has to do with permanent life insurance plans.

For many years, "Split Dollar" was a terrific way to acquire life insurance on a business owner that allowed one to systematically pull money from the corporate account and into the ownership of the individual through the cash values of life insurance.

The IRS has tightened up on some methods of Split Dollar, but the "collateral assignment" method still prevails, although new plans are less favorable than older ones.

These plans are often used to assist an employee, a child, or even a competitor, to acquire a cash value life insurance policy on the business owner that will eventually be used to buy out the business owner either during the life of the owner, or at his/her eventual death. The heirs get full value for the business.

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Horton Financial Services, LLC
One Texas Centre 415 Texas Av., Suite 333
Shreveport, LA 71101-3540

Phone 318-222-8600 or 888-897-8800

Fax 318-222-4023 or 888-809-2100

Meeting Financial Challenges Every Day!

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About Our Practice

For almost forty years, we have been helping people solve financial problems. The slogan of Horton Financial Services is "***Meeting Financial Challenges Every Day"***!

Our firm is paid for distributing insurance and investment products, but the nature of our business is planning, working with each client, one at a time, to help them achieve certain financial objectives.

We have never focused upon our personal income, but upon doing the right thing for the client, always considering the income a by-product of our service.

We have impacted over 2,000 lives in a positive way over the years, and continue to grow our business one client at a time, typically upon referral from existing satisfied clients and contract holders.

Our pledge to you is that we will always strive to do the right thing for you, and to merit your continued trust and confidence.

EDUCATIONAL FUNDING

Improve your child's or grandchild's mind and you improve the World. Of course, you also improve the child's chances for a good life, and we all know that in a family there is a universality or interdependence that impacts everyone in the family unit.

Congress took an old tax law, called "Section 529" or "529 Savings Plans" that was rife with inflexibility and restraints, and then gave it new life as a wonderful way to fund education on a tax-favored basis.

The "529 Plan" lets you switch taxpayers on a sum of money that you contribute for the benefit of your children, or grandchildren. It accumulates tax-deferred, and we learned long ago that whenever we can defer taxes, we probably should.

However, withdrawals that are not used to pay college expenses are subject to taxes and penalties.

Each person can gift or contribute $11,000 per year to an account set up with a wide range of investments. Further, one can bunch-up the deposits for five years, making it $55,000.Double that for a spouse and you have a $110,000 contribution.

This is obviously great for the student/child, but it is also great to reduce your current income tax, not with a deduction, but with no earnings on the account to report by the donor. It can also be beneficial as an estate planning strategy by shifting capital out of one's estate, thereby lowering the potential estate tax liability.

Congress did us a favor by lifting old restrictions and making the new plans more flexible! 529 Plans are sold with a Registration Statement, which should be read carefully before investing.

Sources include:

- Wall Street Journal
- Fox Financial News
- The Shreveport Times
- Dow Jones
- National Association of Insurance & Financial Advisors
- American Health Insurance Assn.
- The Associated Press
- Editorial knowledge