



# Horton Financial Services, LLC

Insights about financial choices

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## Financial Choices

TM

Lead Story:

### ECONOMIC COMMENTARY

According to the Commerce Department, economic growth over the past three quarters (nine months) has averaged 5.5 percent, the strongest of any nine-month period in the last twenty years. The Gross Domestic Product measures the value of all goods and services produced in the United States, and is generally considered the most important barometer by which to measure how well the economy is doing.

The economy is in what is expected by economists to be a sustainable, self-reinforcing growth pattern. The second quarter of 2004 is expected to tally in at around 4.5 percent to 5 percent growth. Analysts are expecting the last half of this year to run about 4 percent. Should these numbers hold up, 2004 should show about 4.3 percent economic growth, analysts say, which looks pretty good, not too far removed from a three-year recession.

Now is the time to invest capital for growth, and to build up capital for surplus to under gird one's continued growth in the future, whether it be personal or business. "Let's make hay while we can!"



Raymond C. Horton, Sr.

The "*Financial Choices*" bi-monthly newsletter is dedicated to the idea of making good choices, financial or otherwise, and is distributed to our firm's clients, professional peers, potential networking professionals, and potential clients to inform and to strengthen relationships, present and future.

### Price at the Pump

By the time you read this, the price of gasoline at the pump may be higher than the \$2.00 per gallon we are beginning to see. Oil producers whom I know are a little defensive about the price of oil per barrel, around \$39.00 to \$42.00, saying they don't set the price, only find the crude.

Actually, producers are pretty happy right now because of the increased demand for their product. I would be too. If my phone was ringing with persons ready to invest large sums of money, I would be inclined to be a little joyous, and I might even feel a little sorry for those who cannot afford to make investments.

Even though the price at the pump is impacting most persons' pocketbooks, it is not enough to curtail their mobility on the roads. The SUVs and other vehicles that burn lots of gas might become parked a little longer when the price reaches close to \$3.00 per gallon. For comparison, gasoline is almost \$6.00 per gallon in the United Kingdom, yet only .05 cents in Iraq.

The higher cost actually helps fuel the economy. Supply and demand are working, notwithstanding some possible manipulation of fuel costs. Our hope is that its impact upon inflation will be kept restrained to prevent escalating interest rates.

### In This Issue:

Page One:

- Economic Commentary
- *Financial Choices*
- Price at the Pump

Page Two:

- By the way
- Health Insurance Premiums
- Did You Know?
- Health Insurance Scams

Page Three:

- Hot Ideas!
- Consumers vs. Conservers
- Maximum Allowable Qualified Plan Deposits

Page Four:

- About Our Practice
- Jobs
- Lessons in Failure
- For CPAs Only
- Sources

### Points of Interest...

- The economy grows
- Gasoline at all time high
- Fund managers disclose
- Health insurance costs
- Look out for scams
- Two types of people
- Which qualified plan?
- 900,000 new jobs
- Failure and perseverance
- CPA seminars

**By the way...**

In an effort to curb abusive trading of mutual funds, the SEC ruled recently that mutual fund managers must disclose their personal trading in the funds they oversee.

The ruling came on the heels of a mandated "breakpoints" letter to clients.

## Health Insurance Premiums

While health insurance premiums are expected to rise about 10% this year, this is a smaller increase than those in recent years. The average cost of increase was 16% in the prior year.

So, what does this mean? While the increasing cost isn't good, we hope it is

beginning to show evidence of gaining some control over spiraling insurance costs. The insurance costs, however, are a reflection, in a very large part, of the cost of medical services.

Even at the lower rate of increased cost, premiums will double in seven years.

## Did You Know?

- Daughters of smoking mothers live ten years less than those of non-smoking mothers?
- Lots of people think the Federal Estate Tax has been repealed?
- More soldiers died in the Civil War than all other U.S. wars combined?
- Since 1964, more than twelve million U.S. citizens have died of smoking-related illnesses?
- The first "mutual fund" was invented by Massachusetts Financial Services in 1924?
- One of every 75 men in the United States is in prison?
- 12.7% of the U. S. population is below the poverty line?
- The CEO of Phillip Morris Co. recently announced that his Company will attempt to make safer cigarettes?
- Texas has the highest rate of childhood obesity, with African-Americans and Hispanics topping the scales?
- Proper use of seat belts reduce traffic deaths by 70%?
- Smoking causes more deaths than heroin, aids, and murders combined?
- Effective verbal communication is 70% body language, 25% tone of voice, and 5% what you say?
- An \$80,000,000 tobacco settlement for a former janitor against Phillips Morris Co. was recently upheld on appeal?

## Health Insurance Scams

They come to town with a big sounding name, perhaps one that you identify with something else big that sounds synonymous with trustworthy, with words like "Integrity", "Vanguard", "Fidelity", "Guaranty", and such.

They hire legitimate, unsuspecting insurance agents through whom they sell millions of dollars of their low-cost health insurance. In the process, they have to pay a few claims, just to continue their look of legitimacy until they reach their magic number for cash on-hand.

If your health insurance coverage seems too good to be true, you probably should examine what you think you own.

Most early, small claims are paid. Big ones are tied up in red tape as long as possible. Even some large claims might have to be paid to keep up appearances, especially if they happen prior to their milking the local market for all they can get.

Then, suddenly, the company is gone, vanished in the middle of the night. The money on-hand and in the bank is now in an overseas bank, and the bad guys are set up in a new state, in a new city, to begin the process once again.

Check your health insurance company's legitimacy with your State's Department of Insurance.

### ***Change the future tax nature of your money...***

by taking your extra savings that might be in a certificate of deposit and transferring it to an annuity. CD interest is taxed as it is earned.

In the annuity, the growth becomes tax deferred until you draw it out.\*

Going a step farther, if you put the money into a personal life insurance policy, it not only grows tax-deferred, but can be taken out

as loans with no current income tax, unless the policy lapses.

At death, the face amount of the policy is now paid free of income tax. You have changed the future tax nature of your money.

\*Penalties may apply for early distributions.

***Life Settlements***

A controversial, yet nevertheless a legal movement in selling one's life insurance policies for a reduced cash, but current payment, for those with significant illnesses, is a growing phenomenon.

For example, a company will buy your policy and sell small, blind interests in it to perhaps fifty persons in different countries. On a \$1,000,000 policy, someone with a life expectancy of less than twelve years, might get \$100,000 to \$500,000 or more, in a lump-sum payment, depending upon his/her life expectancy. The policy must be two years old or more.

***Hot Ideas !***

- Re-balance investments on a regular schedule.
- Accumulate wealth with regularly scheduled contributions.
- Participate in available qualified plans on a regular schedule.
- Always pay yourself first, then spend; never the other way.
- Utilize pre-tax dollars to pay for many personal benefits.
- Make use of "dollar cost averaging" with regular investments.
- Invest in your children, grandchildren, spouse, and yourself.
- Make a list of great books to read; then read one per month.

***Consumers vs. Conservers***

Somewhere around 90% to 95% of the people spend income, and save the remainder. The inherent problem with that behavior is that there usually is never any remainder to save. This method of financial management is doomed from the beginning.

There are always good uses for the money. The car that needs repair, or a family member's financial crisis, the alluring call of the shopping mall or discount outlet center will always be there begging for what is in your wallet.

How many can honestly say that this method works for them? It works only to consume, to drain, to deplete, and otherwise strip you of any savings and investments.

The other 5% to 10% of the people utilize the "save first and spend what is left method". This method is foolproof. It works every time, and over time one will accumulate more than he or she ever dreamed of because of the discipline of regular deposits to one's self and the build up of the accounts over time.

The discipline is the thing! If you are young, save 10%. If you are middle-aged, save 15%. If you are older, save 20% or more.

Type I spends first. Type II saves first. Type I is never rich. Type II usually becomes rich. Type I always works for Type II. Which type are you?

**Maximum Allowable Qualified Plans Deposits****As of January 01, 2004**

<b><u>Plan Type</u></b>	<b><u>Annual Contribution</u></b>	<b><u>"Catch Up" (over age 50)</u></b>	<b><u>Total</u></b>
IRA	\$3,000	\$500	\$ 3,500
SIMPLE	9,000	1,500	10,500
401(K)	13,000	3,000	16,000
Profit Sharing	41,000	- 0 -	41,000
Defined Benefit	145,201	- 0 -	145,201
412(i) D/B	339,857	339,857	339,857



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## J O B S

288,000 new jobs were reported by the Labor Department for the month of April, making up some 900,000 jobs for the year through April. The unemployment rate dropped to 5.6%, and payrolls have risen for eighteen consecutive months. By any measure, the employment picture is improving, and is growing at a pace such as we have not seen in many years.

The Republican majority in the Senate favored discontinuing unemployment benefits for another extension, while Democrats favored the six to nine billion dollar cost of continuation of benefits. Presumably, with job growth continuing to improve, displaced workers will have new opportunities for employment. Many have taken their layoff periods to re-tool for better paying jobs in expansive industries, such as construction and health care.

Since every adversity has the seed of an equivalent or greater success, many once unemployed workers will reap greater long-term benefits. Those individuals that have kept a progressive attitude through their job ordeal, those with good family support systems, and those that have prepared for the future will benefit the most.

## 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, and the benefit of our counsel, 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 3,000 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 trust and confidence.

*Raymond C. Horton, Sr.*

## Lessons of Failure

"He failed in business in '31. He was defeated for state legislator in '32. He tried another business in '33. It failed. His fiancée died in '35. He had a nervous breakdown in '36. In '43 he ran for congress and was defeated. He tried again in '48 and was defeated again. He tried running for the Senate in '55. He lost. The next year he ran for Vice President and lost. In '59 he ran for the Senate again and was defeated.

In 1860, the man who signed his name "A. Lincoln" was elected the 16th President of the United States. The difference between history's boldest accomplishments, and its most staggering failures is often, simply, the diligent will to persevere." **Keep on trying!**

## For CPAs Only

Certified Public Accountants can soon check the Continuing Professional Education credits seminar schedule provided by Horton Financial Services, LLC, by going to [www.HortonFinancial.com](http://www.HortonFinancial.com), then to the "Seminars" tab. Or, just give us a call.

Sources include:

- Wall Street Journal
- Fox Financial News
- The Shreveport Times
- Dow Jones
- National Assn of Ins. & Fin. Advisors
- American Health Insurance Assn.
- The Associated Press
- The National Underwriter
- Million Dollar Round Table
- Cable News Network
- Society Financial Services Professionals
- Reuters News Service
- Louisiana Campaign/Smoke-Free Society
- National Highway Traffic Admin.
- Editorial knowledge