



Horton Financial Services, LLC

Insights about choices
Volume 3, Issue 2
March—April 2005

Financial Choices

TM

CHINA

China is our biggest trade partner. China also represents the biggest part of our trade deficit. One can buy a less expensive version of almost anything that is made in China. The labor cost is a mere fraction of our labor cost in the United States. In the U.S. the labor unions have gotten the pay of labor, factory workers and such, to a level that brings them into the middle class. China, on the other hand, is an emerging industrial-focused economy whose labor force is a couple of centuries behind in cost of labor. And, there are hundreds of millions there either working or wanting to work. We have only seen the tip of the iceberg.

This kind of story has both good news and bad news. Anytime a country can improve its gross domestic product, or output of goods and services, it has positive effects around the world. Although it can go the other direction too. If China achieves and maintains a trade surplus, it could cause accelerated inflation in those countries with trade deficits, and massive unemployment in China, as deficit trade partners curtail their imports. Hopefully, trading nations leaders and their economists will govern trade wisely, and none of this scary story will emerge.

In the next five years, we will see a deluge of goods "Made in China". China has plans to export massive numbers of quality automobiles to the U.S. beginning in 2007. You will see entire older shopping centers and strip centers becoming "China Town" all over the U.S. There, you can buy almost anything cheaper, not necessarily better, as the quality catches up with higher cost domestic products. The dilemma for many will be whether to acquire an item of presumably less quality for a fraction of the cost one would normally expect to pay for the same item.

As Japan did over the last fifty years, the quality of merchandise went from questionable to excellent. Time moves much faster now. The quality of Chinese goods will emerge at a faster pace than did the Japanese exports that began after World War II. A true modern day pioneer would bet on the Chinese industrial revolution. One underlying challenge, however, is that China is still a Communist country. Communism, with capitalism inbreeding, will eventually fail, but it might take a century for that to happen. Some other form of government will emerge.

We will also see the Chinese overtaking the Hispanics in immigration. Millions of Chinese men will come to America for wives, where in China, females are in small supply. For many years, China had a "one child per family" rule. Females babies were customarily disposed.

If China can improve human rights, workers compensation, living and working conditions for its citizens, and not take the heavy hand with trade partners, causing economic turmoil around the globe, we should be happy with their development. It all seems like progress to me.



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.

The **American Medical Association** recommends that obese persons (30% or more body fat) take 10,000 steps per day, a simplistic, yet challenging way to lose weight. 10,000 steps is a long distance. If one mile is 5,280 feet, and a working step, not an exercising step, is about two feet or so, then 10,000 steps becomes about four miles. Few persons would actually walk four miles each day in the course of their regular activities.

Here are some ways to increase your steps:

- Park your car farther from your destination. Rather than trying to get a parking spot near the entrance of the supermarket, park a comfortable distance away. This also reduces dings to your car.
- Use the stairs instead of the elevator, both ways.
- Watch TV or read while on a home treadmill.
- Take a short walk after lunch and dinner.
- Walk the dog.

However you do it, the AMA is right on this. Walk more.

In This Issue:

Page One:

- China
- "Financial Choices"
- 10,000 Steps

Page Two:

- By The Way
- Identity Theft
- Economy
- Did You Know
- Professional Jobs Outlook
- Feedback

Page Three:

- Death or Disability
- Hot Ideas
- Medicaid Myths

Page Four:

- About Our Practice
- This 'N That
- Past Issues
- Sources

By the way...

The Nation's Supreme Court just ruled that Individual Retirement Arrangements (IRAs) are protected from claims of creditors, including the Internal Revenue Service.

This is a major event, as most retirement funds are rolled over into IRAs for distribution at retirement.

Justice Clarence Thomas wrote the ruling for the Court on this landmark decision. Congress was asleep at the wheel on this issue a few years ago.

Identity Theft

California's Identity Theft Research Center says 500,000 citizens across the U.S. may be affected by a surge of identity theft by persons setting up bogus accounts with ChoicePoint.

The personal information clearinghouse has notified 145,000 individuals that their identities have been stolen.

Economy

We are supposed to have moderate growth in the U.S. economy in 2005. Economists are now saying about 3.6%, compared to 3.9% for last year.

The average price for gasoline is now well over \$2.00 per gallon, and expected to hit \$2.35 by summer, as oil approaches \$60 per barrel.

Consumer confidence recently nudged up slightly, but lagging the high water marks of the last two years.

Did You Know?

- Cigarette smoke contains more than sixty probable and known cancer-causing chemicals.
- The leading cause of death of human cannonballs (as in the circus) is missing the net.
- The lowest employee voluntary turnover among major U.S. corporations is 2% at Harley-Davidson.
- 58% of people ages 25 to 60 say they are very concerned about having enough income if they are injured and unable to work.
- More than 50% of men surveyed had not seen a doctor in the past year...three times as many as women.
- 82% of Americans are under-insured and willing to assume the greatest portion of otherwise transferable risk.
- The top three habits to have in the workplace are punctuality, self-discipline, and civility.
- The U.S. economy last year grew at its fastest pace since 1999.
- Investors might do well to look at International investments again in 2005...they did 50% better than domestic in 2004.
- A possible new trend allows older workers to retire in steps until full retirement.
- Minneapolis, Minnesota is the number one high tech large city in the U.S.
- Louisiana has the lowest life expectancy for 2004 of all States, nudging out Mississippi's five year hold on that position.
- Internal Revenue Code Section 1031 allows property owners to exchange like-kind properties to defer capital gains tax.
- When you put "THE" and "IRS" together, it spells "THEIRS".
- The S&P 500 Index was down 2.15% the first quarter of 2005.
- The Pope's first job was as a factory worker.
- Merrill Lynch paid an \$80,000,000 fine to the Securities & Exchange Commission for aiding and abetting fraudulent financials.

The fastest-growing professional jobs in the current decade are:

1. Environmental engineers
2. Network systems and datacom analysts
3. Personal financial advisors
4. Database administrators
5. Software engineers
6. Emergency management specialists
7. Biomedical engineers
8. Public Relations specialists
9. Computer and infosystems managers
10. Compensations, benefits and job analysts
11. Systems analysts
12. Network and systems administrators
13. Training and development specialists
14. Medical scientists
15. Marketing and sales managers
16. Computer specialists
17. Media and communications specialists
18. Counselors, social workers
19. Lawyers
20. Pharmacists

If you are already in one of these occupations, good for you. If not, you can always re-tool. Lots of people are acquiring more and different education for the future.

Things I hear about the "Financial Choices" newsletter:

"As always, it is an attractive, well written piece. It is not stodgy. It is full of useful information." Peter M. Bratlie, CPA

"Thanks for keeping me on your distribution list. You produce a most interesting newsletter that I imagine your readers look forward to receiving." Don Lomax, Advanced Sales Consultant

"I really enjoyed all the interesting facts in the newsletter. I plan on sharing it with others. Also, the information on IRAs, taxes, job growth, inflation, etc. were all things that I wouldn't have known without reading it. I appreciate your sending it my way and look forward to the next issue." Steve Fulco, Bank Manager

"A good issue. It's obvious you put an awful lot of intense effort and time into this publication. Congratulations on a job well done." Joe Gilsoul, Tax Attorney with Elder Law Specialty

"I am delighted to get your newsletter. It has so many interesting things in it. Thank you so much for sending it to me. I look forward to receiving the next issue." Vicky Dodson, Admin. Exec.

Death or Disability

What used to be fatal, more often than not, now usually disables. Deaths from stroke, heart attack, and cancer have gone down dramatically, but disabilities from the same maladies have increased with equal drama.

For example, between 1987–1999, deaths from hypertension decreased by 73%. At the same time, disabilities from hypertension increased by 70%. The dreaded diseases that used to kill us, now only cripple us, but also usually play a hand in our eventual demise, albeit an extended process.

There is insurance for this that will pass along a good portion of the economic risk of a disability to the insurance company. You have to acquire it while you are healthy and working.

You might be interested to know that just about half of all home foreclosures are the result of a long-term disability of the principal breadwinner in the family.

Hot Ideas !

Seemingly small errors on tax returns can lead to unwelcome scrutiny of one's taxes. Frequent errors from year to year might cause you to be visited regularly by IRS examiners and auditors.

The "Hot Idea" is to take a little extra time to make sure that your tax information is correct. Also, if you get a letter from the IRS questioning something or requesting more information, by all means, answer it promptly. Some of the most common errors are:

- Failure to subtract the advance child tax credit payment
- Child tax credit figured incorrectly
- Incorrect amount of tax
- Dependent's last name not matching previous records
- Incorrect taxable amount of Social Security
- Earned Income credit figured wrong

10 MEDICAID MYTHS

You probably know that Medicaid will pay for your long term nursing home care if you meet certain limitations on income and assets. But, most people misunderstand the Medicaid eligibility rules. This series, "10 Medicaid Myths," discusses the most common misconceptions.

Medicaid Myth # 5

"If I buy a living trust and transfer all my assets to it I will be able to qualify for Medicaid?"

Living trusts are so misunderstood that my next "Myths" installment will be entitled "10 Living Trust Myths." Living trusts give you absolutely no protection from Medicaid or from any of your creditors. The problem with a living trust is that you have the right to withdraw the assets at any time or even revoke the trust. Medicaid will tell you to do just that, and they will be right.

After you die, your share of the living trust will become truly effective, and it may, if properly drafted, grant Medicaid protection to your surviving spouse or disabled child, but it will be of no help at all while you are alive and in need of long term nursing home care yourself.

There is an extremely useful trust that has a major place in Medicaid planning, referred to as an "income only" trust. It is not as flexible as a living trust, by design, but it works to protect your assets from Medicaid and from potential creditors that may arise in your future. (Do you drive? If so, you may have a creditor in your future if you are held to be at fault in a serious accident.)

For more details and a free booklet on Medicaid Planning in Louisiana, and/or Estate Planning in Louisiana, please call my office and ask to speak to one of my staff, or just email your request to me.

Compliments of:

**Joe Gilsoul, Attorney
Board Certified, Estate Planning and Administration
Member, National Academy of Elder Law Attorneys
Weems, Schimpf, Gilsoul, Haines & Carmouche, APLC
912 Kings Highway
Shreveport, LA 71104
318-222-2100
joe@weems-law.com**



Insights about
choices
Volume 3, Issue 2
March—April 2005

Horton Financial Services, LLC
120 North Hardwick Drive
Bossier City, LA 71111

Phone: 318-222-8600 or 888-897-8800
Fax: 318-222-4023 or 888-809-2100

Email: ray@hortonfinancial.com
rita@hortonfinancial.com
Jimbethea@hortonfinancial.com

Meeting Financial Challenges Every Day!

We are on the web. Visit us
at www.HortonFinancial.com

About Our Practice

For 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.

THIS 'N THAT

It's official! Good-looking people earn more money than others. Haven't we sort of always know this to be true, simply by observation? The subject intrigued some researchers enough to go after it and validate it. Now we know.

Now an employer doesn't have to know that he or she is using weight discrimination not to hire an applicant to be sued over it. This is a new law enacted by Congress.

A new study says absolutely that laughter provides some of the same heart-health benefits as aerobic exercise. (University of Maryland Medical Center) "A merry heart doeth good like a medicine." I bought "The Three Stooges" videos.

More than 4,000 young people ages 15 to 24 commit suicide each year in the United States. (U.S. Department of Health and Human Services) A shameful waste.

Walking, running, reading, petting an animal, and sex all lower blood pressure.

A local official was seen drinking alcohol several times during his lunch hour, and then getting into his local government owned vehicle and driving. The official quickly turned the point from drinking while on the job to driving the government car under the influence of alcohol. The council took away his car. There was no censure for drinking on the job. One councilman recommended hiring the official a driver. This is much like the fellow that read of the evils of drinking, and gave up reading.

Past Issues

Past issues of "**Financial Choices**" can be seen on our website. From the home page, go to the "Articles" tab, and from there to the "archives".

Sources include:

- Bible
- 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
- Home Health Agency
- Center for Disease Control & Prevention
- The JHA Disability Handbook
- Employee Benefit Research Institute
- Fortune
- Assn. Of Drug Abuse
- Carillon Investments, Inc.
- Advisor Today