



Horton Financial Services, LLC

Insights about choices
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Financial Choices

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2004 In Review

Several interesting things happened on the way to work in 2004, not the least of which are the following:

- The presidential election came to a conclusion with over 66% voting.
- All hell continued to break out in Iraq, mostly in Fallujah and Mosul.
- The economy was up 4.4%, the best growth in five years.
- Martha Stewart began her prison term for lying about a stock sale.
- The "Passion of the Christ" captivated moviegoers.
- Some Bush cabinet members resigned to make room for others.
- Condoleezza Rice was appointed Secretary of State.
- The dollar fell against the Eurodollar and the Yen.
- China announced plans for massive auto-making and exportation.
- North Korea hinted they could become less of a nuclear worry for the right amount of money.
- Tensions between Pakistan and India gave more cause for concern.
- The Ukraine presidential results were thrown out by the court.
- Education in the United States improved over most regions, with the greatest gains in the South.
- Violent crime was down a modest amount.
- Hurricanes killed 117 persons and did \$55 billion damage in Florida.
- Players & spectators fought during an NBA game showing their class to national TV audiences.
- George W. Bush was named Person of the Year by Time Magazine for the second time.
- Former President Bill Clinton had heart bypass surgery.
- Some mutual fund companies were sanctioned and fined by the SEC for improper trading practices with preferred clients.
- Some mutual fund companies began doing away with "B" shares, citing "not in the best interest of clients" for the back-end load.
- Jobs growth was the highest in five years.
- The price of oil hit record highs, albeit not in real adjusted dollars.
- The American Jobs Creation Act of 2004 was signed into law.
- The Working Families Tax Relief Act of 2004 also made new law.
- Scott Peterson was given the death penalty for killing his wife and unborn child in California.
- Health care costs continued to rise.
- The Federal Reserve increased interest rates five times or 1.25%.
- Iran began posturing for battle with the U.S.
- More Americans began acquiring prescription drugs from Canada.
- The "S&P 500" increased for the second straight year.



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.

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Thirteen Ways To Motivate Yourself In 2005

1. **Talk to yourself...**say positive things.
2. **Set good goals...**be realistic, but ambitious.
3. **Stay focused...**stick to your objectives.
4. **Reward yourself...**for your accomplishments.
5. **Organize your stuff...**de-clutter your environment.
6. **Make things fun...**it's just an attitude switch.
7. **Hang with positive people...**enthusiasm is contagious.
8. **Read motivating articles and books...**reinforces you.
9. **Work out...**any exercise at all helps balance you.
10. **Do it better...**Learn how to do your activities better.
11. **Use great tools...**achieve great results.
12. **Five things you are most thankful for...**memorize.
13. **Whomever you love, tell them...**frequently.

By the way...

Allowable IRA deposits jumped to \$4,000 with a \$500 "catch-up" for those over 50 years of age for 2005.

Simplified Employee Pensions and Profit Sharing contributions went to \$42,000 on 25% of income.

Simple IRAs increased to \$10,000, and 401(k) salary deferrals went up to \$14,000, plus \$4,000 "catch-up" for those over age 50.

Identity Theft

"Identify Theft" is the newest crime wave. If your wallet or credit cards are lost or stolen, cancel your credit cards right away and file a police report. In case of fraud, also call the three national credit reporting organizations immediately: Equifax - 800-525-6285, Experian (TRW) - 888-397-3742, and Trans Union - 800-680-7289, and the Social Security Administration fraud line - 800-269-0271.

JOBS

The U.S. Labor Department reported that 2,200,000 jobs were added in 2004. This compares to a net jobs reduction of 61,000 in 2003.

Jobs took a bath in the last recession. Now the gap is all but closed. Another month should do it.

The Bush Administration expects the economy to add 2.1 million jobs in 2005.

Did You Know?

- The value of lead grew at a pace of more than two times that of gold in 2004?
- The nationwide average of obesity in high school students is 10.5%, and higher than average in the south...highest in Texas?
- The price of sugar is low...the price of oil is high, based upon values in recent years.
- The S&P 500 Index grew at 10.88% during 2004?
- The maximum personal Federal Income Tax Bracket for 2005 is 35%?
- The maximum earnings subject to FICA tax for 2005 is \$90,000?
- The standard deduction for married, filing jointly for 2005 is \$10,000?
- One hundred fifty four police officers died in the line of duty in 2004 in the U.S.?
- Bee stings kill more people than snake bites?
- For the first time ever, purchases with plastic (credit/debit cards) and EFTs (electronic funds transfers) exceeds paper checks?
- Over 14% of the U.S. economy is "health care"?
- The average unisex life expectancy in the U.S. is now 77.2 years, and the longer you live, the more time the charts give you.?
- Identity theft is the fastest growing form of crime in the U.S.?
- Abraham Lincoln was the first Republican President of the United States?
- The Communist Party was dismantled in 1991?
- You can defer the taxes on exchanges of similar properties under the right circumstances?
- "You cannot direct the wind, but you can adjust the sails." Bertha Calloway

Sensationalized Articles

Sometimes there is a fine line between factual reporting and sensationalism. Some of the best known publications even have trouble distinguishing between the two. After all, they want to sell subscriptions, that in turn sells advertising which drives the bottom line.

Sensationalism enters the picture when information reported is only surface deep. A proposition or idea will be described that should be accompanied by contingencies and other qualifications for one to gain a balanced understanding of the proposition.

Someone gets enthusiastic about the proposition and buys XYZ shares or sells ABC shares, or jumps into the real estate business, or whatever the idea is without so much as having a basic understanding of what they are doing.

The pitfalls, if mentioned at all, are usually near the end of the article in brief text, as an innocuous "by the way"... "Oh, and, did I mention, this proposition is often financial suicide?" or similar such words.

And did we ever stop to realize that the "Ten Hottest This or That" already had their big run. Think a moment. It is a new list every time a list is made. "Everyone jump on the bandwagon. We have made a gazillion dollars." Buy high and sell low too often seems to be the subliminal theme of many of these sensationalized tales.

**2005 Federal Tax Rate Schedule
(Married filing jointly and qualifying widows(ers))**

Bracket levels were increased for inflation for 2005.

\$ 0—\$14,600	0 plus 10% of excess
\$14,600—\$59,400	\$1,460 plus 15% over \$14,600
\$59,000—\$119,950	\$8,180 plus 25% over \$50,400
\$119,950—\$182,800	\$23,317 + 28% over \$119,950
\$182,800—\$326,450	\$40,915 + 33% over \$182,800
Over \$326,450	\$88,320 + 35% over \$326,450

This does not include your FICA and Medicare. FICA is paid on all amounts up to \$90,000 this year. The cap on Medicare taxes was removed a couple of years ago.

In essence, if you make the same money in 2005 as you did in 2004, you get a tax cut. Trouble is, you will probably make more money with inflation.

According to the Association on Drug Abuse, here are some of the most popular addictive drugs based upon volume of use:

- **Nicotine**
- **Caffeine**
- **Alcohol**
- **Marijuana**
- **Prescription pain medications**
- **Cocaine**
- **Methamphetamine**
- **Heroin**

Only you can choose to use or abuse. A common thread among all addictions is the desire to experience pleasure. Why not try other forms of pleasure that are less dangerous?

Hot Ideas !

For anti-fraud, insurance, and estate settlement purposes...

- copy everything in your wallet, all credit cards, plus your birth certificate, social security number, and voter registration.
- take photographs of your home and all your furnishings and personal effects, plus your automobiles or other vehicles, boats, motors, etc.
- acquire a copy of all of your medical records. Your doctor will generally give these to you without charge.
- make a detailed list of all your assets with account numbers, life, health, auto, homeowner's insurance policies, and a contact list.
- include your will and any power of attorney or living will. Store all these items in a safe place and tell a trusted family member. If you use a safe deposit box at a bank, you will need to allow access by another person in the event you are incapacitated or when (not "if") you die.

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 # 4

"I can only give \$11,000 to each of my children each year."

This figure of \$11,000 per year (previously \$10,000) has nothing whatsoever to do with Medicaid. This figure represents the "annual exclusion" for federal and Louisiana gift tax purposes. You don't need to worry about it, unless you are quite wealthy, in which case you're are not likely to be interested in Medicaid planning.

In fact, you may give away much more that \$11,000 per person per year if you want to. You may run into some minor Louisiana gift tax issues, but the Louisiana gift tax is modest and a small price to pay for a good Medicaid plan. And if you are trying to plan for Medicaid and limit yourself to only \$11,000 when you would rather give away more, you are hurting yourself and need to consult an elder law attorney for advice.

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:

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Meeting Financial Challenges Every Day!

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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.

LOOKING DOWN THE ROAD OF 2005

Even with uncertainties, 2004 turned out to show optimism abounded. Those who stayed in the market have been rewarded for two consecutive years with positive returns. Events such as the Iraq War, the presidential election, and the fear of rising interest rates were overcome by the equity markets with a strong finish for the year.

Both the equity and bond markets were reassured by the Federal Reserve with slow and steady interest rates. The Federal Reserve ended the year at 2.25%. Still, long-term rates for the most part remained unchanged.

Trying to see our way into 2005, two key areas for observation will be the exchange and trading rate of the dollar against other currencies, and the widening of the trade deficit, as we continue to import more than we export. Economists are concerned that improper alignments of these critical financial elements of our economy could produce faster-paced inflation, which, of course, would likely mean higher long-term interest rates. The inflation rate for 2004 was even with the fifty-year average at 3.9%.

Many other factors enter the picture to impact the markets in 2005: the price of oil, steel and copper, the "China effect" as a rapidly emerging economic force in manufacturing and trade, and the national debt, to name a few.

2004 gives momentum to 2005, but the Tsunami in the Indian Ocean, and the Iraqi elections could present bumps in the economic road of 2005.

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:

- 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
- Center for Disease Control & Prevention
- The Philadelphia Inquirer
- Employee Benefit Research Institute
- Fortune
- Assn. Of Drug Abuse
- Carillon Investments, Inc.
- Advisor Today
- Editorial knowledge