

## Land of Opportunity

Last week we celebrated Thanksgiving, which Susan and I did with family and friends in our home on Thursday and again on Saturday at some other friends' home. A tradition in our friends' home is to read Abe Lincoln's Thanksgiving proclamation of 10/3/1863. A quick Google search will put this short proclamation at your finger tips.

With thanksgiving thoughts in mind, let's return to the topic Tasia and I sent out last month in place of an issue of Wit and Wisdom, "The Fiscal Cliff". In late October, when the item was sent out, very little was being said in the press about this looming event. Now the press is devoting a lot of attention to this issue.

### What Gives?

By now you probably know that if Congress doesn't act, tax provisions that were temporary will go away and mandatory spending cuts will occur. The good news is that these two actions will reduce the amount our government spends beyond its means. Please realize that this will not result in a balanced budget, but merely less excess spending than is occurring as you are reading this issue. The debt burden on the backs of tax payers will continue to increase even if the full impact of the cliff occurs.

The "Cliff" portion of this phrase refers to the impact this has on the economy. You see, by sending tax money to the Congress and reducing spending by the government you are removing money from the economy on both ends. By various estimates the impact would create a slightly smaller US economy in 2013, otherwise known as a recession.

### How Did We Get Here?

Fingers can be pointed every which direction. Ultimately as a people, as a nation and as a society, we have encouraged our elected officials to put laws into effect and funding mechanisms in place that have resulted in where we find ourselves today which is over \$16 trillion dollars in debt. The US Treasury issues bills, bonds and notes regularly to fund and refund the debt and the propensity of our legislators to overspend even beyond that. Only the people, institutions and countries buying our debt permit our government to continue its spending.

There is a point (just ask Greece, Spain, Italy and Ireland) where the government debt and promised spending overwhelms the economy's ability to shoulder the burden of the size of its government. Many observers have said that the US is hurdling rapidly towards that point.

### Where To From Here?

This is a very interesting question, because debt as it grows reduces flexibility. This is true for individuals, for companies, and for countries and their governments too. Economic growth with gradually reduced spending creates more tax revenue even when tax rates are held constant. This is the magic elixir that allows a country to not become a slave to its debt.

Now it becomes a bit tricky in the US. How do we raise revenues and reduce spending to the tune of over a trillion dollars per year over a period of time, while not causing harm to the economy? This is what the officials in Washington are working to hammer out.

### **What Can I Do?**

From a personal planning perspective, there are several things that Tasia and I can help you think through. Most of this boils down to securing sources of income, spending less than the after tax income you receive, thinking through possible ways to reduce unnecessary taxes, reducing the amount of debt you have, steadily and consistently saving and investing, diversifying your investments and preparing for the possibility of inflation in the years ahead.

If this seems like a lot to do by yourself, please give us a call, we're happy to help! This is still your land of opportunity to secure your future, another good reason for thanksgiving.

### **Bottom Line**

We all want a brighter future for ourselves and everyone in our country. People in Washington are engaging in constructive conversations to try to create good outcomes. It will be a struggle for them as they are beginning from a very difficult spot of very high promised spending and a level of debt that is truly staggering. What they do will impact us, but through thoughtful planning we can work to minimize that impact. We are here, in this land of opportunity, to help you do that.

### **Your Feedback**

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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