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# These Financial Times

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Unlock the truth. Please read and discover how financial common sense is lost in traditional thinking and conventional wisdom.

**PERCEPTION:**

**What You Really See and Know**  
(Continued from last week)

There are many forms of transfers, but the largest by far is taxes. The average household hands out about 50% of its earned wealth for direct and indirect taxes. For whose benefit do we labor, ours, the banks', or the government's? Financial advice created record profits for banks and record tax revenues collected by the government.

**10 Major Transfers**

Taxes

Tax Refunds

Qualified Retirement Programs

Owning a Home

Credit Cards

Financial Planning

Investments

Purchasing Cars

Life Insurance

Disability

It is no longer enough to simply invest money without understanding the unintended consequences that will confront you financially in the future.

Understanding the changes that are going to occur in the near future could dramatically affect any financial planning that you may have considered.

Today, we have uncovered some of the problems that we will have to confront in the near future. They could affect your personal finances tremendously. Given this information now could help you eliminate or reduce future financial trauma. This is not about the financial products you own; rather what you know about controlling your money. Without this knowledge, you will simply become the perfect taxpayer.

This excerpt from Leonard A. Renier's book Sudden Impact is a continuation of the article begun Wednesday, Dec. 10<sup>th</sup>, 2008.

The main focus of this article, produced by Charlie and Nancy Jackson, is to teach you how to financially prosper and thrive in these very perilous financial times. Please contact your Wealth & Wisdom Educators at JIFS Inc. 800-583-5865 in Hillsboro. You may access all previous These Financial Times at [www.bcbstexas.com](http://www.bcbstexas.com). Click on Resources.

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## **The Demon in Demographics**

In 2000 days, about two-thirds of the now-working population will be 60 years old or older. This is a certainty! Unfortunately, this leaves one-third of the now-working population to pay for all the government social programs such as Medicaid, Medicare, and Social Security increase every year. This leaves little doubt that increased taxation will be needed to maintain these programs.

Increased life expectancy of retirees also adds to the cost of these programs. According to the 2000 U.S. Census, there was a 12% increase in people 65 years of age or older during that decade from 1990 to 2000. It is estimated that by 2040, the elderly population will represent 20.7% of the total population. The largest segment of the population that grew the fastest were people between the ages of 90 and 94, which increased 44.6% since 1990. Overall, the number of people between the ages of 80 and 94 increased 25.7% since 1990. A 65-year-old woman in the U.S. as of the year 2000, could expect to live another 19.2 years and a 65-year-old man, could expect to live another 16.3 years. In 1900, the average life expectancy was 47.3 years.

This shift in the demographics creates other problems we must face. As elderly people retire, they have a tendency to shift their investments from stocks to more secure positions. Alan Greenspan addressed this issue in February, 2002. If retirees move to more secure investments, it leaves only one-third of the now-working population to buy the stocks being sold off. The problem is, when there are more stocks to sell than buyers to buy them, prices fall. Future retirement accounts could plummet again. Compounding this problem is the fact that companies rely on stock revenues for future research and development. This loss of revenue could stifle future economic growth and profits. Relying only on stocks for retirement could result in unintended consequences, caused by taxation, unstable market conditions, and the inability to maintain the value in stocks as we now know them.

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## ***The Impact of So-Called Financial Knowledge***

Even with the record number of financial professionals serving the public today, the financial well-being of the American people is on a collision course with disaster. The belief that you can borrow your way to prosperity is rampant. All the financial information given to the public over the last ten years has resulted in record amounts of personal bankruptcies. These are the same people we are relying on to fuel the government's future economy and the benefits it provides.

Right now, the public is transferring away more of its earned dollars to interest and taxes than to food, clothing, and housing. This has caused the amount of personal savings in America to almost disappear. So, the question must be asked: Has

financial planning, the way it has been sold to the public, done more harm than good?

Not only is debt strangling the American public, but the cost of living could serve as the straw that breaks the camel's back. Increases in costs and taxes have grown tremendously faster than national incomes. One may argue that we have experienced great growth in our standard of living. But this growth has been driven by record amounts of debt. These are all transfers of our wealth.

To learn how to avoid these massive financial transfers in your personal lives, read the book Unintended Consequences by Leonard A. Renier. Call us for a copy. The cost is \$11.50 which includes shipping.

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## *Man The Lifeboats*

The debt problem will continue to grow. When the government overspends, which has been going on for about 75 years, its problems are passed on to us in the form of more or higher taxes and reduced benefits. The government's solution is simple. When businesses overspend or their costs increase because of material costs, government regulation, increase in corporate taxes, labor, etc., the increases are passed on to us in the form of higher prices. Their solution is simple as well.

When families overspend or their costs increase, the solution is not so simple. The only way to absorb these increases is to reduce their standard of living, and spend less money, or go deeper into debt. This is a lose-lose situation. If they spend less, it stifles the economy. If they go deeper into debt, the debt alone will stifle growth and personal savings. A new cycle is created. The government, seeing less revenue coming in because of less spending, seeks new ways (i.e. fees, taxes, regulations) to increase its revenue flow which is, directly or indirectly, passed on to the public. All of this

creates more transfers of our wealth now, and increased transfers in the future. This is a certainty!

Along with shifting age demographics, the government itself plays a role in diminishing our future wealth. Over the last 30 years, the only thing the government has done consistently is overspend the amount of money it has taken in. The government's central focus has become collecting revenues, a/k/a/ taxes. The government is very good at it, but the financial burdens are passed on to us. We are expected to follow the 47,000 pages of tax law under the threat of penalty or imprisonment. Another problem is that, in 2,000 days, there will be fewer workers to pay for the government's increases in spending, along with the cost of social programs. This will leave an enormous cost burden for the workers to pay, along with the challenge of trying to improve their own standard of living. Diminishing benefits and increasing costs will leave no one satisfied. To survive, the government will have to raise taxes.

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