

These Financial Times

Financial common sense spoken here. This very important article, an excerpt from Leonard A. Renier's book Sudden Impact will be continued in next week's Lakelander.

Thinking the Unthinkable: Social Insecurity

"We have no positive assets in the Social Security Trust Fund." - Secretary of the Treasury, and one of the trustees, Paul O'Neill, June 19, 2001, at a luncheon speech to the Coalition for American Financial Security in the Sky Room of the World Trade Center and later to Sam Donaldson on *This Week*, Sunday, June 25, 2001.

"Government trust funds do not correspond in any meaningful way to those in the private sector. Government trust funds are simply a form of earmarking, accounting mechanisms that record tax receipts, user fees, and other credits and associated expenditures." - Barry Anderson of the Congressional Budget Office in testimony before the House Budget Committee, September, 2002.

"We are going to get no help from the so-called Social Security Trust Fund. The Fund is a collection of non-negotiable government bonds in a filing cabinet in West Virginia. Investing in Treasury certificates is a good idea unless you are the Treasury. The idea that somehow this represents anything other than records kept on money collected by Social Security taxes that had been spent on other programs in the last 20 years is a complete fraud. When the President talks about using the Trust Fund to extend the life of the Social Security program for 24 years, he is wrong. We are misleading

people into thinking that this Trust Fund has any relevance whatsoever. From an economic and a legal point of view, there is no Trust Fund." - Former Senator Phil



Nancy Jackson



Charlie Jackson

Gramm at the Economic Club of New York.

"In fact, the money the government has supposedly been putting aside from the Baby Boomers' Social Security taxes is not there. The government has been borrowing the money to pay for the budget deficit. The Social Security Trust Fund is simply IOUs from the U.S. Treasury...[Social Security] would be fine if the government would stop borrowing the money." - Newt Gingrich 4-7-95.

The third part of this three part article will appear in next week's Lakelander. The main focus of this article, produced by your Wealth & Wisdom Educators Charlie and Nancy Jackson, is to teach you how to financially prosper in these very perilous financial times. E-mail your financial questions to charlie@bcbstexas.com, or mail your questions to These Financial Times, P.O.Box 436, Hillsboro, TX 76645. You may also access all previous These Financial Times at www.bcbstexas.com. Click on Resources.

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"The Enron case made headlines because fraud and deception of such magnitude is fairly unusual in the corporate world. Washington fraud and deception of a much greater magnitude doesn't make the headlines because fraud and deception in government is standard practice...Washington politicians have for decades been doing precisely what Enron has been accused of doing—concealing debt with accounting tricks. Congressmen tell us that our Social Security taxes go into a trust fund to pay for future retirement pensions. That is a boldface lie. The Social Security trust fund has no money in it."-Walter Williams, Professor of Economics, George Mason University in an article published by the Washington Times April 17, 2002.

"It means that ordinary working Americans, like teachers, police officers, and firefighters who believe their payroll taxes are going toward their Social Security retirement are in for a surprise...Instead of going to the Social Security trust fund, their payroll contributions are being funneled directly into tax breaks for individuals and corporations"-Robert Matsui(D-CA), Chairman House Ways & Means Subcommittee on Social Security, Associated Press, March 30, 2002.

"The Social Security trust fund is what I call a fiscal oxymoron. It shouldn't be trusted and it's not funded. And whether you have one or not, you still have to go out and do the same three things. You either have to try to borrow the money or you're going to increase taxes or you are going to cut the benefits. We've spent the money in the trust fund. We may have told the American people that we were setting it aside in a quote 'trust fund'. We spent it on other subjects. Shock of all shocks."-Pete Peterson, head

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"The biggest lie that is being told in this whole thing—and it is a lie—is

that there is plenty of money in the Social Security Trust Fund to carry this thing through 2050. It's a lie. There is no money in the trust fund."-Representative E. Clay Shaw, Jr. (R-FL)House Ways and Means Subcommittee on Social Security interviewed by Doug Lyons for the Sun Sentinel, February 13, 2005.

It seems that the politicians are playing Russian roulette with our future. The demographic changes in the next 3000 days will greatly increase the number of people in the Social Security program. This is compounded by the fact that people in the Social Security program are living much longer. Also, the government has promised cost of living increases in these benefits every year. No matter what political spin you put on Social Security, if you use logic to try to sustain the unsustainable, the outlook is bleak. We are now forced to think the unthinkable.

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At War With The Future

Once again, knowing what and when events are going to take place in the near future and how it will impact your life is essential. When it comes to your finances, having this type of information is critical. According to David Walker, former Comptroller General of the United States and former head of the Government Accountability Office (GAO), to balance the budget by 2014, taxes on corporate and individual incomes would have to increase by 38%. If taxes are not increased, then Social Security and Medicare would have to be cut by 55%. The demographic shifts that ARE going to take place WILL deteriorate the situation even more. Walker states that if nothing is done by 2030, payroll taxes will have to increase by 100% and income taxes by 50%. At that point, if taxes are not increased by those amounts, then Social Security, Medicare, and all non-defense spending would have to be cut in half. In addition, our projected budget deficits are not manageable without significant changes in the status quo programs, policies, processes, and operations... We cannot simply grow our way out of this problem."

The reason I point this out is that the wisdom of saving money now and deferring the taxes on that money to a later date may cause you great financial harm. The U.S. Treasury Financial Report reported in the fiscal year 2004 the

spending shortages in Social Security and Medicare were eight times the total amount of government spending in fiscal year 2002. That comes to about \$200,000.00 for every household in the United States. That amount of money is about double the value of all the stocks, bonds, and mutual funds that all Americans now own.

In 1999, I made a decision to become an educational force to make the public aware of the demographic changes and their effect on the economy. I've been traveling across the country for the past 5 years telling people about the oncoming storm, pointing out the obvious...the changing demographics, increasing government spending, the impending Social Security and Medicare crises, exuberant consumer spending due to the housing bubble, the growing debt and billowing credit expansion in the U.S. As a result of my travels, I met many professionals from across the country who are deeply concerned about the direction we are headed and the impact it will have on everyone's financial future.

It appears now that the knowledge is spreading, that society is finally looking at the horizon with concern.

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At War With the Future

This is the second installment in a three part series begun in last week's Lakelander.

"We face a demographic tsunami that will never recede," David Walker tells a group of reporters. He runs through a long list of fiscal challenges, led by the imminent retirement of the baby boomers, whose Medicare and Social Security benefits will swamp the federal budget in coming decades. Sadly, it's no laughing matter. To hear Walker, the nation's former top auditor, tell it, the United States can be likened to Rome before the fall of the empire. Its financial condition is "worse than advertised," he says. "It has a broken business model. It faces deficits in its budget, its balance of payments, its savings—and its leadership."

Walker is not the only one saying it. As Congress and the White House struggle to trim up to \$50 billion from the federal budget over five years—just 3% of the \$1.6 trillion in deficits projected for that period—budget experts say the nation could soon face its worst fiscal crisis since at least 1983, when Social Security bordered on bankruptcy.

Without major spending cuts, tax increases, or both, the national debt will grow more than \$3 trillion through 2010, to \$11.2 trillion—nearly \$38,000 for every man, woman, and child. The interest alone would cost \$561 billion in 2010, the same as the Pentagon.

Douglas Holtz-Eakin, director of the non-partisan Congressional Budget Office, dispassionately arms

members of Congress with his agency's stark projections. Barring action, he admits to being "terrified" about the budget deficit in coming decades. That's when an aging population, health care inflation, and advanced medical technology will create a perfect storm of spiraling health costs.

Maya MacGuineas, president to the bipartisan Committee for a Responsible Federal Budget, sees a future of unfunded promises, trade imbalances, too few workers, and too many retirees. She envisions a stock market dive, lost assets, and a lower standard of living.

Kent Conrad, a Democratic senator from North Dakota, points to the nation's \$7.9 trillion debt, rising by about \$600 billion a year. That, he notes, is before the baby boom retires. "We're not preparing for what we all know is to come," he says. "We're all sleepwalking through this period."

"Prescription drug coverage under Medicare took effect Jan. 1, 2005. Its projected cost, advertised at \$400 billion over 10 years when it passed in 2003, has risen to at least \$720 billion. "We couldn't afford it," Walker says of the new law.

We urge you to go to www.freeourhealthcarenow.com and sign the petition to stop government-run Obama healthcare today! This will be the final blow that will make Rome(the U.S.) fall.

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