

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

As we finish 2010, and look towards 2011, the economic signs are mixed. Europe is struggling under a mountain of debt, China is concerned with increasing inflation, and at home we have conflicting signs of a tentative recovery. Housing seems to be stumbling as the comparisons with last year's stimulus, (First Time home buyers credit) fade. Unemployment stays stubbornly high, but there are signs banks are starting to look at loans again. A lot of damage has been done to the underlying economy that will take a long time to recover and heal. Consumers have to start spending again – as they account for 70% of the US GDP. The US Dollar will continue to be volatile and oil prices will go higher. As China's demand for energy increases, and the global economy improves, pressure on oil supplies will increase, putting additional upward momentum on oil prices. Average pump prices of \$3.25 a gallon may be a fond, distant memory by the end of 2011. The trend to deleverage will continue in 2011 and may speak to a long term change in financial behavior as investors and businesses shy away from debt, and leverage to fund growth, that could bode ill for a fast, robust recovery.

Finance and Taxes

Congress kicked the can down the road in the final days of the legislature, by adding an additional \$1 Trillion dollars to the debt, they bought 2 years to come to some agreement on where tax Policy is going. The US debt continues to spiral upwards unabated, it is not sustainable at these levels. While putting more cash in employees pay checks next week, the decision to lower the employees FICA contributions from 6.2% to 4.2% will only continue to undermine the entire social security system. At some point all the borrowings Treasury has taken from the Trust Fund, have to be repaid as starting next year 10,000 baby boomers a DAY retire.

Basically tax returns will remain the same for 2011 and 2012 as they are for 2010. The tax breaks and deductions you had in prior years will continue into 2011. What happens after that? 2012 is a major election and Congress is

going to have to make tough budget choices leading up to an election. One has to ask where the spending cuts are and why we continue to run up huge budget deficits. More worrying even than the Federal Budget are the State, Municipal, County and City positions. Given huge unfunded pension and benefit liabilities – only massive tax increases or cuts in services are going to get the local government taxes fiscal house in order. What it means is that you will have to be vigilant about property tax valuations, ensure that you appeal any valuations that are high, or out of proportion with the current environment. Even reductions in value, can still result in higher local taxes as the “millage rate” is raised by County Treasurers to balance their books. An initial check with www.zillow.com will confirm if your house value is in the ballpark. If it is not, follow the procedures to file an appeal with the county.

Technology

BACK UP YOUR DATA Why: Because photos are not the only important things on your computer. With online backup services, you do not have to buy any equipment; you just install software, which sits on secure servers and runs in the background, regularly updating a mirror image of all your files while you spend time on more important things, like confirming that Ben Gazzara really was the bad guy in “Road House” ([he was](#)). How: sosbackup.com. Pay \$80 a year. Install the software. Sleep easy. If not this, use SOMETHING, even backing up to portable drives

SET UP A FREE FILE-SHARING SERVICE Why: Because while e-mailing yourself files is a perfectly decent workaround, there are easier, more elegant ways to move files around — and they do not cost anything, either. How: dropbox.com, set up a free account. You will then get an icon that sits on your desktop. Drag and drop files onto that icon, and they are immediately copied to the cloud. The free account gives you up to two gigabytes of disk space; 50- and 100-gigabyte are also available, but they cost \$10 or \$20 a month.

www.carr.co.nz/stats

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,421.40	\$1,421.40	\$1,421.40	\$1,600.00
Oil	\$91.38	\$91.38	\$93.00	\$120.00
Dow Jones	11,577.51	11,577.51	11,500.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.80 %	9.80 %	9.60 %	9.50 %