

# Carr Talks

## TAXLOGIC



### WEEKLY SUMMARY

There was not a lot of economic information this week, except for two pieces of information that will have long term impact on the entire economy.

Firstly, on Friday the Trustees of the Social Security and Medicare programs made their annual report. Their report made sobering reading, the Medicare trust fund will probably be exhausted in 2024 – 5 years earlier than previously estimated. Likewise, the Social Security depletion date was moved up to 2036 from 2037. The revisions are partly due to a moribund recovery that sees fewer people paying into the system as unemployment has remained stubbornly high, but it also has to do with increased longevity. In 2010 it was expected that men who turned 65 in 2010 would live on average for 18.1 years, now it is 18.6 years. Women are expected to live 20.7 years vs. 20.4. These additional years put more strain on a system that is funded on a “pay as you go system” with an aging population and fewer people paying in – can you say “Ponzi Scheme”?

Second, the US technically hits its debt ceiling limit on Monday 16<sup>th</sup> May 2011. The Treasury secretary can use smoke and mirrors and delay the default date to August 2<sup>nd</sup> 2011. With politics playing a more significant role this year, look for a resolution to come down to the wire.

## Can you turn \$10,000 to \$100,000 in 2 years?

A lot of investors treat the stock market as a lottery and are looking for that big “hit”. The reality is that while possible, like the lottery these kind of outsized returns are rare.

For a \$10,000 investment to turn into \$100,000 over a five year period, only 4 stocks make the cut.

For a \$10,000 investment to turn into a \$100,000 one, you would need a total 900% return, or 216% a year on average. That’s a whopping return that is so far from the norm, it’s not even realistic. Large U.S. stocks, on average, have returned 9.5% a year, which would only be enough to turn a \$10,000 investment into \$11,990 in two years.

It turns out that 11 stocks in the S&P 1500 index would have gained enough to turn \$10,000 investment into \$100,000 during the two years between Feb. 28, 2009 and Feb. 28, 2011, according to a USATODAY.com analysis of data from S&P’s Capital IQ.

You’re probably wondering why you could have scored a 900% return on 11 stocks in two years, but only four stocks posted those returns in five years. It’s all about timing.

Remember that in Feb. 2009, many stocks were severely depressed. Whole companies and even industries were feared to be circling in a death spiral. Many companies, if they could borrow, faced onerous terms and high interest rates. It was a dark time for companies.

But as investors learn, it’s during these dark times for companies that huge money can be made by those brave enough to step up and buy. The fact that shares of many companies were beaten down badly in 2009 is the reason why 11 companies

turned in such stellar returns.

The 11 stocks that would have turned your \$10,000 into \$100,000 in two years were:

- Cros ([CROX](#)), up 1347%
- Gulfport Energy ([GPOR](#)), up 1,227%
- ION Geophysical ([IO](#)), up 1,098%
- [Ruby Tuesday \(RT\)](#), up 1,072%
- Buckeye Technologies ([BKI](#)), up 1,059%
- KapStone Paper and Packaging ([KS](#)), up 1,036%
- SFN Group ([SFN](#)), up 1,024%
- Veeco Instruments ([VECO](#)), up 1,017%
- [La-Z-Boy \(LZB\)](#), up 1,016%
- Genworth ([GNW](#)), up 993%
- Sonic Automotive ([SAH](#)), up 906%

A number of things about investing should be gleaned from this analysis.

First, in the paraphrased words of famous investor [Warren Buffett](#), the time to get greedy and buy stocks is when other investors are terrified. And certainly, those that did get some of the biggest returns of their life.

Second out of the 1,500 shares in the S&P, remember that only 11 made these outsized returns, that is 0.7% of the total or in other words one out of 136 stocks. What are the odds of you choosing these exact stocks?

In Vegas you can double your money on red or black (with 0 and double 00 making the house odds). So, rather than take a “crap shoot” approach, where you are trying to “time” your investment, research shows that the constant investing over long periods of time generate higher investment returns than trying to pick specific points in time. Dollar cost average investing on a regular basis with a diversified portfolio achieves higher returns over time.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,495.20	\$1,494.20	\$1,500.00	\$1,600.00
Oil	\$98.06	\$99.34	\$100.00	\$120.00
Dow Jones	12,638.74	12,595.75	12,600.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	8.80 %	9.00 %	9.00 %	9.50 %



## Services that we provide:

- Tax preparation, individuals, corporations, LLC's, partnerships, overseas residents, non resident aliens, prior year returns
- Annual minutes for your company
- Ability to use Quickbooks and Quicken files, Online Quickbooks
- Certified Quickbooks Pro Advisor
- Monthly accounting – we will prepare your financial statements, bank reconciliations and depreciation calculations
- Payroll preparation and filing – we offer turnkey payroll solutions
- Human Resource Management – we can prepare an employee handbook for your particular situation
- Entity selection and compliance with various State and Federal regulations
- Efficient tax strategies – we can **recommend** the most appropriate strategy for your particular situation
- Financial planning - we can give you appropriate financial planning and budgeting information
- Forensic accounting – we can investigate “white collar” crime committed against you, or your business
- Valuation services – we can assist with the valuation of your business and investment assets for specific applications, estate planning, divorce, buy and sell agreements

## New for 2010 tax year in 2011:

- You will be able to check on the status of your refunds [www.irs.gov](http://www.irs.gov)
- We will store your source documents online in a PDF file format for easy access in future years
- Electronic filing of Sub S and C Corporations and Partnerships
- We will be able to file multiple state returns this year – in the past we were limited to the number of state returns we could file for you
- Medical records – we are giving you the opportunity to have all your medical records in one secure location – [www.allmymedicalrecords.com](http://www.allmymedicalrecords.com)
- Charitable donations. Maintain your charitable deductions during the year at [www.allmydeductions.com](http://www.allmydeductions.com). In that way whether you use cash, credit card, debit card, checks, or donation of clothes etc you won't miss any deductions. Use our convenient list of accepted valuations to value your donated goods to Goodwill, Salvation Army, church, etc
- Entity selection – we have extensive information on company formation, whether it be an LLC, S Corporations, or C Corporations. Once you are incorporated we will walk you through the setup process
- Federal Identification applications – we can file and receive federal identification numbers – all on line for your convenience
- On line legal forms – we have the ability to prepare basic legal forms online
- Payroll preparation – we offer a comprehensive, competitively priced online payroll preparation service



## Payroll Processing Services

### You provide:

- Hours worked and employment information and forms for the staff. You can email, (Karen@psspaysroll.com) fax (580) 286 5818 or call toll free (800) 937 8868 to give us this information

### We will provide the following services:

- No long term contract
- Payroll preparation for your employees and direct deposit of payroll checks and ACH transfer of payroll amount
- Payroll calculation within 24 hours
- Compliance with all government and state withholdings requirements
- Detailed invoice for all payroll related costs

### Each Pay Period you will get:

- Payroll stubs for employees
- Management report detailing cost breakdown but only one amount to pay for all federal and state taxes
- Direct deposit of net payroll

### Each Quarter

- We will file all required state and federal quarterly reports

### What we need to get started:

- W4's for each employee
- I-9's for each employee
- Direct deposit information for the employees
- Bank details for the company's payroll account
- Your Federal ID number for the business