

Robert G. Elliott's

FINANCIAL NEWS

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Making Sense of the Federal Deficit

The federal deficit is often confused with federal debt, though the two are closely intertwined and impact the US economy in several ways. A federal deficit is simply defined as the shortfall that remains when the government's expenditures exceed its revenue.

Imagine if, at the end of this month, your bills exceed your deposits. You might dip into your savings, apply the deficit to a credit card, or borrow money from a friend, family member, or lender. Essentially, this is no different than how Congress manages the federal deficit, except at the federal level, borrowing money means selling Treasury securities to the public. These owed funds become part of the national debt.

So who decides what is spent and what is collected as revenue? Each year, the annual federal budget is established by the president, who submits a budget request each February for the upcoming fiscal year (beginning October 1) after consulting with federal agencies and the president's Office of Management and Budget.

The federal government has consecutively reported a deficit since 2002. Last year alone, the Congressional Budget Office reported a deficit of \$779 billion, putting the national debt at over \$21 trillion at the fiscal end of 2018. Compared to recent years, this deficit was relatively low: in



(Allie, Bob, & Sarah)

2009, Congress reported a record-setting \$1.41 trillion deficit, and over a trillion dollars each year thereafter until 2013.

Deficits and national debt should really be analyzed alongside the gross domestic product (GDP), taking the true size of our economy into context. The GDP is the total value of final goods and services produced within a country, generally measured on an annual basis. If our GDP is growing at a higher rate than our national debt, there may be little cause for concern. The relationship between the two is measured by the ratio of national debt (in currency such as dollars) to the GDP. The debt-to-GDP ratio is a commonly used measure of a country's financial health, and the lower this ratio's percentage, the better. Countries wishing to join the European Union, for example, had to have a ratio under 60%. The US Bureau of Public Debt reported a debt-to-GDP ratio of 105% in 2017, though this is still much lower than the highest reported US debt ratio of 122% in 1946.

How Does the National Debt Impact Individuals? High national debt can have several negative impacts on the economy, including the following:

Lower wages. Investing in government debt translates to money not

being invested in companies, which can lead to stumped economic growth and wages.

Higher interest rates. With each new deficit, the government needs to sell more Treasury securities to finance the debt. In order to make these securities more attractive to foreign investors, banks, and the general public, the government will often increase interest rates.

Standard of living inequality for future generations. Lower wages, slower job growth, and higher interest rates all spell hardship for upcoming generations who may have to survive on less or prolong retirement dates.

Looming crises. If deficits and national debt growth go unchecked, US debt investors could very well demand higher returns, ultimately leading to an unprecedented financial crisis.

Ironically, many people pay more attention to the federal budget and national debt than they do their own personal finances. When scrutinizing deficits and debt at an individual level, it's important to understand that managing personal debt, coupled with a sound savings and investment plan, should be your highest priority. Please call to discuss your individual financial health.

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Preventing Identity Theft

It's a common assumption that most identity thefts occur as a result of Internet usage. But online problems typically result from the user's carelessness – responding to an email message asking for financial information or clicking on links in an email message. A far greater percentage of identity thefts occur as a result of a lost wallet or stolen mail.

Armed with your name, Social Security number, and birthdate, thieves can obtain credit cards, get loans, purchase a car, or apply for a job in your name. This information can be obtained from a variety of places. Many people get checks printed with their Social Security number, driver's license number, and birthday. Mail theft frequently results in something with a Social Security number. Calls to credit bureaus, posing as prospective landlords, employers, or lenders, often yield information. Computer-literate thieves can find many ways to garner information over the Internet.

While you typically aren't responsible for anything charged by an identity thief, you will have to work to restore your credit and close all fraudulent accounts. That can be time-consuming and expensive. If you are a victim of identity theft, inform the three major credit bureaus so a fraud alert can be placed on your account. That way, no new credit will be issued without first contacting you. Also file a police report in case a credit wants proof of the crime. Make sure to report the theft on the Federal Trade Commission's website at ftc.gov/idtheft, which advises many companies and organizations about the theft, and includes pertinent forms.

To help prevent your identity from being stolen, follow these tips:

Protect your Social Security number. This is the primary piece of information needed to steal your identity, so only give it out in situations where it is absolutely required, such as on tax forms, employment records, and for banking, stock, and property transactions. Request a personal identification number for phone access to financial information. Don't print your Social Security number on your checks.

Only carry essential items in your wallet or purse. Don't keep anything showing your Social Security number in your wallet. Memorize your Social Security number, so you don't have to carry your card. Don't keep any passwords in your wallet. Thieves can obtain a great deal of information from checks, so consider not carrying them with you.

Check your credit report annually. All consumers are entitled to one free credit report per year, which can be requested at annualcreditreport.com. Review your credit reports carefully for errors at least annually. It is not uncommon to find information on people with similar names or other family members in a credit file. Make sure you are aware of all accounts listed and that balances are for expected amounts. Check for unfamiliar addresses and inquiries about

loans you never applied for. If you find errors, report them immediately in writing. The credit bureau must then investigate the items and resolve those that can't be verified.

Carefully share information online. Never reply to an email message asking for personal financial information. Reputable companies will not request sensitive financial information in this manner. Before giving personal information, review the site's privacy policy, which should tell you how the information will be used and whether the site sells information to third parties. Leave information blank, especially Social Security numbers, if you are uncomfortable providing data.

Shred financial information when discarding. When discarding old tax returns, bank statements, brokerage statements, canceled checks, charge card statements, or any information with account numbers or identifying information, shred the information first. You may also want to shred credit card solicitations so someone doesn't use it without your knowledge.

Remove yourself from mailing lists. Preapproved credit card offers are an easy way for thieves to get credit cards quickly. Credit bureaus often sell lists to companies making these offers. Call the credit agencies and request the removal of your name from these lists.

Personal Note

It is hard for me to believe, but my oldest daughter, Sarah, has been working with me for over a year. As you may know, she joined my practice in July of 2018 and has passed her Series 7 and Series 66 exams, earned her Life Insurance license, and is currently working her way to becoming a Certified Financial Planner (CFP). She has completed the first 4 modules in record time and should be finished with the entire program in

less than two years. Sarah has been a great addition to our team and I'm very, very glad she decided to work with us!

Sarah's younger sister, Tate, is working towards her undergraduate degree in business at SMU in Dallas, Texas. She will be a junior this fall and is currently interning in Dublin, Ireland over the summer at a marketing company. From what I've heard, she is

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doing a great job and has been invited to participate in client meetings and presentations. My wife, Cassie, and I are proud of both girls and their accomplishments. Hopefully Tate will soon join her sister in the “real world” and use her skills to secure a job that allows her to move off my payroll onto someone else’s!

It is also hard for me to believe that this year will be the 50th anniversary of mankind’s first landing on the Moon. While reading about this historic occasion, I came upon an interesting piece of “alternate history.”

IN EVENT OF MOON DISASTER:

Fate has ordained that the men who went to the moon to explore in peace will stay on the moon to rest in peace. These brave men, Neil Armstrong and Edwin Aldrin, know that there is no hope for their recovery. But they also know that there is hope for mankind in their sacrifice. These two men are laying down their lives in mankind's most noble goal: the search for truth and understanding.

They will be mourned by their families and friends; they will be mourned by the nation; they will be mourned by the people of the world; they will be mourned by a Mother Earth that dared send two of her sons into the unknown. In their exploration, they stirred the people of the world to feel

as one; in their sacrifice, they bind more tightly the brotherhood of man.

In ancient days, men looked at the stars and saw their heroes in the constellations. In modern times, we do much the same, but our heroes are epic men of flesh and blood. Others will follow, and surely find their way home. Man's search will not be denied. But these men were the first, and they will remain the foremost in our hearts.

For every human being who looks up at the moon in the nights to come will know that there is some corner of another world that is forever mankind. I

This was the speech President Nixon *would* have read on July 20, 1969, if the astronauts of Apollo 11 found themselves stranded on the Moon, unable to return home. It seems incredible to think about now, but there was a real danger of such a catastrophe. Despite all the training the astronauts went through, despite the thousands of experts who worked on the spacecraft, what Neil Armstrong and Buzz Aldrin were trying to do that summer afternoon was the very definition of *unprecedented*. Nothing like it had ever been tried in the history of the world. Disaster could strike at any moment.

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Municipal Bonds

We offer the following bonds subject to prior sale or change in price as of 7/22/2019.

| Ref No | Issuer | Maturity Date | Coupon | Yield to Maturity | Yield to Call | Call Date | Rating | Price |
|--------|--------------------------------|---------------|--------|-------------------|---------------|-----------|---------|---------|
| 1 | Tennessee HSG DEV AGY RSDL | 07/01/40 | 3.450 | 3.214 | 2.911 | 07/01/27 | Aa1/AA+ | 103.579 |
| 2 | Springfield TN | 06/01/37 | 3.450 | 3.018 | 2.747 | 06/01/28 | Aa3 | 104.903 |
| 3 | Kingsport TN | 03/01/35 | 3.000 | 2.812 | 2.609 | 03/01/26 | Aa2/AA3 | 102.355 |
| 4 | Williamson Cnty TN Ser A | 04/01/32 | 3.375 | 2.818 | 2.263 | 04/01/25 | Aaa | 105.899 |
| 5 | Met Gov't Nashville & Davidson | 01/01/29 | 2.500 | 1.962 | 1.790 | 07/01/26 | Aa2 | 104.611 |

Callable at 100% beginning of the call date above and every call date thereafter with 30 days notice.

In addition to the bonds listed, we have several other corporate bonds available. If you are looking for a specific bond or maturity, please feel free to contact me with your requests.

We are also interested in buying corporate bonds. If you have bonds for sale, please call me for a bid and details on how you can convert your present bonds to cash or alternative investments.

Finally, new bonds are coming to market every day. If you give me a call, I will be more than happy to go over current market offerings and conditions with you.

Although the information and statistics are not guaranteed, they have been obtained from reliable sources and are believed to be accurate. All put/call information may not be displayed and Wiley Bros.-Aintree Capital assumes no responsibility for such undisclosed features or omissions. All are subject to market conditions and/or prior sale.

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At several points, it almost did. As Armstrong piloted the Lunar Module, known as *Eagle*, he soon realized they were miles away from the correct landing spot. Then, the computer began to sound multiple alarms, causing doubt as to whether it was safe to land at all. To make matters worse, when Armstrong looked out the window, he saw nothing but boulders and craters, none of which were safe to land on.

A mere 100 feet from the ground, with only 90 seconds of propellant left, Armstrong finally found a safe landing site. But as the *Eagle* made first contact with the Moon's surface, the astronaut made a potentially fatal mistake – he forgot to shutdown the engines! Fortunately, the craft did *not* explode as some NASA engineers had feared, and when all four of the *Eagle's* footpads made touchdown a few seconds later, Armstrong was able to shut off the engines without incident.

I've been thinking about how the world would be different if Nixon had been forced to give that speech. If we never heard the words, "One small step for [a] man, one giant leap for all mankind." If the astronauts never made it back home. If, every night when we look up into the sky, we knew we were staring at a pale graveyard.

How would the world be different if we never went to the moon? For one thing, we know that much of the technology we take for granted today was pioneered by the Apollo program, from running shoes to computer chips, from cordless tools to CAT scans.² We also know that the moon race inspired more Americans to study physics and other sciences.

But the moon landing did more than that. Fifty years later, it still serves as the ultimate example of how anything is possible when people work together.

On their return home, Armstrong, Aldrin, and Command Module pilot Michael Collins made a television broadcast. Instead of boasting about what they had done, or regaling the audience with tales of the moon, each took the opportunity to give thanks to

the thousands of minds and hands who made the mission possible.

Here's what Collins said:

"All this is possible only through the blood, sweat, and tears of a number of people. All you see is the three of us, but beneath the surface are thousands and thousands of others, and to all of those, I would like to say, 'Thank you very much.'"

Here's what Armstrong said:

The responsibility for this flight lies first with history and with the giants of science who have preceded this effort...and then, with the agency and industry teams that built our spacecraft...and the spacesuit and backpack that was our small spacecraft on the lunar surface. We would like to give special thanks to all those Americans who...did the construction, design, the tests, and put their hearts and all their abilities into those craft. To those people tonight, we give a special thank you."

As a financial advisor, my job is to help people accomplish their dreams. One thing I've learned is that no goal is accomplished without the sweat and sacrifice of multiple people. Our family, friends, advisors, neighbors, coworkers – they all play a role. Even goals that seem unattainable – as the Moon surely once did – can be reached when we all work together.

That, to me, is the greatest legacy of Apollo 11. So, as we approach this 50th anniversary of the first Moon landing, I hope we can all draw inspiration from mankind's greatest leap. The men and women of Apollo brought our satellite a little closer on July 20, 1969 – and if we follow their example, we can bring our own dreams closer, too.

¹ "In Event of Moon Disaster," *Letters of Note*, <http://www.lettersofnote.com/2010/11/in-event-of-moon-disaster.html>

² Kellen Perry, "How the Moon Landing Directly Shaped the Way We Live Now," *Ranker*, <https://www.ranker.com/list/how-the-moon-landing-changed-history/kellen-perry>



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