

Minimum Wage: Why do we hurt the ones we love?

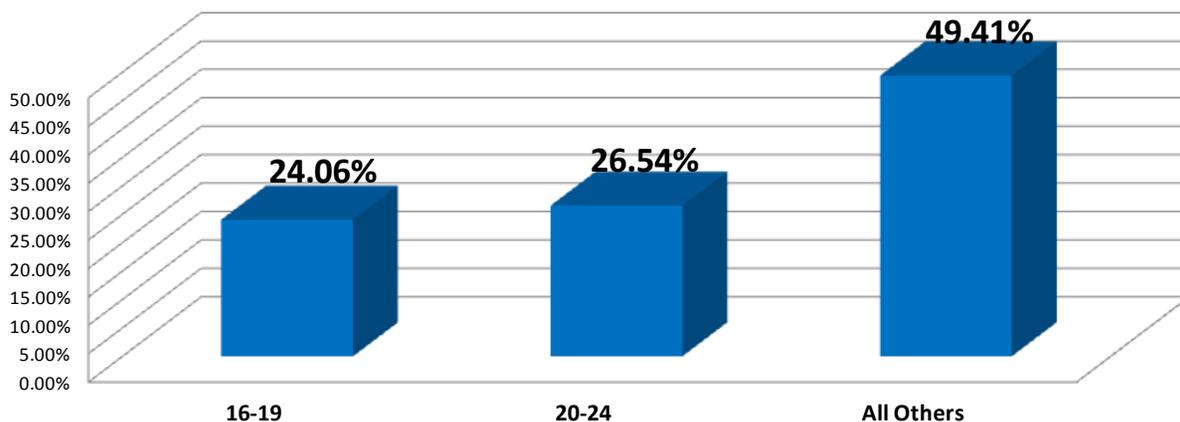
By: Joe Thomas

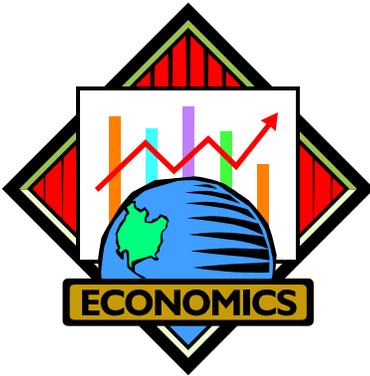
In February the Congressional Budget Office issued its report on the effects of raising the minimum wage, which has been a hotly debated topic this year and will likely continue to be discussed. The CBO indicated that the most likely scenario under a \$10.10 minimum wage is 2016 is a loss of 500,000 jobs, a slight increase in real income for people making less than six times the poverty limit in 2016, and a decrease for those making six times more than the poverty limit (which they estimated to be \$120,000 for a family of three and \$150,000 for a family of four). The report would be consistent with most research on the subject over the past thirty years which is minimum wage decreases employment and this decrease especially hurts the group it is intended to help. The majority of low income workers will earn more but more of them will be unemployed as employers look to offset the costs of increased pay per employee. What is generally overlooked and only briefly discussed in the CBO report is the group who is most affected some of those who do not even have a voice in the government, the youth (classified as persons under the age of 25). The CBO estimated, using historical economic and employment data, that the elasticity of employment for teenagers under the \$10.10 scenario is -0.10, meaning for every 10% increase in the minimum wage employment for teens would decrease one percent. What is important about that is unemployment for this group is already in the mid-twenties and the rate of change under the proposal is 39.3%, using those estimates the group could see unemployment near 30%.

If the minimum wage is increased to \$10.10 in 2016, parents should expect to plan accordingly. Those part-time or even full-time jobs for college or high-school students will likely be reduced and more than likely go to a more qualified older candidate who is happy to work for \$10.10, as opposed to \$7.25. Middle and low income families with high school or college students will be footing more of the bill for housing and general living expenses, money that could have been earned by the students. Parents should also expect to have their kids living with them for much longer, as has been the trend with the most recent generations.

In the 2012 election President Obama received his highest percentage per age group voting wise from 18-29 year olds, which voted 60% in favor of the President versus 37% for Mitt Romney. It is unfortunate that this group who provided the most support will be the ones hurt most by this new proposal. While the proposal has a long way to go the negative consequences of such a large hike in the minimum wage will most likely cause lower employment for those earning minimum wage, higher prices for everyone, and lower incomes for middle class America all of which could have an impact on the overall health of the economy.

Percentage of Employees Earning Minimum Wage by Age





Quarterly Economic Perspective

U.S. economic growth slowed in the fourth quarter of 2013, according to the Bureau of Economic Analysis. The 2.6% annualized increase in Q4 gross domestic product was lower than Q3's 4.1% gain. That helped cut inflation-adjusted GDP for all of 2013 to 1.9%, compared to 2012's 2.8%. Meanwhile, after-tax corporate profits were up 2% for the quarter--slightly less than in Q3--and a 3.7% drop in corporate taxes last year left corporate after-tax profits up 6.9% for all of 2013.

- Unemployment barely budged during Q1, remaining not far above the 6.5% unemployment rate that the Fed had targeted as a potential threshold for raising short-term interest rates. However, at its March meeting--the first under new chair Janet Yellen--the Fed's monetary policy committee said any interest rate decision will be based on a variety of economic data, and will likely come "a considerable time" after the end of its bond purchases, now down to \$55 billion a month after three rounds of tapering. Most committee members expect the Fed's near-zero target rate to end 2015 at 1%.

- In the wake of Russia's Crimean takeover, European Union countries and the United States agreed to prepare tough economic sanctions that could be imposed if Russia makes further moves to destabilize Ukraine. Also, the G8 nations canceled the summit that had been scheduled to be held in Sochi in June and ejected Russia from the group.

- European leaders declined to take stronger action to counteract an inflation rate so low that it raised concerns about the possibility of deflation. However, central banks in some emerging-market countries, including Brazil, India, Turkey, and South Africa, raised rates sharply to try to stem capital outflows from their currencies and/or fight inflation.

- Now you see it, now you don't: Mt. Gox, at one time the largest Bitcoin exchange, filed for bankruptcy after 850,000 bitcoins--nearly half a billion dollars' worth of the virtual currency--disappeared faster than Ukrainian flags over Crimean government buildings. However, Mt. Gox subsequently said it had located 200,000 bitcoins in digital wallets used before June 2011.

- Housing suffered from frigid weather throughout much of the country as housing starts and sales of both new and existing homes saw strong declines during the quarter. However, building permits issued in February--an indicator of future activity--offered shoots of hope, rising 7.7% during the month.

- U.S. manufacturing also appeared to be affected by winter weather, though by the end of the quarter, two key Fed manufacturing surveys as well as that of the Institute for Supply Management® had shown signs of rebounding. Manufacturing data from China raised bigger concerns. Indications that the country's breakneck growth could be slowing across the board raised concerns about the potential global impact if reduced demand there affects emerging markets whose economies rely on exporting commodities to China.

- Overall inflation remained tame at both the consumer and wholesale levels. Both annual inflation rates have hovered in the neighborhood of 1% since October, giving the Federal Reserve plenty of breathing room to keep interest rates low.

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"Mt. Gox, at one time the largest Bitcoin exchange, filed for bankruptcy after 850,000 bitcoins--nearly half a billion dollars' worth of the virtual currency --disappeared"



Know your facts! – US Energy Independence

By: Bradley Thomas

The United States has experienced a renaissance in energy and oil production over the last decade. Improved technology, particularly through fracking and shale extraction, alternative energy utilization, and enhanced energy efficiency have all contributed to this resurgence. The economic, social and environmental effects have been widely debated by main street and politicians. Though we don't know what the future holds here are some facts about where we stand today.

- Domestic production now covers 60% of US oil and natural gas consumption.
- Canada is the United States leading oil supplier with 28% of imports.
- The US dependence on “Persian Gulf” oil is now only 13% of our overall consumption.
- OPEC still controls 73% of the world's total proven reserves as of 2012.
- Total United States energy consumption by commodity 2013:
 - Petroleum 37%
 - Natural Gas 27%
 - Coal 18%
 - Renewable energy 9%
 - Nuclear 9%.



“The US dependence on “Persian Gulf” oil is now only 13% of our overall consumption.”

Charity: Do it now or do it later?

By: David Thomas

Many people who are charitably inclined desire to leave provisions in their estate plans to benefit charities they support. But most are unsure how to do this effectively .

Today you may be able to create the legacy that you wish for charities of your choice and receive current tax benefits. With sound planning, the gift should not have an adverse affect on your standard of living. There are sophisticated planning tools that savvy planners utilize that may offer considerable value to charity while at the same time potentially minimal cost to the contributor.

One thing those over age 70 might consider is utilizing their IRA to make charitable contributions. The IRS requires distributions at age 70 1/2 and those distributions if from a traditional IRA ,are fully taxable. If that money is not needed why not send it straight to the charity of your choice? With some clear thinking and goal setting you might create a legacy that may be more than you thought .

Two people come to mind where their careers, though successful, are dwarfed by the legacy that they left behind; Danny Thomas – St. Jude Children's Research Hospital and Jimmy Valvano—the V Foundation for Cancer Research. Each of these individuals has created something that has lasted way beyond their lifetime and made a deep lasting impact on a cause they cared about. Maybe in some way you could do the same.



“If you are over age 70 1/2 you may want to consider making your charitable contributions directly from your IRA”



33 Bloomfield Hills Pkwy
Suite 200
Bloomfield Hills, MI 48304

Phone: 248-633-2201
Fax: 248-792-2918
www.thomasfinancialconsultants.com

Thomas Financial Company LLC is a Michigan based comprehensive wealth management firm with a focus on providing individuals, families, and business with advisory services to plan for a successful financial future. We take a proactive and diligent approach with our client to carefully guide them to future success.

Guest Spotlight : Beating the Winter Blues

By: Barry Ruppenthal—Barryallenfitness@gmail.com—248-855-2304

If you are like me then you have had enough of winter and our latest sport...dodging potholes. I find that as the winter has worn on it has worn us down to the extent that I find myself staring off into space and daydreaming about a beach somewhere, until the guy behind me lays on his horn and shakes me out of my momentary mental cocoon. I have become disengaged to what is going on around me perhaps even with relationships, work, or even...dare I say it...my own physical fitness. Let's just say that all those chilly nights where I needed something to wake me or warm me or to just make me feel satiated, even though I had a very hearty dinner just 2 hours ago, have now caught up to me and my mid-section and my pants don't fit as well. So now what? Maybe we have simply forgotten the timeless adage that we are our best investment. If we don't have enough gas in our tanks to be a great spouse or employee or even employer and we never take time to create health then we may find it daunting to create wealth. It's hard to work at a peak level if we feel exhausted and rundown all the time. It's even difficult to have that great idea or to even prepare ourselves for success if the fire in us is in danger of going out. So...what do we do? Caffeine doesn't work the way it used to and sugar just makes us crave more of it and we seem to feel less energized as each day passes and all those other "energy" drinks make us jittery and anxious.

What we must do is establish our routine. For many "routine" is a concept that used to work, but now we are just too busy. It's also a word that has gotten away from popular language use but I and other health and fitness coaches still use it on a regular basis. Our bodies crave it. We need it as much as water food and sleep. While we are busy living life and cramming in all that we can into our days and nights we lose sight of a workable healthy routine. Perhaps we should address what a routine actually is. Routine is something that we do every day without fail and like clockwork. For us it means getting up at the same time every day. It also means eating at regular intervals (something nutritious) and not before lying down to sleep, as this will cause us to store fat and develop poor digestion. If we should get up at a regular time each day and eat at the same time we should also go to sleep at the same time each night. It also means having a regular activity time in each day so that we keep all the parts moving as they were intended. This should include some stretching, increasing our heart rates, and stressing our muscles. Just like Thomas Financial wants us to be regular with our savings and investing (to keep our bottom lines healthy) our bodies need, no actually it demands, that we maintain a regular schedule of activities to feel good. This routine will keep us out of the winter blues as well as keeping the those Dr bills to a minimum. I really want you to think of a routine as a ROUTE to a better life with less stress, less weight gain fewer aches and pains and better mental clarity. Take some time in your day to contemplate this and to determine what it is that you can change or refine to improve your daily routine. Try it. You will see some remarkably good things happen to those "issues" that you have struggled with and with a great routine you will get to experience life in a measure closer to the way it was intended. If you want to discuss this or are looking for someone to coach you through a transition time in your own routine feel free to contact me.

* Barry is the owner of Barry Allen Fitness in Bloomfield Hills, MI and is not affiliated with Thomas Financial or FSC Securities