



# INSPIRED FINANCIAL

## *Financially Speaking*

Spring 2015

*Your Trusted Partner Through Life's Transitions*

Which state pays the most taxes? What does it take to be a "one percenter?" How can I protect my identity? Is the media driving you crazy? It's all here in the latest issue of "Financially Speaking"! Enjoy and as always, we welcome your comments and questions.

### WHERE THE MONEY COMES FROM

As tax season comes to a close, Money Magazine has offered some interesting statistics on our annual ritual. In the early months, the IRS says that roughly 83% of all returns have resulted in refunds, with an average refund of \$2,893 per return. In all, roughly eight out of ten filers qualify for a refund, and this year's refund is in line with previous year averages.

Meanwhile, the IRS website notes that in the past few years, roughly 47% of Americans were below the threshold where they had to pay income taxes—which is where the famous "47 percenters" phrase came from in the Romney presidential campaign. However, virtually all of those Americans paid FICA (social security) taxes. In all, 185.5 million income tax returns were filed last year, but only 34,000 estate tax returns and just 335,000 gift tax returns. The government collected \$1.64 trillion in individual income taxes, compared with \$353 billion in business income taxes. In aggregate, Californians paid the most taxes, at \$369 billion, well ahead of Texas (\$265 billion) and New York (\$251 billion). At the other end of the spectrum, the citizens of Vermont paid \$4.3 billion and people and companies living in Wyoming paid \$4.9 billion.

Finally, here's an interesting comparison. The King James Bible totals around 700,000 words, whereas the U.S. Federal Tax Code numbers 3.7 million words. Not surprisingly, God is more succinct than Uncle Sam.

"Some people regard discipline as a chore. For me, it is a kind of order that sets me free to fly. "

--Julie Andrews  
Actress, singer, and author

### THE UPPER UPPERS

What does it take to be a "one percenter?" How much do you have to earn before you fall into this rarified zone?

A new study written by socioeconomists Estelle Sommeiller and Mark Price, looked at state-level tax data from the Internal Revenue Service over the past 35 years. According to their research, if you live in Connecticut, you're a "one percenter" if you earn more than \$678,000 a year, higher than New York's threshold of (\$506,000), New Jersey's (\$539,000), Washington, D.C.'s (\$555,000) or Massachusetts' (\$532,000). California (\$438,000) and Texas (\$423,000), which are considered wealthy states, actually came in behind North Dakota (\$502,000).

States with the lowest threshold include West Virginia (\$243,000), Kentucky and Alabama (\$263,000) and Maine (\$274,000). If somebody earning a good income in Connecticut or New York

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wanted to break into the one-percent category, he/she could move to a less competitive state.

Nationwide, the total share of income going to the upper 1% rose by about 12 percentage points since 1979. The one-percenters in Connecticut make a little over 33% of all income in that state, and in New York, the percentage is 32.6%. Elsewhere, the range is generally in the 14% to 22% range, up from the 7-11% range back in 1979.



### GENDER EARNINGS DECIPHERED

You probably know that women earn less than men in the U.S. economy, but you may not realize that the gap is not going to close any time soon. A [study](#) by the Institute for Women's Policy Research, created by a large team of economists and researchers, compared the discrepancy between pay for men and women today vs. last year and prior years. Then they extrapolated the year in which the two genders would be paid the same for the same positions and work responsibilities.

The answer: the year 2058. To put that into perspective, the FutureTimeline.net website predicts

that in the same year, humans will have established a colony on Mars.

The gender gap seems to be a cultural phenomenon. Some states, like New York, Maryland, the District of Columbia, Vermont and Florida, have gender earnings ratios above 85%; that is, women, on average, are paid more than 85% of what men are paid. But a woman living in Louisiana, West Virginia or Wyoming are likely to be paid less than 68% of their male counterparts' salary, according to the study. The gap also appears to grow as people become more highly-educated. Women who have not earned a high school diploma tend to earn 73.8% of what men with comparable jobs are making, but if men and women both have a graduate degree, the women are earning just 69.1% of men's salaries.

### FROM THE DATA BANK

**17** is the percentage of women believed to be on target to retire comfortably. (*Financial Finesse*)

**26** is the percentage of men believed to be on target to retire comfortably. (*Financial Finesse*)

**32** is the percentage of Americans surveyed who say they admire a family member enough to call him or her a "hero." (*The Harris Poll*)

**72** is the percentage of 50-year-old women working full time. (*Gallup*)

**93** is the percentage of recruiters that review job candidates' social media profiles before making hiring decisions. (*Jobvite.com*)

### TEST YOUR FINANCIAL IQ

Try these three questions to check your financial acumen. They were developed by two professors: Olivia S. Mitchell from the University of Pennsylvania and Annamaria Lusardi from George Washington University.

1. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow? A. More than \$102 B. Exactly \$102 C. Less than \$102
2. Imagine that the interest rate on your savings account was 1% per year and inflation was 2%

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per year. After one year, how much would you be able to buy with the money in this account?

A. More than today B. Exactly the same C. Less than today

3. Please tell me whether this statement is true or false: "Buying a single company's stock usually provides a safer return than a stock mutual fund." True or False

In a survey of Americans over the age of 50, only one-third answered all three questions correctly. Forty four percent of Americans with a college degree got all three questions correct.

*(The correct answers are: A, C, and False)*

"The most common way people give up their power is by thinking they don't have any."

--Alice Walker

Women's rights activist, author, civil rights activist

#### PROTECTING YOURSELF FROM IDENTITY THEFT

We're hearing a lot more about identity theft these days—from hackers stealing credit card numbers from big banks and retail stores to individuals opening up credit card or bank accounts in your name, which they can use to write bad checks or make expensive purchases. Criminal identity thieves may also take out a loan in your name for a car or even a house, and some have managed to receive Social Security benefits or tax refunds that rightfully belong to others.

How do you protect yourself?

According to the National Crime Prevention Council, the biggest threats are coming from places that might surprise you. A study by Javelin Strategy and Research found that most identity thefts were taking place offline, where someone managed to steal your credit cards, or found Social Security information or credit card information in a dumpster, or filed bogus change of address forms to divert a victim's mail to their address, where they can gather personal and financial data at their leisure.

Even more surprising, 43% of all identity thefts were committed by someone the victim knows.

An organization called IdentityTheft.net estimates that over 10 million people are victimized by identity theft each year, although that number may be boosted by the aforementioned mass hacking incidents.

The Council and IdentityTheft.net say that you do a reasonable job of protecting yourself by taking a few common sense steps that make it much harder for someone to make purchases in your name or withdraw funds from your accounts.

1. First, never give out your Social Security number, and do not carry your Social Security card, birth certificate or passport around with you.
2. Copy your credit cards and your driver's license, and put the data in a safe place, to ensure you have the numbers if you need to call the companies.
3. When you use a credit card to buy something in a retail store, take the extra copy of the receipt with you and shred it.
4. Create complicated passwords for your online bank and investment accounts and do not write them down on hard copy paper. Try not to use the same password for every website you access.
5. Don't let anyone look over your shoulder when you're using an ATM machine.
6. Be skeptical of websites that offer prizes or giveaways.
7. Tell your children never to give out their address, telephone number, password, school name or any other personal information.
8. Make sure you have a virus and spyware protection program on your computer, and keep it updated.
9. Check your account balances regularly to make sure no unexplained transactions have occurred.

These simple precautions will keep you safe from many of the criminal efforts to hack into your life.

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In the near future as more transactions take place using thumb prints or other biometric security data, we may look back on this period as the Wild West of data security - an unsettling time when people had to worry about their lives being hacked by strangers. Your goal is to arrive safely, unhacked, at that more secure period in our cultural evolution.

### TOP TIPS FOR SAVVY MEDIA CONSUMPTION

These five tips help consumers stay grounded when it comes to savvy media consumption:

1. Remember that everyone has a bias or agenda. Everyone (me too! and you!).
2. Don't confuse someone else's time frame for your own.
3. Know that 95% of what you read is contextual information, not actionable (which is perfectly fine).
4. Ignore all forecasts and price targets, except for entertainment purposes.
5. Hierarchy: Books > Articles > Blogs > Tweets

*Special thanks to Joshua M. Brown, author of "Clash of the Financial Pundits" for sharing this.*

### OFFICE NOTES

We are pleased to announce that our newly-designed website has been launched! The photos, videos, design, and much of the content is new. We're really pleased with how it turned out and are hopeful that it will provide greater clarity for the public to learn about who we are and who we serve. [Check out our new site here!](#)

Laurie took the CFP® exam in March and just received the official notification that she passed! We are so proud of her accomplishment. Please congratulate her the next time you see her!

Over the last three months, Kevin has transferred his leadership of the Financial Planning Association NexGen group to his successor and is looking forward to new opportunities to expand his impact on the profession.

Mark is wrapping up tax season and looking forward to celebrating his 60<sup>th</sup> birthday by taking the family on an Alaskan cruise in early May.

Evelyn had an exciting opportunity in January to speak to an audience of young women at the annual Girl Scout Cookie Rally. Her topic was establishing and maintaining good credit. She's also been busy with business and personal travel the past few months with a high point of spending a week at culinary school in Napa with her dad. It was a bucket list vacation for both of them!



Have a wonderful spring season! We remain grateful for your trusted relationship and welcome your calls anytime.

### ***Your team at Inspired Financial***

*Note: The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) or strategy may be appropriate for you, consult with your attorney, accountant, financial advisor, or tax advisor prior to investing or taking action.*