



FINANCIAL Insights

May



By the Numbers: Inheritances

Ever since the sudden death of music icon Prince last year, estate planning seems to be getting more coverage by the media than ever before. With this, there seems to have been renewed emphasis on the importance of having a will and dictating how your estate will be distributed. Consider the following statistics regarding inheritance in the United States.



\$69,000

The median inheritance for Americans in 2010.



20 - 50 percent

the amount of total household wealth accumulation in the U.S. that can be attributed to inheritances.



70 percent

The approximate percentage of families who lose their wealth by the end of the second generation; about 90 percent lose their wealth by the end of the third generation.



80 percent

the relative amount of parents who do not share information regarding their inheritance plans with their children.



33 percent

The approximate percentage of Americans who receive an inheritance that had negative savings within two years.



\$30 trillion

the expected transfer of wealth from baby boomers to Gen X and Millennials over the next 30 years.



75 percent

Share of inheritances that come from parents. Only about 15 percent comes from grandparents.



Over 50 percent

Amount of 16,000 global respondents said that they expect an inheritance of some sort, according to a 2015 survey from HSBC. Of those who expected a windfall, nearly two-thirds planned on using it to fund their retirement.



the market at a glance

April

U.S. Large Cap
(S&P 500)

2,384.20 (0.91%) ▲

U.S. Mid/Small
(Russell 2000)

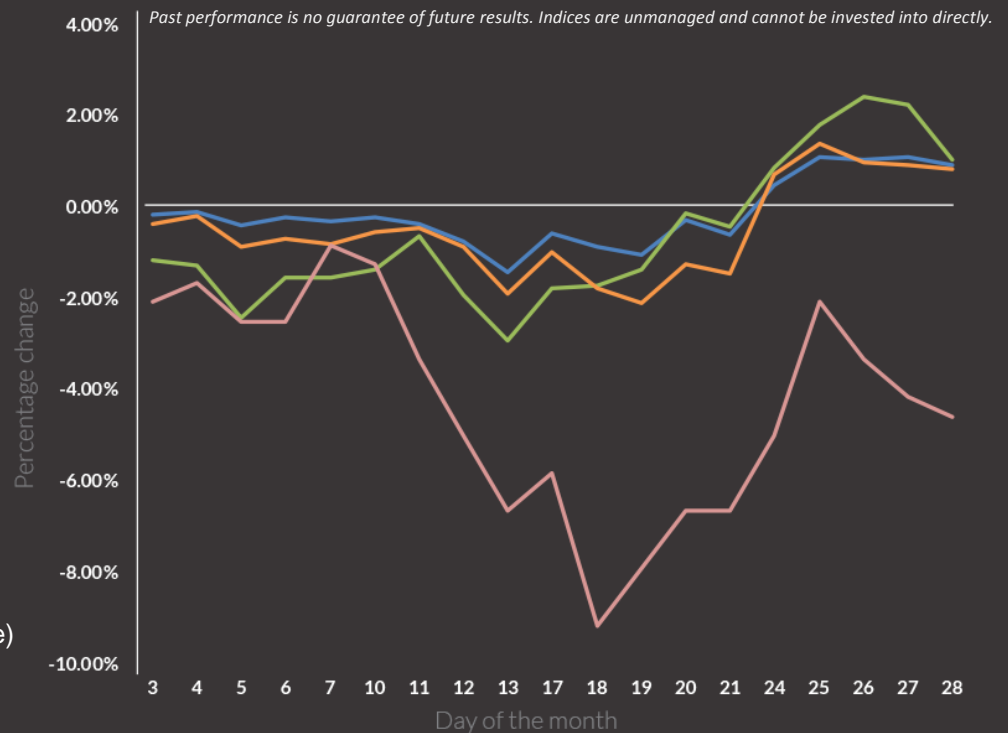
1,400.43 (1.05%) ▲

International Large
(NYSE International 100)

5,197.20 (0.84%) ▲

U.S. Treasuries
(U.S. 10-Year Treasury Yield Rate)

2.29 (-4.58%) ▼



The market in action

- The number of Americans collecting unemployment hit its lowest point in 17 years, according to an April release from the Department of Labor.
- In a recent release from the Federal Reserve Bank of New York, 44 percent of recent college grads are “underemployed” when it comes to employment in their field. “Underemployment” is defined as jobs that do not typically require a college degree.
- Following months of rampant growth, fund managers are lowering their optimism on the markets. According to a study from Bank of America Merrill Lynch, roughly 83 percent of fund managers believe that U.S. stocks are overvalued.
- Panera Bread was sold to JAB, a holding company primarily based in Europe, for \$7.5 billion. JAB also owns Krispy Kreme Doughnuts®, Einstein Bros® Bagels and Caribou Coffee®.
- Kitty Hawk, a company from Silicon Valley, intends to sell a “flying car” by the end of this year. The prototype of the vehicle was first revealed in April 2017.
- Unemployment in the United States dropped to 4.5 percent in March, the lowest since May 2007. Additionally, wages have grown by 2.7 percent since March 2016.
- JPMorgan reported \$6.4 billion in net income in the first quarter of 2017, significantly exceeding expectations.
- For the first time since 2011, Morgan Stanley posted a higher total of trading bonds, currencies and commodities than Goldman Sachs.
- According to The Atlantic, there have been nine retail bankruptcies so far in 2017. Comparatively, there were nine in all of 2016.



A Government Balance Sheet You and I Can Read

Steve Ballmer, the former Microsoft chief executive and Bill Gates' right-hand man, has embarked on an ambitious new project that could lead to a much better-informed U.S. citizenry. He recently unveiled a comprehensive report that details everything you would want to know about the U.S. government—including its revenue and spending—not just at the federal level, but also for each of the 50 states and 90,000 local cities, towns and municipalities. The information is collected by a group of economists, professors and other professionals who have combed through publicly-available statistics to produce income statements and balance sheets just like a public corporation.

What can you learn from this? You might be surprised to know that the U.S. Federal Reserve is holding roughly \$2.5 trillion in U.S. Treasuries, plus another \$1.8 trillion in mortgage securities, yet has a "net worth" of just \$28 billion. Some will be astonished to learn that the Social Security trust fund had almost \$2.8 trillion in surpluses in fiscal 2014 (the last year for which statistics were available)—and that surplus number has been growing since 1980. In 2014, cash income (\$877 billion) exceeded cash outflow (\$851 billion), but that margin has been falling, and is on track to flip to negative in the next few years. More alarmingly, Medicare's cash outflows (\$606 billion) exceeded income (\$604 billion) in 2014, as it has since 2005.

Ballmer's federal balance sheet shows the total number of federal government employees (4 million), including 2 million related to defense. When you add in state and local employees, the total is 23.3 million employed by the state sector, including 11 million teachers, more than 400,000 involved in parks

and recreation, 1.2 million police, 432,000 firefighters, 758,000 prison officials and 495,000 judges and judicial employees. Another 4.7 million work on highways, airports, harbors and other infrastructure enterprises, and public hospitals employ 1.3 million workers.

When interviewed about the project, Ballmer said that he was surprised by the number of government workers, and even more surprised to discover that, in all the rhetoric about cutting government, most of the teachers, military personnel, park rangers etc. are employees whose work most citizens appreciate.

You can go to the website (http://usafacts.org/resources/USAFacts_10-K_2017.PDF) and look up arcane government statistics like fatal workplace injuries (4,821 in fiscal 2014), children living in foster care (415,129), and the percentage of Americans who smoke (18%, down from 21% in 2004). Readers might be interested to turn to page 58 of the balance sheet and learn that the combined federal, state and local government's "net worth" in 2014, if you applied business accounting rules, was negative: about \$4.271 trillion in the hole. But this was actually an improvement over 2013 (\$4.3 trillion).

-Bob Veres

Sources:

<http://money.cnn.com/2017/04/18/technology/ballmer-usafacts/index.html>

http://usafacts.org/resources/USAFacts_10-K_2017.PDF

Meritas Advisors, LLC
info@meritasadvisors.com
meritasadvisors.com

4040 Civic Center Dr., Suite 200
San Rafael, CA 94903
415-690-8547

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