

BUSINESS AND FINANCE

One Man's Opinion

By Gerry Chong

A commonly used definition of "insanity" is to do the same thing over and over again, and expect a different result.

In instituting government programs, we have learned two things: First, once installed, they cannot be reversed. Second, the real cost of the program will be higher than originally projected...not by a little, but by hundreds of percent. One reason is bureaucratic incompetence and the other is that no one can project the cost of anything ten years into the future. Health care reform will surely follow that path, because to expect otherwise returns us to the definition of insanity.

We all know the government has tried for decades to guess at the cost of Social Security, Medicaid, Fannie Mae, Freddie Mac, the Postal Department and Medicare and has always been wrong. Federal spending on Medicare alone today is 35 times higher than originally projected. Administrative incompetence and the passage of time both mitigate against the accuracy of the cost of government programs. Healthcare reform will follow suit.

Let's bring this down to a small scale. Can anyone project the cost of bananas ten years from now? Of course not. But if it got too high, you could buy a different fruit. The problem with a government run program is that if the cost of the program got too high, you could not switch to a different program. You're in it for better or worse. Only the government with its Ouija board would have the chutzpah to tell you what things will cost over the next ten years.

Now let's look at the other culprit in this equation: administrative incompetence. In the last week, President Obama claimed the Economic Stimulus had created or saved up to a million jobs. On November 15, *The Los Angeles Times* reported, however, that there were reports of jobs created in counties that don't exist; that a claim was made of 500 new jobs having been created in a school district that only employs only 200 people; of \$3 million dollars having been spent to create six jobs in another venue. All in all, it was a dismal report that forced the President to admit that counting jobs is an "inexact

science." In other words, it was "smoke" being sold to a gullible public.

In another example of ineptitude, on November 18, *CNN* reported that Peter Orszag, Director of the White House Office of Management and Budget had to admit that in 2009, the government has made \$98 billion in improper medical payments, an increase of 37.5 percent over 2008. Orszag could not provide a breakdown of the reasons for mismanagement of this magnitude.

The point is that the Economic Stimulus program and the current Medicare program are huge, but small potatoes compared to the administration of the proposed health care program. If the government is not capable of doing the smaller things competently, why should we believe it can handle the management of one-sixth of the economy? To put things into perspective, U S health care is equal to the size of the entire economy of Great Britain. Do we believe our government is up to that task?

If you accept the House bill, the program will cost \$1.055 trillion, half of which will be paid for by a \$500 billion reduction in Medicare. In another attempt at economic redistribution, the government will increase the number of insured on the backs of the elderly.

The majority of the balance of the program cost will be borne by the most successful among us. Let me ask a rhetorical question: If taxes increase on employers, will that encourage or discourage additional hiring, and what will health care reform do to the unemployment rate? In summary, half the cost of the additional insured will be borne by the elderly and the other half will impact the hiring of the unemployed. What a wonderful idea!

Recently the Dean of the Medical School at Harvard University wrote in the *Wall Street Journal*, that health care reform should accomplish three things: Lower cost. Expand coverage. Improve the quality of health care. The plans before Congress will increase coverage but fail in the two other criteria. Only in baseball is a .333 batting average considered a success. •

Don't Leave Valuable Tax Breaks on The Table

By Jason Alderman

In the midst of the holiday hustle and bustle, try to carve out a few moments for some year-end financial housekeeping. You may be able to save enough money using available tax breaks to pay for all your holiday needs – and more.

Here are a few suggestions:

Boost 401(k) savings. You can contribute up to \$16,500 to your 401(k) plan in 2009, plus an additional \$5,500 if you're over age 50. Making pretax contributions reduces your taxable income, which in turn lowers your taxes – not to mention the boost employer-matching contributions, when offered, can give to your account balance.

Online calculators (like the one at www.kiplinger.com/tools/401kadd.html) can help you estimate the impact additional contributions will have on your taxes. If you're not already maxing out, ask your benefits department if you can make additional contributions before December 31.

Use up flexible spending account (FSA) balances. If you participate in employer-sponsored health care or dependent care FSAs, which let you use pretax dollars to pay for eligible expenses, make sure you spend the full balance before the plan-year deadline (sometimes up to 75 days into the following year); otherwise, you'll forfeit what's left over.

You can use your surplus health care FSA

balance for things like over-the-counter medications, glasses or contact lenses. Conversely, if your account is empty, consider postponing non-critical medical expenses until early next year so they can count toward your 2010 FSA. See IRS Publication 502 for a complete list of allowable and non-allowable expenses (www.irs.gov).

To learn more about 401(k) plans and FSAs, visit Practical Money Skills for Life, Visa's free personal financial management site (www.practicalmoneyskills.com/benefits).

Charitable contributions. If you itemize deductions on your taxes, charitable contributions made to IRS-approved organizations by December 31 are generally tax-deductible. (See Publication 78 at www.irs.gov for a complete list of organizations.) Tax credits for energy-efficient home improvements. You can claim a tax credit for up to 30 percent of the purchase price of certain home improvements to existing homes (including central air conditioning, furnaces, windows and water heaters), up to a maximum of \$1,500 over 2009 and 2010. Check out the government's Energy Star

Sales tax deduction for new cars. If you're already planning to buy a new vehicle in the coming months, doing so before December 31, 2009, may allow you to deduct state and local sales and excise taxes on up to the first \$49,500 of the cost, even if you don't itemize deductions.

Wireless AMBER Alerts

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To find out why it makes sense to talk with Edward Jones about your 401(k) options, call or visit your local financial advisor today.

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