

Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA
From: Mark L. Wyssbrod, Managing Member
Date: November 25, 2013
Re: Economic observations: Health care costs, unemployment and net worth and taxes

In this memorandum, you will receive information about the following:

- Health care website costs
- Unemployment
- Net worth and taxes

Please contact me should you have any questions. I'm ready to improve my tomorrow!

Health care website costs

According to Barron's November 4, 2013 issue information obtained by a Congressional Oversight committee:

- 6 people enrolled on the 1st day of operations for the healthcare website
- 248 people successfully enrolled in health-insurance exchanges in the first 2 days
- 40,000 people are seeking enrollment idle in a virtual waiting room
- 7,000,000 are expected to gain coverage in 2014
- Per President Obama 106,000 sign up
- Per Senate hearings cost \$600,000,000 and rising (per NPR)

The cost of the healthcare website is estimated to cost at least \$600,000,000. If we apply this to the information above:

- The US has spent \$100,000,000 for each of the 6 individual who have been successful
- The US has spent \$2,419,355 for each of the 248 successfully enrolled individuals
- The US will spend \$15,000 for each of the 40,000 individual who are speaking enrollment
- The US will spend \$85.71 on each of the 7,000,000 expected to gain coverage

This is just for the website which seems pretty costly on an individual level, before insurance, admin and other costs. Additionally, the website was only supposed to cost an estimated \$200,000,000. However, the website didn't work so the vendor is charging more to fix it. What if your business or my business made a mistake? Could we charge our customer more than the original price to fix our mistake? I do not believe so, so why do we put up with this as taxpayers?

Thoughts on unemployment

Unemployment continues to puzzle me. For several months the unemployed number of individuals increased, but unemployment rate decreased and everyone was happy. October's report just came out and was basically stated not to be relied on, but had less actual unemployed individuals, but the unemployment rate increase. The market responded by stating how overly positive the report was. It seems as if the unemployment market can only provide good news. A warning sign might be that good news is good news, bad news is good news and mediocre news is good news.

Net worth and taxes

In the 1970s there seemed to be a tit for tat that US government would reduce rates in exchange the wealthy would purchase US debt obligations. The cash flow to the government was the same however the wealthy were able to build net worth instead of pay taxes.

Fast forward to today. Another exchange might have occurred; 90% of wealth in the US is in the top 5% of households. Yes, tax rates increased, but asset values increased significantly more. I believe the wealthy are not upset with the significant tax increases because they government has basically promised to keep their asset prices (net worth) high. How will the US government keep asset prices high? Most likely by continuing to print money and giving the US Federal Reserve a new and silent mandate of keeping the market heading in one direction, up.

Conclusion

I am cautiously optimistic about the small business economy ahead of us. Although significant challenges lay ahead the American "can do" attitude is prevailing once again.

What actions are you taking today to ensure you have a better tomorrow?

Mark W.

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