

The Federal Government Doesn't Produce, Make Or Earn Any Money! So Where Does It Come From?



By Mark E. Charnet

Call it FORCED CHARITY! Most people haven't given much thought to the fact that every dollar the Fed gives out, it has to take in from someone else. For every dollar of benefit paid out to an individual, another individual had to lose a dollar of benefit for themselves and their family. Like a giant conduit or vortex, the larger government becomes with its inefficiencies, political special deals, lack of oversight and the perceived unlimited budget, our government is sucking the wealth out of hardworking, success-minded, goal-oriented employees and small business owners that take additional risks and employ others who desperately need quality high paying jobs.

Some lawmakers and their constituents believe that rich people can afford to pay more so they propose and endorse laws to tax them more. Politicians fail to take into account that people who earn more, in turn, also live larger. Their lifestyle is larger, their home is larger and they also employ others to maintain that lifestyle: gardeners and handymen, massage therapists, travel agents, personal assistants, domestic attendants, auto detailers, cleaning and maintenance crews, a nanny and if even wealthier, a captain and crew for their boat and or airplane. The excess these people earn isn't just sitting in a bank available to be taxed. As their lifestyle increases so does their payroll! Think about this for a

moment, how many folks do you know that have a lifestyle that includes employing the people mentioned above? Probably not too many and that is my point; taxing these people to oblivion will only put more people out of work as they will be forced to curtail their lifestyle just to pay these additional taxes. Besides, the taxes collected on this small group of taxpayers would amount to nothing, with no impact, when compared to the insatiable appetite of government, both Federal and State. Further, studies have been conducted that show when taxes are increased on the rich, the rich actually end up paying less in tax. Why, because they can move to another state, defer income, shift income to others, give it away, earn less by accumulating retained earnings through their businesses, hide it in inventory purchases, restrict or limit growth of their companies or personal assets and other more sophisticated methods. Massive taxation on a minimum amount of people is fruitless!

To tax the upper-middle-class excessively is also ridiculous; they are the biggest spenders in the nation influencing the economy in a major way: expensive homes, cars, furniture, decorating, clothing, trips, tuition, charitable donations, electronics and technology for the home and much more. When over-taxed, these people shut their wallets and purses tight! The remaining groups of taxpayers are the vast middle class, the lower income middle class and the working class, who earn minimum wage and slightly more. These taxpayers make up the bulk of the income taxes paid and also derive the greatest benefits from government.

A "fair tax" must be implemented as not to stymie one's ambitions to earn and pay more tax on a greater sum, as opposed to a greater tax on the same or lesser sum. At the

same time Congress must tax the largest base fairly, where the Federal and State governments combined, cannot take over 30% of annual income after the cost of housing and basic necessities. It is my opinion that there is only one way to do this fairly, honestly, accurately and completely; a national consumption or sales tax on everything other than food, clothing, shelter, education and insurance premiums. In this way taxes are voluntary; if you don't need it to live, you don't have to buy it and therefore you would have no tax to pay. Everything else is a luxury and should be taxed. I discussed this in a previous article in this paper and since a national sales tax solution isn't around the corner or even on the drawing board, other tax-mitigating action is necessary on your part. It is imperative that those people, who desire to stay ahead of the confiscatory curve and behavior of the IRS and Congress, take advantage of existing laws allowing for tax-deductible contributions, tax-deferred growth and tax-free income through the products techniques and strategies available today.

By robbing the rich of the fruit of their labor, our President falsely believes he will have the funds to meet campaign promises and to have the government provide for all of the needs of the people. This is impossible, as the expense is far too high and the number of wealthy people far too low. Without sounding too cynical, a perfect new 1040 income tax return form will have only two lines: first, "How much did you earn?" The second line will read, "Send it in!"

The Federal Government, during the Clinton years, opened the gates of home ownership by allowing the people who couldn't qualify for a loan to be able to get funding; even though there was absolutely no way they could ever pay it back.

Multiply this by millions of borrowers and billions of dollars and you have the architecture of a massive banking failure. Now, the people who couldn't afford their homes can't afford to buy a car either, so the current President pushed through a federal clunker purchase program. The Fed already owns or controls GM and Chrysler and now they are giving the public another \$2 billion in incentives to purchase new cars. Let me get this straight, lend the auto industry countless billions, they fail anyway a few months later, take them over, dictate to them that their new cars must be designed in a "certain way", costing \$1300 more for the buyer, then give the buyer who can't afford the car \$4500 dollars for a worthless trade-in car to buy that new car, with nothing down that can be financed over 7 years, then tell the shareholders that business is improving and the economy is getting better, when the only thing that was accomplished was building, marketing and selling a more expensive car with stellar gas mileage that brings in no revenue for the manufacturer, must be financed by the Federal government over 7 years, add to that a \$4500 incentive plan, add to that a warranty to fix this car for at least 3 years, the disposal cost of the clunker and there you have it, "Obamanomics!"

I need to steal a line from the Tom Cruise movie of a few years ago where Cuba Gooding said "SHOW ME THE MONEY!" Did I miss something here, where's the money? What good was accomplished? How is the economy helped by this transaction? I'll tell you what it did do; it rewards bad behavior on the part of the auto purchaser in my example above, punishes the honorable citizens who pay their mortgages and car loans, because, they get no reward, bonus or incentive for doing the right thing and

finally it saddles the taxpayer and all future taxpayers, those not even born yet, with a debt load so inconceivable, that tax rates in the future will have to be so high, that it will create a disincentive to work your tail off to make yourself a success in this world. This will send a message that to have a menial job with low pay or no job at all ensures entitlements of low-income housing, food stamps, free health insurance, subsidized home purchases and car purchases, subsidized social security and social services including free tuition for retraining and college tuition for their kids that got free lunches in elementary school.

If you want to see the two greatest examples of a government run business, look no further than the US Postal Service and Amtrak? I do not believe either of them has ever made a profit. If they did, prices could fall or the surplus could be used to reduce the deficit!

Not far down the tax super highway will be a "baby" tax for those who can afford it. Earn too much that year and you will owe taxes on any child born or adopted into your family to pay for the people who have babies with no insurance and no means to support their babies. I am not being facetious when I tell you that there will be a baby tax, it's just a matter of time. Don't agree? Look at the reverse, a "life departure" tax, for those with assets. Call it whatever you like, whether a capital gains tax at death or an estate tax, income tax or inheritance tax, it is still a "departure tax" and we now already have these in place, all of them! So we pay tax when we earn money, again when we save money as the earnings are taxed, when we spend money we are confronted with a sales tax, when we give large gifts we have to report them and pay tax as the giver of the gift and lastly, when we die we are taxed yet

again! The only thing left for Congress to enhance tax revenue further is to tax those items or services that are not currently subject to tax now. One recently enacted tax is called a real estate transfer tax of 1%. Did you know that labor is now subject to sales tax in NJ? A plumber's work or a landscaper's labor are all taxed. Certain doctors must now charge sales tax for their services like plastic surgeons for cosmetic facial procedures and breast reductions or enlargements. Luxury taxes were instituted a few years ago on automobiles priced over a certain amount. Watch out people, food at the grocery store will be next. When I was a cashier at a grocery store 30 years ago, I was told to ask the shopper which aisle they picked up the can of chocolate. If the can was from the ice cream toppings aisle it was taxed. If it came from the baking aisle it was not. Today the barcode tells the scanner automatically, to tax or not to tax, that is the question. Soon, there might be no question; all of it will be taxed.

It is my belief that Congress is already planning to institute an asset and income test to determine if contributors to the Social Security Retirement System will be eligible to be a participant in receiving back their own money when it's their turn to collect. Already postponed to age 67 and perhaps an even greater age as retirement draws closer for people currently in their 40's and 50's, their contributions to the system will be reclassified as a non-deductible, forced donation for the "greater good" of society. We are witnessing Robin Hood economics, as never seen before in this nation!

If you've read this far, you are to be commended, as it is the longest editorial I have written for Life and Leisure. With any argument there are at least two sides and this one is no different. My readers are either on the

receiving line of "Obamanomics!" or the financing end of this Congressional taxation turf war. To those who are forced to pay, so others may receive, I propose the following strategy: use whatever means you have at your disposal to defer income from taxation from maximizing your retirement plan contributions and investing non-qualified funds into tax-deferred and tax-free vehicles. If you have a monthly surplus that you save in a bank or credit union, you need to understand non-qualified deferred compensation plans that grow on a tax-deferred basis and are accessible on a tax-free basis. Income shifting to children is a good strategy for the self-employed and there are other strategies, techniques and products available to reduce your obligations to the government, especially if you are self employed. To discuss them in detail with me involves no cost, nor obligation or commitment of any kind, except, that you have to pick-up the phone to schedule an appointment to meet with me, for free!

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