

NEWS

Contact: John P. Barton, MSW, CFP®
889 N. Maize Road, Suite 112
Wichita, KS 67212
(316) 721-2836
Email: john.p.barton@sbcglobal.net



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How Will the Democratic-Controlled House and Senate Affect Your Wallet?

Local Financial Advisor Predicts Changes in Monetary Policy, Other New Legislation

WICHITA, KS (December 22, 2006) – With a new Democratic Congress and Senate being installed this month, many people are wondering what big changes are ahead “legislatively speaking.” Whatever legislative and policy changes occur, one thing is certain, Americans will have to keep a close eye on their money matters.

According to John Barton, a CERTIFIED FINANCIAL PLANNER™ professional and investment advisor representative for Securities America, big sweeping changes are unlikely, but the way in which money is handled may change. Here are three areas that could make money work a lot differently for you as the New Democratic House and Senate take office.

Paygo—Back in Fashion

The government has been a poor teacher of the concept that budgets need to balance. In the same way that consumers cannot spend limitlessly without regard to having to “pay the piper,”

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so too should the government. With Democrats taking control of both chambers of the House, it's likely that the spending belt could be tightened. "A virtually foreign concept in the Republican-controlled House and Senate, the practice of 'paygo' could make a return now that Democrats are in control," says Barton. Paygo is a model that requires a bill sponsor to either raise taxes or cut spending in another program in order to get that bill passed. "The return of paygo could mean that consumers will have to pay higher taxes, but the benefit is that we may get closer to a balanced budget than we have been in years," said Barton.

Minimum Wage

The minimum wage has been a hot political topic for some time. Politicians have expressed concern over the ability of Americans to live on the minimum wage. According to Barton, this is one of the areas where Democrats may focus attention.

"Historically, the Democrats have pushed to raise the minimum wage to make it a bit easier for average Americans to make a living," said Barton. "However, while this can make politicians look like heroes, this is really just 'a headline issue' because it ultimately has little effect on people's well-being. According to the Employment Policies Institute, less than 1 percent of workers over the age of 25 work at the minimum wage."

Which Way Will the Tax Winds Blow?

The last time the U.S. tax system was significantly overhauled it was 1986. At that time, many of the deductions used to lower tax burdens were removed and taxpayers were handed what was essentially a two-tiered flat tax system, says Barton.

According to Treasury Secretary Robert Rubin, the nation's fiscal problems cannot be solved without increased revenues. While *net taxes* could increase, there are several areas where taxes probably won't increase, Barton says. "One area where taxes may remain the same until they sunset in 2010 is the tax on capital gains and dividends. While the House and Senate may attempt to raise these tax rates, President Bush has made it clear that he will veto such legislation," Barton projects.

Barton believes that there could be an increased attempt to make higher education more affordable. "It's likely that the Democrats may try to increase the number and amount of grants

available to low-income college students,” he says. “In addition, when college students need to take out loans to pay for their education, it’s likely that the Democrats may try to mandate lower interest rates on those loans.”

“Stalemate” is the operative word for the next two years. Barton believes that neither the Democrats nor Republicans have a significant majority to effect great changes. However, the 2008 elections should be watched carefully.

About John Barton, MSW, CFP®

John Barton is an independent, fee-based financial planner and investment advisor representative who specializes in investment management, retirement planning and estate conservation. He has been serving clients in Wichita, Kansas for over 20 years. He is a member of the Financial Planning Association and received his CFP® mark of distinction from the CFP Board of Standards in 1990. He completed the required financial practitioner coursework through the College for Financial Planning in Denver, CO. Barton graduated from Wichita State University with a BA in psychology and received his Masters in Social Work from the University of Kansas. He has also completed several hours towards a masters degree in business administration.

Barton is a former member of the board of directors for Prairie Homestead Retirement Community and the Mental Health Association of South Central Kansas. He recently co-authored an article for Research magazine, a leading trade journal, on a variety of ways advisors can help their clients create predictable retirement income streams.

Visit www.johnbarton.sarep.com for more information about Mr. Barton and his company.

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