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KAREN BROWN TISDALE

# Financial News

3RD QUARTER 2023

## *Investing For College vs. Student Loans*

As college approaches for the students in your family, it's possible that the gap between your savings and the bottom line might be further than you'd like. You might be faced with a choice: taking measures to increase your savings or taking on some sort of student loans. I'm here to help you better understand the pros and cons of student loans, and can provide some illustrations that may help you better understand how they work.

This is not to say that you shouldn't take student loans. These loans play a role in college funding for many students who are furthering their education. It's one financing strategy, but here's what your student should understand:

- **Interest Accumulation:** Student loans accrue interest over time, and the longer it takes to repay the debt, the more interest is paid. This can increase the total amount repaid over the life of the loan.
- **Loan Repayment Period:** Student loans generally have repayment terms that can extend for many years after graduation. This extended repayment period can limit financial flexibility, making it harder to pursue other financial goals.
- **Credit Score and Future Opportunities:** Excessive student loan debt can impact credit scores, which can affect future borrowing choices and interest rates on other loans, such as mortgages or car loans.

The other choice is to prepare and invest as a way to help make money available to further education. The advantages are clear.

- **Potential Growth:** By allowing investments to grow over a long period, individuals can potentially accumulate a sum of money that can help manage college expenses.
- **Tax Advantages:** Certain investment accounts are designed to save for college, such as 529 Plans. These types of investments can help you earmark money designed for college expenses.<sup>1,2</sup>
- **Flexibility and Financial Freedom:** By utilizing investments, individuals can have more control over their finances. They have the freedom to choose when and how to use their investment funds, which can provide flexibility in covering college costs, pursuing other financial goals, or responding to unexpected expenses.

It is important to note that investing involves risk, and investment decisions should be based on your goals, time horizon, and tolerance for risk.

Again, student loans may be part of your family's college funding strategy. However, avoiding the burden of repaying these loans, a process that can take years or decades, may be worth considering. Remember: this is all about the future of the student in your life and will ultimately be their responsibility. I welcome the opportunity to speak to you all about this in more detail soon.

# BUDGET DEFICIT IS STILL A MULTI-DECADE CHALLENGE FOR US

The US government's deficits continue to rise despite a new debt limit deal, posing long-term challenges for the budget and raising concerns about escalating debt levels.

## Key Points:

- The debt limit deal aims to reduce spending by \$1.3 trillion and interest payments by \$188 billion over 10 years, but it may not fully offset the growing costs of Social Security, Medicare, and Medicaid.
- Social Security and Medicare, two popular programs benefiting older voters, remain untouched due to political considerations in preparation for the upcoming presidential election.
- The deal keeps the risk of increasing debt on the table, setting the stage for potential future battles when the debt limit needs to be raised again in 2025.
- Addressing the mounting debt will require difficult choices, including spending cuts, tax hikes, and changes to retirement income and healthcare programs. • Mandatory spending, including Social Security, Medicare, and Medicaid, already constitutes the majority of government spending and is projected to continue growing.
- Some experts view the deal as more focused on optics than long-term sustainability, while others emphasize the need to abolish the debt ceiling altogether.
- The US economy possesses substantial non-financial assets, indicating that the current debt loads are manageable, although the long-term debt trajectory remains a concern.
- Congress approved the agreement, maintaining flat discretionary spending for the coming year, with limited increases for military and veterans accounts, and a 1% spending growth cap for 2025. □ Critics argue that the deal fails to address the underlying debt trajectory and risks posed by entitlement programs, which will continue to drive up the debt due to an aging population and rising costs.
- Prompt action is required to tackle the growing debt challenge, balancing the need to protect crucial social programs with measures to ensure
- long-term fiscal sustainability.  
#DebtLimit #USGovernment  
#FiscalResponsibility  
#EntitlementPrograms

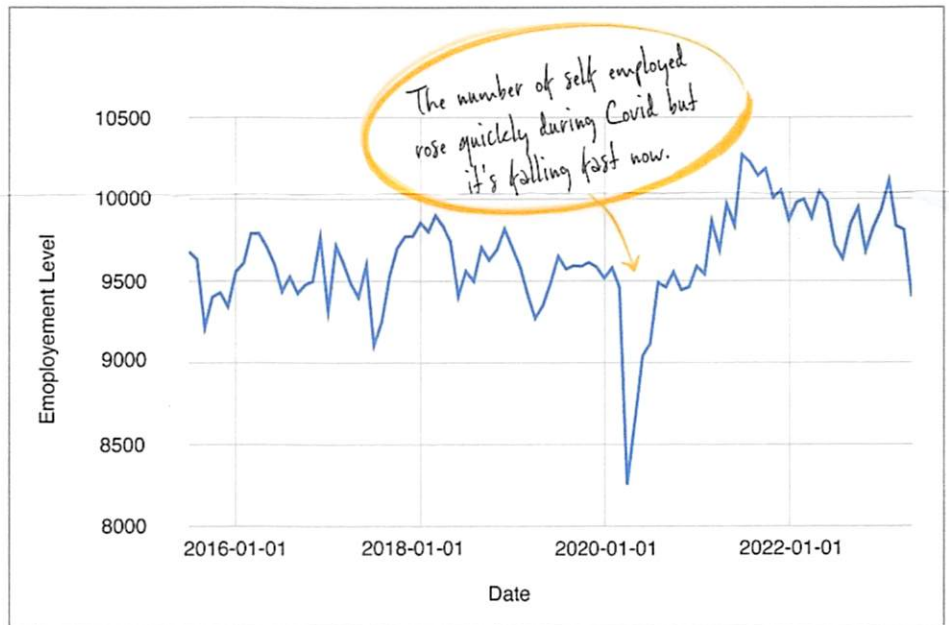


# WHY THE FED CAN'T FIGURE OUT THE JOBS MARKET

The Fed struggles to understand what's happening with today's jobs market. The number of self-employed people rose to an all-time high during COVID. But now it's falling at a rapid pace. What's causing the drop? More people appear to be returning to work at 9-5 jobs, perhaps fearful that the economy might collapse into a recession. When economic growth slows, perceptions may hold that 9-5 jobs seem more secure.

## Going Mobile?

The chart shows the number of self-employed people trended higher during Covid. But in recent months, the trend has reversed as more workers appear interested in company-sponsored jobs.



Source: StLouisFed.org, June 2, 2023

Employment Level - All Industries Self-Employed, Unincorporated, Seasonally Adjusted

## MORTGAGE-REFINANCE DEMAND RECOVERS SOME AFTER RECENT HIGH RATES

Mortgage-refinance demand recovers after rates come off recent highs. Key Points:

- The average contract interest rate for 30-year fixed-rate mortgages decreased to 6.87% from 7.07%.
- Refinance applications jumped 7% for the week but still 32% lower YoY.
- Applications for home purchases fell 1% for the week and were 21% lower YoY.
- Lower rates spark interest from current homeowners to refinance their loans.
- Refinance share of mortgage activity increased to 28.4% of total applications. □ Markets and investors are analyzing earnings reports and anticipating the Fed's next moves.

#MortgageRefinance #Homebuying #RealEstate #MortgageRates #MarketTrends #FederalReserve

# BRUCE & KAREN'S NOTES

We hope this newsletter finds you all well and enjoying the hot days of summer. We would like to take this opportunity to tell you more about the Brown & Associates Team. Each of us chose some information to share with you.

During Bruce's days away from work, he has several things he enjoys doing. Golf is his primary past time for recreation on a regular basis; he tries to play a couple of times each week. He also very much enjoys boating and time at the beach as well as snorkeling and surfing. His real passion these days during his senior years is spending time with his grandchildren. They are his treasures!

During Karen's days off, she mostly enjoys family time. Her evenings and weekends are filled with time at soccer fields, tennis courts, and swimming pools watching Jackson compete. She also spends hours at theatres and dance studios as well as preparing Callie for voice and acting lessons. She loves that she is able to do all of this with her husband, David, by her side. Karen is extremely involved at Cape Fear Regional Theatre and has recently agreed to chair a fundraiser for the local Child Advocacy Center. She consistently strives for the work-life balance.

In Candace's time away from work, she enjoys spending time with her husband, Benjamin, and boys, Joseph and Isaac. She co-directs the NC Poultry Jubilee Pageant held in Rose Hill, NC. She is on the PTF board at her children's school, Mintz Christian Academy. She is a licensed massage therapist that actively practices. She is very involved with her church, The Journey, located in the Plainview area, and she is on the Hope Center Ministries Annual Gala Event planning committee that takes place in Dunn.

During Alicia's time off, she enjoys watching my kids play baseball and softball. She loves reading and doing crafts. While she is not a fan of exercising, she does enjoy a nice walk outside-the beach makes it better! Any time she can spend with her kids is the best! They like to watch movies and shows together, work out in the yard, and shop.

Lastly, we would like to provide a brief market update. As of this writing on August 22, 2023, the S&P 500 has experienced a year-to-date gain of 17.4%, and the Dow Jones Industrial Average has experienced a year-to-date gain of 7.87%. Hopefully you noted the improvement on your June 30 quarter statements. Do not hesitate to call if you have questions or concerns. We appreciate you and thank you for allowing us to partner with you.

*Bruce*

*Karen*

## Resources:

1. [SEC.gov](https://www.sec.gov), June 14, 2023
2. [IRS.gov](https://www.irs.gov), April 7, 2023
3. <https://apnews.com/article/biden-mccarthy-debt-deficit-8efddb5813b019325586e9290549873>
4. <https://www.cnbc.com/2023/07/19/mortgage-refinance-demand-recovers-some-after-rates-come-off-highs.html>
5. [StLouisFed.org](https://www.stlouisfed.org), June 2, 2023

