

# Financial Focus

WEALTH MANAGEMENT AND RETIREMENT INCOME PLANNING

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March 2017



## Notable Quote

*"The homemaker has the ultimate career. All other careers exist for one purpose only – and that is to support the ultimate career."*

- C.S. Lewis

## TRUMP, THE ECONOMY, DEBT

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As I write this, the markets continue making new highs. From a historical standpoint and P/E ratio basis, the stock market is overvalued. However, I've not been this optimistic in a long time regarding the direction of the fundamentals of our economy which can lead to solid economic growth. BUT, at some point a correction will happen even when it may "feel" like it won't. The question is when.

Markets can go up and down because of perception. As long as the masses perceive all is okay then markets tend to do well but when the economy is in or thought to be in turmoil, people sell. So, while we've had an economy sustained by borrowed money (@ \$20 trillion) and what many believe are false positives, I believe Trump is trying to implement policies that will be good for businesses, which are the backbone and driving force of our economy.

When debt is growing, it is usually bullish for the stock market because that typically means more "free" money is circulating in the economy. When the government tries to balance the budget or create a surplus, this is usually problematic for stock prices because it could mean a slowing economy. But we can't continue operating in budget deficits thus adding to our national debt.

Dealing with it is a fine line but a line that will have to be dealt with. If we don't, the eventual economic consequences could be dire.

GDP has been sluggish the past eight years or so running around 2%. Like Trump or not, I believe the direction he's trying to go with the underlying fundamentals of the economy are good and I'm optimistic of what our long-term economy may bring. If you're invested in stocks, think long-term (8+ years) because the corrections and cycles – which are normative – are coming. When a catastrophic event occurs (and it will) and you think the sky is falling will you stay invested? If not, let me know now so we can position assets to hopefully provide you greater peace of mind when the markets take a tumble.

No one knows what the future holds and risk is always involved from unforeseen circumstances including a geopolitical event or currency crisis somewhere in the world (U.S. included) that could spill over its ill effects on our markets. Some economic shakeups can occur from past ideas / choices which can boil under the surface never showing signs of its unintended consequences until many years later.

A sustained strong economy is needed to help tackle our national debt and I'm hoping it will be addressed. The Trump era is upon us and we'll see what it brings - stay tuned.

## THE ROLE OF CASH IN YOUR PORTFOLIO

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Perhaps no other asset class solicits such mixed feelings among investors as cash. In bull markets, cash is shunned. In bear markets, cash is embraced. Having a better understanding of the

role cash plays in your financial program and its relationship to stocks and bonds is a vital step to helping you reach your financial goals.

Cash plays a critical role in your portfolio as part of achieving your overall financial goals and can help cushion against volatility and enable you to take advantage of investment opportunities as they arise.

Investors approaching retirement may turn their focus to preserving their savings. While it may make sense to pursue a more conservative allocation, being too conservative may be putting their future buying power – and their future goals – in jeopardy by abandoning their portfolio’s growth potential. While cash provides liquidity and stability, it may not be best to hold too much because of low returns.

Trying to predict what the markets will do can be difficult. Depending on the environment, there may be times when taking on added volatility can be good and vice versa - there are times when being more conservative (holding more cash) can be good. Finding a good balance in your portfolio is key.

Be patient and be careful when seeking higher returns that are not in line with the added amount of risk it carries for your situation. Some of you may end up in a long retirement. I’ve seen some whose time in retirement was close to the time spent in their working years. Making your money last for a potential long life could turn out to be a wise decision.

## A BIBLICAL PERSPECTIVE

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**Diversify:** Economic uncertainty is certain and what the future holds can’t be predicted. There’s no guarantee no matter what we do but it is wise to do what we can to plan for the future. The following verse is a good reminder:

- Ecclesiastes 11:2 “Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth.”

Don't put all your eggs in one basket and have more than one type of basket. Avoiding big losses in bad times can be more important to long-term growth than racking up big gains in good times.

There are many different asset classes (asset allocation) and you can diversify within each of those asset classes to help add more stability.

Can having physical silver or gold, land, a home, etc. play a role? Certainly. I don’t have much in way of precious metals but a little for diversification and a hedge. But I hope it never goes up in value. Why? Because if it goes up in value that means everything else is probably down.

Properly diversifying is key and I hope this provides a little insight. Ask the Lord for wisdom and discernment (James 1:5).

## IRA CONTRIBUTION REMINDER

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If you are planning to contribute to your IRA for tax year 2016 and are eligible, please know contributions are due by 04/15/2017.

Today’s IRA accounts offer more options than ever before, which allow the IRA to better reflect your individual needs. If you have not yet funded your 2016 contribution, I encourage you to consider doing so if it fits within your financial planning.

In case of processing delays, please take care of this in advance of April 15th. As always, contact me if you have questions regarding eligibility or if I can be of assistance in helping you select which IRA best meets your needs.