CONSERVATIVE FINANCIAL SOLUTIONS

Roger's Thoughts...

In early January, the 1.6 Billion Power Ball frenzy was all the rage. The "Financial Press" could not talk more about the financial opportunities of winning. It was exciting to dream about buying a new home or car, or taking a trip of a lifetime with the winnings. However, since there wasn't a winning ticket sold in our tri-state area, I'm guessing that our readers are all back to the norm, living the lives they lived before. The Financial Press, on the other hand, is back to the promoting financial fear.

We are once again being reminded by the Financial Press of the famous children's story character, Henny Penny, or as your grandchildren know the character, Chicken Little. The headlines *du jour* focus on China, Oil and The Federal Reserve, easily related to the story book characters headline, "The sky is falling." Much of this "financial noise" is exactly just that, noise.

I am no Pollyanna, yes the stock market is down, but I will be the antidote to conventional wisdom. At Conservative Financial Solutions, we do conservative retirement income planning for the second half of one's financial life. With this being said, we do not have all of our investments at risk in the stock market. We are not stock jockeys, and we do not swing for the fences. Our institutional investing teams at Global Financial Private Capital (GFPC) are doing their best to react to geo-political events. They show this with years of experience in not riding markets all of the way down. The old adage of buy low and sell high still holds true today. The institutional investing teams (GFPC) are looking to purchase stocks of great companies who produce the products you use every day. Currently, there is a big sale going on, and we aim to take advantage of it.

Now back to the first headline *du jour*, China. In his January economic video commentaries, Brian Westbury, Chief Economist at First Trust, reminds us that China is ranked second to the first ranked United States in the selling of consumer goods to the world. He continues to put this in perspective by explaining that the U.S. exports to China represents a mere 0.7% of our total Gross Domestic Product (GDP). History provides us with many valuable lessons. In 1989, the Financial Press was predicting that Japan would overtake the U.S. economy. At the time, Japan's economy was second in the world, just like China's is today. And later, when the Japanese economy collapsed, the U.S. economy did not.

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> — *Roger Ford*

If history were to repeat itself, China's economy could completely collapse, and the U.S. economy would still experience growth. In the U.S., we adhere to the highest of accounting standards, China does not. We also do something unique here in the U.S., we hold peaceful elections every four years. We peacefully pass the baton to the new winner, even if it is not the person we voted for, and we have a record of doing this for over 200 years, China does not. The U.S. consumes 25% of everything the world produces, making the U.S. the 800 pound gorilla in the room and everyone wants to market to us. As my former economics professor at The University of Cincinnati often said, "When the United States economy catches a cold, the rest of the world gets pneumonia!"

The next headline *du jour* is oil. Oil is down to record lows giving all of us a raise. Every time you pull up to the gas pump to fill up your vehicle, you are experiencing a pay increase. Who would have thought gasoline prices could go so low? Low oil prices are good for consumer goods that use oil, and good for consumers that purchase those goods. Low oil prices are not good for the stock oil companies, Russia, Iran, and other oil exporting countries; however they are good for the American consumer and you can look for this to possibly continue throughout 2016!

Finally, in December of 2015, The Federal Reserve raised interest rates 0.25%. There is no indication that they are going to raise interest rates again anytime soon. To explain more, Quantitative Easing (QE) is a monetary policy used by central banks to stimulate the economy in which banks are able to borrow money from the government at a discounted rate. In 2008, when the market went crazy, the government offered Quantitative Easing (QE). During this period, the banks had no financial incentive to loan all of the money. Instead, the banks turned around purchased bonds which were more lucrative. Now looking at this from a historical perspective in relationship to Quantitative Easing, we do not believe QE is the reason for the stock market run up since 2008. We also do not believe the stock market was on a sugar high of easy money in 2008 because banks did not loan all of that money out.

I refer to most Financial Press as "financial pornography." The financial news is screaming "watch me, read me, and purchase me!" The financial news is trying to get you to tune in. I am trying to get you to tune out and rely on accredited sources. Over the years, my wife and I have been fortunate to travel across the U.S. and abroad. There is no place I'd rather be rich and no place I'd rather be poor than right here in the good old U.S.A., and no Henny Penny, a.k.a. Chicken Little, the sky is not falling.

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