HollisWealth™

A Shoe That Fits What's Coming Our Way

Inflation!

There are two main drivers of asset class returns

- Inflation & Growth

How many times have we stumbled over a pair of shoes in our closet that were never needed and never warn? We've all bought a pair of shoes, and after getting home we wore them once, or not at all and decided they were not wanted, we set them in our closet, and there they sat for years?

What's a pair of shoes have to do with investing?

By comparison, if an Investor is not looking forward while creating an investment portfolio it's somewhat similar to someone buying a pair of shoes on a whim, and not giving thought to where this world is going.

You might ask, "It's the world that drives my Portfolio?" And the answer is very likely, "Yes!"

Currently, we have two events that are likely to take place, and you should position your portfolio for both. What the world needs desperately, as you will discover, is growth and with growth comes what we all don't want; -- inflation.

Without these two events happening it's going be a tough world. You should review where your Portfolio will take you and be confident that you are not buying into a program that won't fit what lies ahead but to do that, you must have an idea of where this world is going. The problem with not owning what is right for this coming economic period requires more care and attention than buying the pair of shoes; we believe you should always understand what you own and why you own any asset class.

In the case of an investment program investing into the wrong assets if you own an inappropriate investment through a cycle; years go by fast, and age and time can be wasted, and unlike a pair of shoes -- it's costly. It's impossible to go back and redo a portfolio or to undo lost years. To make an Investment Portfolio fit the future, you must prepare in advance.

We believe we are entering an era of inflation, and one of growth. But how do we know that?

We're going to outline reasons why, and offer a solution. Let's start with a solution. If we are right and we enter an inflationary period, the best insurance you can provide for any portfolio is gold and gold-related investments, along with other commodities. Gold because it's a commodity and the oldest currency in the world.

Historically many people would invest in a portfolio split approximately 35% bonds and 65% stocks and perhaps trade back and forth as times change, and that was usually a reasonable mix; – bonds added safety to the portfolio while stocks provided growth. Life was comfortable, but we entered a new era about 15 years ago, and more so in the past eight years, and much more so in the past year!

Investors often miss out on not just golden opportunities but sound opportunities because they've been too busy, perhaps because they don't like change, or it's just not top of mind. Maybe they don't follow the daily news, and in some cases, it's the daily political narrative that stops them from doing anything. Sometimes it's a friend while other times one great short term investment distorts the view of another that will provide more security! Perhaps they don't buy into what's happening in the world because they don't want to accept the changes a new government might offer.

Whatever the reason there are times when bells are ringing, and people are just not listening. Many torture themselves if a change in government to perhaps one they don't agree with, and then, add more pain by not paying close attention to where the world will travel over the next few years, or decades.

In a similar way, the period we have entered into is a slight-replica of what happened in the early 1980's. Many may recall when interest rates rose to 15% and higher. While some depositors prospered most didn't, and contrary to those receiving higher returns, those increased rates penalized others who had borrowed money. It was a double whammy for those that missed the gains of high-interest rates while having to pay debt and higher rates.

Don't get us wrong the era of the 1980's is not a replica of today's problems, -- this period today is worse! The sheer size of the world debt today will dwarf the problems of the early 1980's, and for most of us, we cannot afford to not be attentive at this time. Why?

Many are older, we will need more Income, the engine of inflation and growth has slowed, and while we are saying, "We will not see 15% rates, not even close", we should discuss what-if rates were to jump even 3% to a prime of 5% or possibly to 7%.

Let's review a few words spoken in a recent interview by Former Fed Chairman, Alan Greenspan, to the World Gold Council. Greenspan; "The country desperately needs enormous repair of infrastructure, -- but it can't afford it!"

What're your thoughts on building infrastructure? Will the world print more money to ensure that their infrastructure can handle their future needs? If so, will that bring along inflation and growth? We think so. Now go here and see how much just one country that has to spend on its' infrastructure.

[11 Deeply Alarming Facts About America's Crumbling Infrastructure]

What's alarming about that view?

The U S has a Current Account debt of $19,935,316,186,835.78, ([U S Debt Clock to the Penny]) and they cannot afford to borrow another trillion dollars, and they cannot afford not too! The new Administration in the While House will soon go to Congress to ask for more money, to get the economy moving again, and Congress is almost all in-the-bag to give it to them, but there's going to be a big price to pay this time. That shoe (again) -- INFLATION!

History points out benefits and harm to what you hold in an investment program, also Investors hold different political ideologies, but all come up against the same brick wall; with a need to address the problems regardless of their ideology. One might say, "I disagree with this additional spending," and we all have that right to speak and all entitled to our conviction, but our thoughts' cannot change the facts – "Governments must get their economies moving again, and inflation is coming -- and fast."

Governments spending money on just infrastructure is not the only answer, many have found that out, people must get back to work with higher wages, small businesses must thrive, and government must reduce regulations. Changing direction that brings upon us growth is sure to bring upon us inflation and both are going to put this inflationary pressure on everyone, and investors should understand, which investments will do well during such periods and avoid those that will do poorly.

The new Administration in the US also wants to change Dood-Franks' reserve requirements [Weakened Dodd-Frank Increased Your Risk] and at a time when rates are rising and while encouraging banks to start to lend again and this will be done to put in place the other shoe -- growth. Money-velocity speeds up, and it comes with both good and bad it stimulates the economy but could get ugly as inflation potentially goes through the roof.

So there's no easy answer, but we will identify one. Gold. I'll dare to suggest that gold's inflationary run has barely begun. Many of the above problems are good for the price of gold, but wait there's one more situation that is brewing, and it could be inflationary.

Protectionism!

Many countries around the world are talking protectionism, and especially the USA and that protectionism will spill out around the globe once it begins. There is something we should discuss with each of our clients before it happens; "Is protectionism inflationary, or not?"

Now it's your turn, step back, and think and ask questions; "Can an individual stop inflation, can they control what the governments borrow, can you (one person) reduce the debt of any country, of any states, province, or town? Can an Investor (like yourself) stop the price of food from rising, or can you increase your wages to meet the ever-increasing Cost of Living?"

If you want a good portfolio, be sure to understand what you own and why you own it, and ask questions.

Is there anything a country can do at this present time? There are limitations, we all know that! We believe the world has changed significantly enough that every investor, of any means, should now look down the road; what has our world created over the past few decades. Put all politics aside and look at where this world is going.

Dressing up for an occasion and getting prepared for what lies ahead is wise. Be prepared. No one would wear dancing shoes outside during a winter storm and, of course, no one would buy ice skates to go ballroom dancing. It's hard to dispute where we are as there's almost universal agreement – but it brings up a question, "How do we get to where we want to be." If we can visualize the future, we will know, which shoes to buy.

We all need to prepare for all occasions – we will need inflation-fighting investments, but also dividend income to replace debt income. We need equity holdings for growth. We will also need Global investments and Canadian investments for diversification. We will need to buy deep-valued shares. We don't want to be 100% in one asset class and deny ourselves the opportunity and protection by being diversified.

As we often suggest, contact us for an appointment, and if we don't hear from you, we will be contacting you for your regular-scheduled meeting with us. (And, if you know anyone concerned about the future, pass our name along, we would enjoy speaking with them).

We believe gold, along with commodities, is going to be sound investments to fight the woes of inflation; we do feel that gold will be among the best because it is not just a commodity, -- it is also money.

And yet we believe other investments that we can help you with will also grow and protect you against inflation. We educate you, and we let you decide.

Always something great to discuss during our meetings. We always appreciate and respect your time. It seems that the world we are in today is tough, and we know that, but our goal is to make your time with us valuable to you – and rewarding, and enjoyable.

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