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CLIENT BULLETIN

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➢ *Midterm Madness*

By now you have been nearly submerged in journalistic hysteria regarding the “uncertainty” spawned by the midterm elections next week and the potential effect of the outcome on investment markets. To this we should say, “all elections are uncertain. What else is new?” The prevailing partisan political environment is distressing, but nothing compared to Vietnam/Watergate, the runup to World War II, the Civil War or the insanely partisan election of 1800. More to the point, there is no way to make rational investment policy out of political elections. This too shall pass, however unprecedented “this” may seem to be.

➢ *Not Your Grandmother’s Economy*

Uber, the world’s largest taxi company, owns no vehicles. Facebook, the world’s most popular media company, creates no content. Alibaba, the world’s most valuable retailer, has no inventory. Airbnb, the world’s largest provider of accommodations, owns no real estate. Amazon is worth more than every brick-and-mortar retailer in the U.S. combined (source: Tom Goodwin, TechCrunch).

➢ *Regional Differences*

Life expectancy at birth varies by over **20 years** depending upon the county where you are born in the United States. Several counties in South and North Dakota, the lower half of Mississippi and in eastern Kentucky and southwestern West Virginia had the lowest life expectancy. In contrast, counties in central Colorado had the highest life expectancies. (source: Dwyer-Lindren et al., JAMA Internal Medicine 2017).

➢ *More Regional Disparity*

The median monthly rent for a 1-bedroom apartment in San Francisco is $3,400. The median monthly rent for a 1-bedroom apartment in Omaha, Nebraska is $825. (source: GOBankingRates).

➢ *It Depends on When You Ask*

In February of 2009, 86% of Americans surveyed believed that the economy was the “most important” problem facing our country. As of September 2018, only 12% of Americans surveyed believe the economy is the most important problem facing our country. (source: Gallup Poll).

- ***Lose Some; Win More***

The World Economic Forum (WEF) projects that automation and artificial intelligence (AI) used in the workforce could **eliminate 75 million jobs** by 2022 but could also **create 133 million jobs** by the same year. The WEF calls the coming changes to the workforce the Fourth Industrial Revolution. It sees technology boosting productivity substantially via high-speed mobile Internet, AI, big data analytics and cloud technology.

- ***Open Enrollment***

The annual Medicare open enrollment season runs from October 15th through December 7th. Each year it is an opportunity for people age 65 and older to review their Medicare coverage to see if it still meets their needs. Changes in health or prescriptions can mean that a current Medicare or drug plan is no longer the best choice. Please let us know if you need a referral to a qualified health insurance broker who can help you evaluate your options.

- ***Better Bump***

The "cost of living adjustment" (COLA) made to Social Security benefits in January each year is based on the year-over-year increase in prices during the 3rd quarter of the previous year. E.g., the COLA that will be applied to benefits paid in January 2019 is based on the change in prices from the 3rd quarter of 2017 to the 3rd quarter of 2018. The COLA adjustment in January of 2019 will be 2.8%, the largest increase since 2011. The COLA adjustment was zero in 2010, 2011 and 2016 (source: Social Security).

- ***Retirement Planning***

59% of working age Americans (adults between ages 21 and 64) have not accumulated assets in **any** type of retirement account – IRA, 401(k) or pension. On the bright side, 35% of workers who **are** participating in a 401(k) or similar plan are deferring more than 10% of their pre-tax ages. (sources: National Institute on Retirement Security and Transamerica Retirement Survey of Workers 12/17).

- ***Way Off***

In January of 2008, the Congressional Budget Office (CBO) released its 10-year forecast for the U.S. national debt. The projection made in 2008 was that the national debt at the end of fiscal year 2018 (i.e. on 9/30/18) would be $12.704 trillion. The actual amount of our national debt on 9/30/18 was $21.516 trillion. (source: The Budget and Economic Outlook).

- ***Retaliation?***

As trade squabbles continue between the U.S. and China, some investors are concerned that China may look to sell its $1.171 trillion dollars of U.S Treasury holdings in retaliation. This sounds plausible but is unlikely. Global central banks, including the People's Bank of China, (PBoC) hold foreign exchange reserves for a number of reasons. Most prominent among them is for currency management purposes. If China were to sell its Treasuries, it would deplete its dollar holdings, which would most likely result in upward pressure on the Yuan. This is the exact opposite of what they are trying to achieve by holding U.S. Treasuries in the first place. Equally, there is no other pool of safe-haven assets that provide the depth, credit quality, liquidity and yield of the U.S. government bond market where the PBoC could invest the proceeds.