SEPTEMBER 2019 | THIRD QUARTER

ANSON'S MONTHLY PLANNER

Monthly collection of relevant articles from Anson Analytics

MUST-READS OF THE MONTH:

Economic Recap: Aug. 2019

Andrew Luck, the NFL, and Early Retirement

The Big Transition to Retirement

THE MONTH IN BRIEF

In this August recap: stocks descend as traders respond to the devaluation of the Chinese yuan as well as new developments in the ongoing U.S.-China trade talks; the price of gold rises, and bond yields fall.

The stock market had a tumultuous August, reacting to the sudden devaluation of the Chinese yuan and the escalation of the trade dispute between the U.S. and China.

Ultimately, investors seemed more interested in risk aversion: the S&P 500 lost 1.81% for the month. Demand for bonds helped to send Treasury yields lower; prices of precious metals climbed. Away from the markets, monthly personal spending and retail sales gains were strong.

ECONOMIC UPDATE

AUGUST RECAP

DOMESTIC ECONOMIC UPDATE

Tariffs and trade issues remained front and center in the Wall Street conversation. On August 1, the White House announced a 10% import tax on an additional $300 billion of Chinese goods coming to U.S. shores. (Most of these products are so-called “final” consumer goods, like clothing and shoes.) In a nod to importers and retailers, the White House stated on August 13 that this 10% tariff would be delayed until December 15 for certain products: toys, consumer electronics, and other items that are big sellers during the holiday shopping season. Effective December 15, tariffs will impact nearly all Chinese imports to the U.S.

China soon retaliated, and the U.S. quickly responded. On August 25, China unveiled a plan to place tariffs on an additional $75 billion of U.S. goods. As part of the plan, import taxes on American-made cars and trucks would jump by 30%.

Just hours later, the White House announced that the tariffs planned for September 1 and December 15 would rise by 5% to 15%, respectively, and that the 25% tariff currently in place on $250 billion of Chinese imports would rise to 30% on October 1.

A few summer statistics from Main Street seemed to contradict anxieties that the economy might be slowing down. Consumer spending advanced 0.6% in July, and that complemented July’s 0.7% gain in overall retail sales.

Core retail sales (which exclude auto and gas purchases) were up 1.0% in the seventh month of the year. A key measure of consumer confidence seemed strong: the Conference Board’s monthly index was at 135.1 in August, beating the 129.5 consensus forecast of a Reuters poll of economists. The CB’s present situation sub-index (surveying consumers’ view of the economy right now) hit 177.2, the best reading since November 2000.

ECONOMIC UPDATE

AUGUST RECAP

GLOBAL ECONOMIC HEALTH (CONT.)

All this said, other indicators hinted that manufacturing activity might have hit a soft patch.

The Institute for Supply Management's Purchasing Managers Index for the factory sector declined to half a point to 51.2 in July, and the federal government reported July retreats of 0.2% for industrial output, 0.4% for factory production, and 0.4% for core durable goods orders, which do not include the volatile transportation category (total durable goods orders, however, were up 2.1%).

Unemployment remained at 3.7%. The U-6 rate, which counts both the unemployed and underemployed, fell a respective 0.2% to 7.0%.

The Bureau of Economic Analysis delivered its third ("final") estimate of second-quarter economic growth in late August: 2.0%. That number beat the 1.9% consensus forecast of economists polled by MarketWatch.

Federal Reserve Chairman Jerome Powell's spoke on August 23 at the Kansas City Fed's annual Jackson Hole banking conference. Powell said the Fed was "carefully watching developments" and would "act as appropriate" if U.S. economic conditions weaken.

The next Fed policy meeting is less than two weeks away. Wall Street wonders if Fed policymakers might be inclined to make a rate cut; comments from multiple Fed officials at Jackson Hole did not point to a consensus on that matter.

ECONOMIC UPDATE

AUGUST RECAP

GLOBAL ECONOMIC HEALTH

On August 5, China shocked financial markets worldwide by devaluing its main currency, the yuan, to a level unseen since the 2008 credit crisis.

The rationale for this move was clear: by cheapening the yuan, China could make its exports more affordable for American buyers, effectively countering tariffs. Reaction on Wall Street was swift: U.S. stocks had their worst day of the year.

The Department of the Treasury immediately called China a “currency manipulator.” With China’s economy growing at its slowest pace in 30 years, this could invite greater inflation.

In another surprise, Boris Johnson, the United Kingdom’s Prime Minister, announced that Queen Elizabeth had agreed to a sudden, outside-the-box political idea. On August 28, Johnson said that he had asked the Queen to suspend Parliament for a month beginning in mid-September, with U.K. lawmakers reconvening on October 14. That would give Parliament two weeks to consider and approve a Brexit strategy. A no-deal Brexit – the kind Johnson favors – may have a better chance of passage under such a tight timeline.

Also notable: the decline in government bond yields in key countries. Demand for bonds has sent prices of government-issued notes higher, and as a result, their interest rates have declined. Last month, roughly a quarter of the global bond market was invested in government notes bearing negative yields.

REAL ESTATE

Mortgage rates went lower in August, influenced by declining bond yields. In Freddie Mac’s August 29 Primary Mortgage Market Survey, the interest rate for the average 30-year, fixed-rate home loan was 3.58%. A 15-year, fixed-rate home loan carried an average interest rate of 3.06%. Back on August 1, they were respectively at 3.75% and 3.20%.

ECONOMIC UPDATE

AUGUST RECAP

REAL ESTATE (CONT.)

As for home buying, the National Association of Realtors said that existing home sales improved by 2.5% in July, a nice change from the 1.3% (revised) retreat of June. According to the Census Bureau, new home sales fell 12.8% during July, as opposed to a 20.9% climb a month earlier.

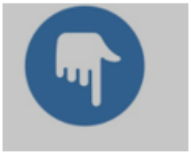
The latest 20-city S&P/Case-Shiller Home Price Index (June) measured 2.1% year-over-year home price appreciation, down from 2.4% in the prior edition. Housing starts fell 4.0% in July, but the Census Bureau did report an 8.4% increase for building permits.

LOOKING BACK, LOOKING FORWARD

August was notable for its volatility. The S&P 500 gained or lost 1% during nine of the first 17 trading days of the month. (Back in 2017, there were eight such trading sessions all year.)

All three of the major U.S. equity indices lost ground last month. The S&P ended August at 2,926.46; the Dow Jones Industrial Average, at 26,403.28; the Nasdaq Composite, at 7,962.88.

TIP OF THE MONTH



*Some insurers are now offering **usage-based auto insurance**. If you happen to drive less than 10,000 to 15,000 miles a year, you may be eligible for a discount on your policy.*

ANDREW LUCK, THE NFL, AND EARLY RETIREMENT

Why early retirement eludes most people and how to overcome bad habits

Indianapolis Colts quarterback Andrew Luck stunned the world when he announced his retirement from the National Football League at the age of 29.

But who doesn't want to retire early? Unfortunately, if you're like most people you won't be able to.

For many, good money management means just paying bills on time and having a little bit extra left over at the end of the month. If early retirement is on your radar, you must master creating budget surpluses and you may need to overcome bad habits.

Reasons early retirement might elude you:

1. You're not very good at saving money.

Saving consistently lays the foundation for early retirement. If you lack a credible, workable savings plan, you simply can't afford to eventually retire early. What you think you need to save may also be unrealistic.

For example, if you're 25 years old and hope to retire in 20 years, saving 10% of your pay each year probably won't get you there. More likely you must save 25% or 30% of your pay – and even as much as 40% or 50%, depending on the retirement lifestyle you want.

Early retirement also reduces the positive effect of time value of money. Retiring early means you lose several years' compound interest on your nest egg and requires even greater reliance on savings than normal retirement.

2. High cost of living.

Often your budget is to blame for your inability to save and your cost of living is simply too high to leave much room to sock away the kind of money for you to retire early.

If you're serious, more than a few dreams may need to go for now: a single-family house in the suburbs, a late-model car, exotic vacations and dining out a few times a week.

You may also need to postpone a premium cell phone plan, top-of-the-line cable TV or even pets.

Sometimes, certain basic expenses consume too much of your income. Housing is a major offender here: Americans are accustomed to owning (or dreaming of owning) the most expensive house possible.

Money you pour into your house – whether for the basic payment, utilities, repairs and maintenance or insurance – is often money you lose for early retirement.

3. Your mindset.

Preparing for early retirement requires a distinct frame of mine, a large dose of mental discipline and possibly changing some attitudes.

4. You don't delay gratification.

Living the good life often leaves little room in a budget to prepare to start golden years early.

Such preparation means rearranging your finances to prioritize saving and investing – **simple as that.**

5. You're easily distracted.

Create a plan based primarily on your budget and commit to saving a disproportionate amount of your income for as long as your retirement goal takes.

Planning, though, takes concentration: If side ventures easily distract you, your intentions may be good but you may never retire early.

Distractions can include making career changes every few years, occasional spending sprees to relieve stress or personal projects that drain your finances or reduce your ability to earn. You cannot afford distractions.

6. You have a vice.

A vice soaks up time, energy and money.

Most of us enjoy hobbies for necessary brief distraction and relaxation. If a hobby consumes too much time, energy and money, it will hurt your preparation for early retirement.

Once again: If you’re serious, more than a few things in your life have to go. Skiing every winter weekend can drain your money and so can a year-round commitment to your golf game.

Not only can each cost you serious cash over a year but each also takes time from your ability to earn extra money.

7. You don't commit.

You can’t spend six months working toward your goal and then declare victory. You must maintain the intensity between now and when you do retire early – maybe as little as 20 years. How fast did the last 20 years go by?

THE BIG TRANSITION TO RETIREMENT

Creating a strategy to find fulfillment in the everyday

Successful business owners and executives may have spent years building their business or a career, and along the way, if they've done things right, they've planned financially for retirement.

If you have reached the point where retirement is feasible, you should be thinking about a transition strategy. Most discussions of retirement planning focus on the financial aspects of securing a comfortable retirement, but few consider the non-financial issues.

Indeed, when retirees report being dissatisfied with retirement, the disappointment is focused on lifestyle changes and diminishing self-esteem created by a sense of loss of control.

One solution for dealing with these realities is to slowly phase into retirement. Many business owners enjoy the idea of continuing in some form of work, either consulting, job-sharing, acting as a mentor, or providing back-up management.

Mentoring, in particular, enables the business owner to transfer his lifetime of learning and experience to a successor.

Phased-in retirement provides an "anchor," and gives you the opportunity to explore other activities while maintaining a meaningful role.

From a psychological standpoint, some business owners and executives find that separation from the business is more emotional than they ever expected.

Experience suggests that it might take from **2 to 5 years** for hard-working ex-business owners and executives to "decompress" from the heavy personal investment they had in their work activities.

Perspective is really the key to enjoying one's later years. While "retirement" suggests the end of your working life, a more positive viewpoint will make retirement the beginning of a new phase of life, a phase in which you can do all the things you never seemed to find the time for while you were working.

Volunteer work can enhance your sense of "making a contribution," and taking courses in areas of interest can challenge your intellectual curiosity.

During retirement, with more time available for contemplation, it is both appropriate and wise to look carefully at how you have been living, and to determine the importance of your various activities.

Depending on individual circumstances, you may need to reorder your priorities.

"Mentoring is a brain to pick, an ear to listen, and a push in the right direction."
— John Crosby

You may find that you just don't need to be doing some of the things that seemed so important when you were working.

If you view retirement as your opportunity for exploration and new challenges, you can make this transition an exciting and enjoyable process.

Your horizons are limited only by the bounds of your imagination. You've earned this opportunity--enjoy the journey

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