



THE \$TRATEGIST

From ZIRP to NIRP – Should You be Worried?

By Thomas M. Wargin, CFP®, CFA

It seems the financial markets are getting more like the military every day – using acronyms for everything. Up to now many Central Banks, including the U.S., have espoused a “Zero Interest Rate Policy” or ZIRP. Japan and the ECB (European Central Bank) have now gone to a “Negative Interest Rate Policy” or NIRP, but not including the U.S. yet. Although, Janet Yellen, the head of the Fed, did not rule out the possibility of it.

Most countries like Japan, or regions like the ECB, go to a NIRP scenario to weaken their currency and make their goods cheaper in foreign markets. If a large portion of your GDP comes from exports, then a cheap currency is a good thing. In the U.S. exports account for around 13% of our stated GDP. So it’s not as big a deal for us. However, we feel the global effects.

A global investor is not as likely to buy bonds that pay nothing (ZIRP) or that you have to pay to own (NIRP) if they can buy bonds from a fiscally stable country that pays something. Hence, they will buy U.S. Government bonds. The more buying there is, the more this demand pushes up prices and lowers yields for everyone. The price of safety keeps going up because yields go down. Investors everywhere are forced into either riskier investments to get yield (think small oil company bonds) or to

sit in cash, earning nothing to achieve their safety goal.

Another possible side effect of NIRP is that inflation expectations are ratcheted down also. Imagine you were thinking of buying a new fridge, but felt that it might be cheaper next year or there might be a better deal. If enough people decide to hold off on buying now, it starts to lower inflation and possibly builds in deflation. Central Banks do NOT like deflation!

Deflation is generally not good for the economy either. The last major bout the U.S. had with deflation was during the Great Depression. It took almost 13 years to get out of that funk and if not for WWII, it may have taken much longer. One of the other possible causes of the Great Depression was the Smoot-Hawley Tariff Act, which imposed additional tariffs on many imported goods. Those countries retaliated by passing their own tariffs or excise taxes



on our goods. So be careful when listening to politicians who are going to make international trade “fair”. It is always messy, but is best if kept as free of political interference as possible.

So, while ZIRP is not good, NIRP can be a lot worse in the long run. The best possible remedy to all of this is to grow the economy, which will grow jobs, which should grow incomes and therefore, taxes, which nobody likes, but reluctantly pay.



Financial Identity

Periodically, clients ask how they can teach their children about money management. Often the question arises as college years approach and parents worry that they have not done enough early enough. The National Endowment for Financial Education has developed a tool, intended for 16-24 year olds, to help determine where they are on the path to financial independence. Parents might find it helpful in beginning the conversation about transferring financial responsibilities. Find it and other useful information at www.financialidentityquiz.org.



Planning Notes

By June A. Schroeder, RN, CFP®

Tax Report from Tax Policy Center:

For the 2015 tax year, over 45% of Americans pay no income taxes, half because they have no taxable income and half because they have tax breaks/deductions that eliminate their tax liability. The top 20% of income earners pay 87% of all income taxes collected by the IRS.

Social Security Scam Alert: Everyone – current and future beneficiaries – is being advised by Social Security to create a “My Social Security” account at SSA.gov. The access was developed as a convenience for beneficiaries, but in light of recent data breaches has also made it convenient for scammers. They have set up accounts in name of those who have not yet set up the accounts and are routing benefits to their own bank accounts. Everyone over 18 years of age should go to SSA.gov/myaccount and set up their own account.

Plan Ahead for Travel - Passport

Delay Warning: Ten years have passed since passports were required to visit such places as Mexico, Canada, Bermuda, and the Caribbean. Renewals will now surge, causing a backlog of 4-6 weeks and 10-12 for first time applications.

Nests Don't Empty Like They Used

To! The Census Bureau reports that kids are living at home longer than ever before. In the latest count, 36.4% of young women ages 18-34 lived with their families and 42.8% of men of the same age lived at home. It makes planning more of a challenge for parents and their future security.

Watch for increased ATM security.

Chase is introducing ATMs that will allow withdrawals and deposits without a card. If you don't use a card, skimmers can't steal your information. Other banks will be watching.

Client Alerts

By Shannon Nook, RP®

It's Regulation Time Again!

If you're interested in a free copy of any of the following documents, please contact heidi@lfgwi.com, Jessica@lfgwi.com or our office directly:

- Proxy Procedure & Guidelines
- ADV-Regulatory Document
- Business Continuity Plan

Investment Policy Statement (IPS) Review

As you know we continue to manage your accounts in accordance with your most recent designated investment objectives or IPS which we update with you at review time.

NOTE: It is your responsibility to advise us if there has been a change in your financial situation, investment objectives, or if you would like to impose, add, or modify any reasonable restrictions to the management of your accounts. Feel free to contact us to discuss this further.

Summer Hours

Memorial – Labor Day

- Monday to Thursday from 9-5
- Fridays from 9-1
- Evenings by request

Featured Artist: Josh Christensen

By Shannon Nook, RP®

Coffee lover, poster enthusiast, husky owner, Sagittarius. Josh Christensen is a visual artist and designer working out of Milwaukee. He completed his undergraduate degree at MIAD and studied at the Yale School of Art Norfolk. He has exhibited work internationally and is part of a collection in Minia, Egypt.

Actively involved in Milwaukee's art scene, he shares a studio and gallery in the city's Third Ward. Josh blends his background as a graphic designer with his creative expressions as a fine artist. Primarily working in screen printing, Josh investigates artificial spaces by pushing possibilities of reality and questioning function. Please visit our office to view samples of his work or his website, www.joshchristensen.net, to see even more.



Website Updates

Liberty website upgrades are in the works. We are working diligently to make the site more client friendly, and have found a site administrator who is making our update easier to accomplish, while staying in compliance with industry standards are requirements. We'll keep you posted!



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