



THE \$TRATEGIST

Could It Happen Here?

By Tom Wargin CFA, CFP®

Recently, someone asked us about negative interest rates and what that means. The concept is that the depositor is not *earning* interest but is *paying* the institution to hold their money for a given period of time. The big question is why would someone do that?

The answer to that question is somewhat complicated, but first let's understand why the question was posed. Currently, in the U.S. we do not have negative interest rates but they do exist in Europe. In fact the current European Central Bank deposit rate is -0.5% and the 10 year German Government Bond rate is -0.6%. This compares to the U.S. 10 year Government Bond rate of 1.7%. Therefore, if you invested \$1000 in a



German 10 year Bond, you would get back \$994 at maturity in 10 years.

Back to my question in the first paragraph: Why? If you believe that interest rates will continue to decrease, you can realize a capital gain by buying a longer-term bond with a negative rate and then selling it at a higher price later.

The higher price will occur because a bond's price is inversely related to the interest rate it pays. As rates go down, the price rises and vice versa. Therefore, it is possible to make a positive return on a bond with a negative rate!

However, that vice versa is the fly in the ointment. If rates were to go up after you bought the bond, you would realize a loss if you sold it prior to maturity. Evidently, right now the people who are buying bonds with negative interest rates either feel that they will pay for some institution to hold their money and effectively charge them to do so or they feel they can time the transactions correctly to make a short-term profit.

The question posted in the title is whether it could happen here. If the economy were to decline severely or for an extended period of time and the Federal Reserve felt that more stimulus was needed, they certainly could make rates negative as they are in Europe and Japan right now. The odds of them doing that currently are very low. But you can never say never.

We are not in recession now but the economy is slowing and at some point will probably tip into recession. The big question is when. Unfortunately, our crystal ball remains, as always, cloudy! However, we have made and will continue to make adjustments to your accounts to plan for this eventuality.

Be Safe Online

October is the 16th National Cyber Security Awareness Month. It's the perfect time of year to focus on this as shopping for the upcoming holiday season moves into full gear. The 2019 theme: Own IT. Secure IT. Protect IT. emphasizes citizen privacy, consumer devices, and e-commerce security.

For a Tool Kit and an extensive list of tips and ways to stay safe on-line while using social media, shopping, or even traveling, go to the Department of Homeland Security website: <https://niccs.us-cert.gov/national-cybersecurity-awareness-month-2019>.

**Watch for details about our upcoming
November 21st Client Appreciation Event**



Liberty Financial Group, Inc.
700 Pilgrim Parkway, Suite 300, Elm Grove, WI 53122-2063
Toll-free 877-750-1377 • 262-785-1377 • Fax 262-785-6655
www.libertyfinancialgroup.com

Planning Notes

By June Ann Schroeder, R.N. CFP®

FAFSA

It's time to fill out the FAFSA application for the 2020-2021 school year. We recommend that *all* who have college bound students complete this, no matter what your income level.

COLA for Social Security

There will be a 1.6% cost-of-living adjustment for 2020. The average retiree will get \$24 more each month, for an average monthly check of about \$1,503.

Millennials Are Buying Homes

Homeownership has reached a four-year high of over 64% thanks to more millennials buying homes according to the U.S. Department of Commerce.

Credit Card News

- **Shake Up:** Card issuers are cutting some of the key benefits and unless

you read the fine print on the inserts you get with your statements you might not know about it. These may include rental-car insurance, trip-cancellation protection, baggage-loss, roadside assistance, price protection, among others. Check whether your cards still offer the protections you expect and use.

- **Annual Fees** can often be waived if you just ask. You might need to point out what a good customer you are or how long you have held that card or how much you use that card to get some results.
- **Chip Theft** has become a new type of credit card theft. Thieves glue the stolen chip onto a different card to run up charges. Check all of your cards and if the chip is missing, call the card provider immediately to report the problem and get a replacement.



Featured Artist: Nan Zimdars



Nan Zimdars is a Wisconsin native who discovered her artist heart after a childhood introduction to the quality of art in Door County. A serious student of art for many years, working primarily in oils and watercolors, she has exhibited and won awards at juried shows in a variety of venues. Nan recently retired after 40 years in the financial services

industry and now has more time to devote to paint. She and her husband divide their time between Madison and Door County.

Nan says "I derive my greatest pleasure in painting from observing my subject matter, then translating what I see into a painterly illusion. My work represents a simultaneous delight in my subject, light and color and the art of painting."



Liberty Financial Group, Inc.
700 Pilgrim Parkway, Suite 300, Elm Grove, WI 53122-2063
Toll-free 877-750-1377 • 262-785-1377 • Fax 262-785-6655
www.libertyfinancialgroup.com

Client Alerts

By Shannon Nook, FPQP™

Medicare Open Enrollment Through December 7

Check changes in the coverage of your plan, especially Medicare Advantage and Part D drug plans. You may find it to your benefit to make a switch as there is expansion of Advantage benefits but also an increase in out-of-pocket drugs costs. A good contact if you need help figuring out the best options for you is www.65incorporated.com. They don't sell insurance, just advice. A revamped online Medicare Plan Finder, www.medicare.gov/plan-compare may also help simplify the process and compare plans.

Charitable Donations: Timing is Everything

It is time to get those contributions in so they are deductible for this year. Don't wait until the last minute. If you postmark a check to your favorite charity on December 31, you can write it off on this year's tax return. But if you charge the donation on a credit card, the write-off can only be claimed in the year the charge posts to your account, so mailing late is not a good idea! Pledges don't count until paid.

RMDs & QCDs

If you are over 70½ and must take RMDs (Required Minimum Distributions) from your IRA, you can make QCDs (Qualified Charitable Distributions) to your favorite charities tax-free from your IRA RMD. All RMD funds must come out of the IRA before 12/31/2019 whether it is a QCD or distributed to you and taxable.

LFG Winter Hours

8:30-6:00 M-Th & 8:30-5:00 Fri
Closed Thanksgiving Day and day after, also Christmas Eve & Day and New Year Eve & Day