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TABLE OF CONTENTS

1. The Tail Wagging the Dog
2. The Tail Wagging the Dog (cont'd)
3. You Deserve to be Happy
3. Commentary

ECONOMICS, A DISSERTATION,

September 24th, 2016



THE TAIL WAGGING THE DOG.

How many times have we heard the economic lament: ‘big business is ruining the country’? Some people who repeat this lament tell me ‘big business just cares about the Big Boys and not about me!

I would have to disagree. In my experience most people who voice this bromide are 100% vested in the stock market. Some of them have been downsized in their jobs. Most have lost money in their 401ks, IRAs, or seen their pension plans underfunded. On the other hand they have made money in the markets, and seen healthier days for their pension funds.

THE TAIL WAGGING THE DOG, (cont'd)

The fact of the matter is this, the people who are most vocal about the trends toward corporate conglomeration and the ‘too big to fail’ mentality ignore one key ingredient. They ignore their own greed.

I can hear them now: “GREED! I work for a non-profit! (school district, fortune 500, state or federal government.....) I’m not GREEDY like those people on Wall Street!” So from there the conversation goes like this:

“Bill, I’m not saying you are ‘greedy’ I’m saying that you are being hypocritical. You tell me you are upset by companies being sold, moving operations overseas, and/or hiring for people for less than what they made before.”

“Yes,” Bill answers.

“OK then. Lets say you own stock in XYZ company, and they only hire union workers at a union wage and benefits package here in the US. Would you like to keep this company?”

Bill looks at me, expecting something is coming. “I would keep my investment with that company,” he says, flatly.

“Now, lets say ABC Company makes the same thing. You own their stock. But they move their operations to Mexico. Because now they have cut their overhead, their profits soar. Your stockbroker or advisor calls you and says ‘hey we need to buy this thing.’ So you sell your XYZ and buy ABC. Your portfolio soars. When you made that trade did you think about the impact on XYZ company employees and XYZs ability to stay in business?”

“I would not do that. I would tell my Advisor to put NEW money into ABC and keep XYZ.”

“Really? You would voluntarily give up the gain on those funds in your retirement account in order to satisfy your principles?”

“Yes I would”. Really.

The issue here is this. Everyone wants max gain from the market. Who wouldn’t? Each day that goes by we have one less day to save for retirement, or focus on other financial goals.

THE TAIL WAGGING THE DOG, (cont'd)

The assumption that Wall Street is corrupt, debased and disinterested is, in my opinion, for the most part, true. The assumption that all companies are corrupt, debased and disinterested is NOT true. The childish thinking that everything boils down to one common denominator is reflected in our economic rhetoric. Companies do not make organizational and financial decisions in a vacuum. These decisions are based on what the CEOs and Boards of Directors (read: most, not all) have to react to in order to keep their businesses operating. Not the least of these are demands for return on investment from the stockholders.

My observation on this is a reaction to the often heard complaint: “companies are moving offshore”, or ‘job losses are due to corporate greed!’ I get this. The loss of good jobs in all sectors of the economy has driven down faith in the economic system as we have so far experienced it here in this country.

In 1950 only 4.2% of the US population held stocks. That meant that most of the investing was done by institutions. Commercial Banks were prohibited from doing business on Wall Street. So most people were making individual decisions about their retirement based on the expectation of gains on Wall Street. At this point, in retrospect one could say the dog was wagging its tail. The stock market was a reflection of economic activity and direction. It was not the driver of economic activity and capital formation.

In 1974, the creation of ERISA (the Employee Retirement Security Income Act) sounded the sea change that was to come. The first index fund was created in 1976. After that the popularity of mutual funds exploded. Coupled with the demise of most defined benefit plans, companies began to offer 401ks, and other retirement mechanisms that did not involve institutional investment.

Now over 70% of Americans own some stock or mutual funds. . No longer was the inertia on the side of institutions building value, and having that value transmitted into higher stock price. The leverage of influence flipped. The preponderance of investors were seeking higher and higher returns to fund retirement. The tail began to wag the dog. It wagged the dog so effectively that it led to the dot-com bubble of the late 1990s, and the derivative driven real estate crash of 2007-2009.

THE TAIL WAGGING THE DOG, (cont'd)

The driver had become the reflection. This repositioning of WHO the investors are has changed the landscape of capital systems worldwide. There is ever present pressure to have a company’s stock perform regardless of the quality of a company’s work. This is now a fact of the global economic system.

The issue here is this; self-interest is the driving force of economic activity. It is part of human nature. All economic activity is a function of this fact of human nature. The conclusion is this: planning for retirement is an exercise in human nature. Markets simply reflect the demands placed on it.

The Tail is Wagging the Dog.

“Labor was prior to Capitalism but Property is the fruit of Labor. Property is desirable & is a positive good to the world. That some should be rich shows that others may become rich & hence is just encouragement to industry & enterprise.”

- Abraham, Lincoln

“There are those with little understanding who fear God, and those of great intelligence who violate the law. There is a shrewdness, keen but dishonest, which by duplicity wins the judgement.”

Sirach 19-22

YOU DESERVE TO BE HAPPY

by *Brian Tracy*

Achieving your own happiness is the best measure of how well you are living your life.

EVERYONE IS DIFFERENT

Happiness in life is like a smorgasbord. If 100 people went to a smorgasbord and each put food on their plate in the quantity and mix that each felt would be most pleasing to him, every plate would be different. Happiness is the same way. Each person requires a particular combination of those ingredients to feel the very best about himself or herself.

LISTEN TO YOUR HEART

And your mix is changing continually. Therefore, the only way to judge whether a job, a relationship, an investment, or any decision, is right for you is to get in touch with your feelings and listen to your heart.

BE TRUE TO YOURSELF

You're true to yourself only when you follow your inner light, when you listen to what Ralph Waldo Emerson called the "still, small voice within." You're being the very best person you can be only when you have the courage and the fortitude to allow your definition of happiness, whatever it maybe, to be the guiding light of every part of your life.

THERE ARE NO LIMITS

Accept the notion that you deserve all the happiness you can honestly attain through the application of your talents and abilities. The more you like and respect yourself, the more deserving you will feel of the good things in life. And the more deserving you feel, the more likely you will attain and hold on to the happiness you are working toward.

MAKE HAPPINESS YOUR KEY MEASURE

You should make happiness the organizing principle of your life. Compare every possible action and decision you make against your standard of happiness to see whether that action would make you happier or unhappier.

PAY THE PRICE

Of course, there are countless times when you will have to do little things that don't make you happy along the way toward those larger things that make you paying the price of success in advance.

UPCOMING EVENTS:

1. October 4th and 6th, Retirement Planning Workshop, Pier 500, Hudson WI, 5PM.
2. October 11th and 13th, Retirement Planning Workshop, Weiderholts, Miesville, MN 5pm
3. November 1st and 3rd, Retirement Planning Workshop, The Chart House, Lakeville, 5pm
4. November 29th and December 1st. Retirement Planning Workshop, Noss Restaurant, Lake City, MN, 5pm

Contact us through our website at www.srins.com to register.

COMMENTARY.

An old friend stopped by my office. Minnie Poodle. Minnie has a reputation for being outspoken. This day she was upset about something in the news, and had stopped by to vent.

"You know", she barked, "I'm sick of people 'getting away with it'"

"What do you mean?" I asked.

She held out a newspaper, and pointed to a story about the recent troubles that Wells Fargo was experiencing. "See," she said. "This guy will walk away. Congress will yell at him for a while, then they will all go out to lunch together and have a nice laugh."

"How do you know that?" I asked. She then proceeded to tick off the names of politicians and others who had broken the law, committed treason, etc, and nothing happened to them.

Minnie was in fine fettle, going on and on about how can we expect to raise good kids and good citizens if our officials were more corrupt than the criminals who are in our prisons. I hadn't thought about it like that, but she was now provoking some thoughts of my own.

"Minnie," I said, "isn't it a reward to just keep yourself out of trouble and set a good example?"

"Huh", she said. "Do you mean that if I stand for the National Anthem and keep my kids out of trouble I'm doing more good than worrying about those reprobates?"

Exactly.

CLEAN OUT THE CLOSETS OF YOUR LIFE

by *Patricia Fripp, CSP, CPAE*

Clean out the closets of your life. Have you ever looked at the clothes in your closet with a critical eye: the bargain shoes in the wrong color; the expensive suit you got on sale that never fit; the "great" shirt that was a gift from someone you love?

I had all of those items in my closet. Then a wardrobe consultant friend came over and made me clean out the clothes that didn't fit or that no longer represented my self-image. It was an exhilarating feeling. Now the clothes I wear make me feel and look great, and project the image I like.

Your clothes closet isn't the only hiding place for negative things in your life. You have a self-image closet too. Take a serious look at what you find there. Try cleaning it out. Throw out ideas that no longer fit your lifestyle or your experiences.

Clean your closet of certain old friends as well -- the ones who have become acquaintances. Too often we spend our energies with people whose interests have grown apart from ours.

Clean the negative people out of your life's closet. Some folks cannot accept your achievements, insisting it's only a "fluke" when you finally attain a great goal. Their own insecurities require them to shoot other people down. It is time to let them know you are proud of your achievements, and then move on to someone who will support you in your endeavors.

Closets may be hiding places for our outmoded clothes and ideas, but they are also where we store the building blocks for our daily lives. Don't let them get cluttered with outdated ideas.

Sometimes in our financial lives we need to 'clean out our closets' - Editor

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