



Independence in the U.S.A.

July 2023

*“The only thing money gives you is the freedom of not worrying about money.”
- Johnny Carson*

The United States of America started on the notion that we are all created equal in the eyes of God, and thus no king or queen could tell us how to live our lives; we were and are all meant to be self-determinant. Democracy was the engine created to allow self-governance to drive us on a continual journey of betterment as a nation. I mention this because today is the 4th of July, the day in 1776 when the Declaration of Independence was signed declaring us a free and independent nation from Great Britain.

Since that time, almost 250 years ago, we have changed as a nation – in most cases becoming better, in some cases maybe not so much. But either way, this is a time for celebration as we remain a free and self-determinant people. The problem, I believe, is that sometimes we cannot see the forest for the trees and worry about the wrong things. For instance, it seems that both sides of the political aisle want to fight harder than ever to protect and defend their own view of the country, and forget that their view will be protected by defending the other’s right to an opposite view. I believe that the defense of each other’s opinion is more important than the actual opinion held; the only way to ensure that my opinion is to be respected is if I am ready to respect another person’s opinion, no matter how much I might disagree.

I also worry that we forget that a united nation is not necessarily one where we all agree on different topics. Instead, to me, a united nation is one where no matter how much we differ in thought, race, culture, or custom, we all still agree that the direction of the nation will be led by consensus and compromise - and compromise is only ever found with concessions by both sides. So, in the name of the United States of America, and especially today, I ask you to recognize and celebrate the ideals upon which this nation was founded, and stop worrying about the noise and nonsense that one side or the other (along with their respective media representatives) tries to promulgate. Love each other as patriots of the United States rather than fall for the false siren of bitterness and divisiveness.

Speaking of worrying about things that matter, let’s talk about the markets. Unfortunately, here too I fear some people may not be able to see the forest for the trees; with the markets, too many people may not realize that there are some very large trees obstructing our view. Such may be the case when people excitedly tell me how the S&P 500 is up 16% for the first six months of 2023, and the Nasdaq Composite is up 32% in that same time (the best start to a year since 1983). But when you step back, you can see that only ten stocks account for over 90% of all stock market returns in 2023 (U.S. News & World Report, 06/29/23); call me a cynic, but that just doesn’t seem healthy.

Similarly, when people tell me how the “stock market” is doing so well, I ask which market they are talking about. Because when you step back and look at other indexes – be it international, small cap domestic, emerging, etc, etc – the answer is not as linear as you might think. And when someone says maybe they should invest in just one of those markets based on the last year or two or five, then it sounds like they think diversification and asset allocation just do not matter anymore. Which doesn’t make sense to me, sounds like gambling rather than investing, and seems to scream the always wrong exclamation that “it’s different this time”. But the benefit of having worked in this industry for over twenty-seven years now is my absolute belief that it is never “different this time” for too long.

Another tree that may be distorting people’s view is the recent past of interest rates - and when I say the recent past, I mean the last twenty years. You see, I worry that we may have been lulled into a false sense of security that deficits do not matter. Like it or not, the last time we had a balanced budget was when Bill Clinton was in office, and ever since then we have been running deficits. But this has coincided with a low and falling interest rate environment; thus, the cost of the deficit (which, remember, simply means the government is spending more than it collects), has been relatively minimal to irrelevant.

We all now know what has happened to interest rates in the past year, and that increase will be passed onto our debt load. Accordingly, the nonpartisan Congressional Budget Office now estimates that the interest costs of our debt will consume almost 35% of federal revenue in 35 years (up from just 10% a few years ago). And, oh by the way, when the politicians from both sides of the aisle point fingers and accuse each other of trying to cut Social Security, Medicare, and Medicaid benefits, they are avoiding the fact that those programs are basically set to go bankrupt in the next ten years or so (PR Newswire, 04/11/2023) – at which time the politicians may then save those programs by adding on even more debt.

Sorry for the seeming pessimism, but it’s just math to me, and I would be doing you a disservice if I wasn’t a realist. In fact, I am actually an optimist for the long term; you see, just as I truly believe that the original spirit of the United States of America is very much alive and well, so too do I believe that we Americans are still the hardest working and most productive people on the planet Earth. Give us a challenge and we will rise to it, because our strength always shines in the most challenging of times!

As always, thanks so much for your friendship and trust - and please celebrate the founding of our great nation, where we remain one nation, under God, indivisible, with liberty and justice for all!

R. Timothy Curran, JD, CFP®

tcurran@lpl.com 704.499-9703

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