

HEALY WEALTH MANAGEMENT

SPRING 2016



JOHN HEALY, CFA
CHIEF INVESTMENT OFFICER

Our Chief Investment Officer has 27 years of experience through bull and bear markets. He has previously managed institutional funds, and has worked with individuals since 2000. He holds the Chartered Financial Analyst (CFA) designation, and has an MBA from The Wharton School of Business at the University of Pennsylvania. With an in-house portfolio manager, we are able to bring a strategy to individuals that has previously been available only to ultra-wealthy or institutional clients.

Healy Wealth Management is a member firm of Integrated Financial Group (IFG) and aligned with LPL Financial (LPL). IFG has been chosen by the Atlanta Business Chronicle as one of Atlanta's Top 25 Financial Planning & Advisory Firms since 2004 based on assets under advisement. LPL is the largest independent broker-dealer in the nation, as reported by Financial Planning magazine, June 1996-2015, based on total revenue.

Are Stocks a Speculation Today?

Where is the line drawn between speculating and investing? For over 30 years, this question has been the driving force of my career as a professional investor. My job is to invest other people's money. My job is not to speculate.

Since the peak in the stock market last May, there have been two corrections of more than 10%, one last August and one this year. These corrections were blamed on China, Oil, and the Fed.

China is the world's second largest economy behind the U.S. and it's considered the world's growth engine. Yet its growth is slowing. Some investors are worried that if the trend continues, China may actually go into recession soon. To predict is to speculate.

Oil fell below \$30 this year, down from more than \$100 eighteen months ago. There's a lot more supply than demand. Inventories are building. At this point, supply is expected to level off as high cost shale producers are shutting down. Yet, this will be offset by Iran coming on line. So, supply is anyone's guess. The same is true with demand. To predict is to speculate.

When the Federal Reserve talks about raising rates, the markets get nervous. Interest rates are like gravity to financial assets. If interest rates are nothing, the value of financial assets can be almost infinite. If interest rates are too high for too long, the gravitational pull can bring markets crashing down. To predict the Fed's next move and its impact on the markets is to speculate.

As always, there's a lot to worry about. The bears say that central bankers of the world have created a house of cards with our economy based on too much credit. Official U.S. credit outstanding now stands at \$58 trillion, up from one trillion in 1970. That's 58 fold! They say this massive expansion of bank balance sheets and today's persistently low interest rates have caused permanent damage to the financial system, making it, once again, extremely vulnerable to another crisis that could happen tomorrow. We didn't learn our lesson from 2008, they say. The negative interest rates we're now seeing in Europe and Japan are viewed as desperation, a sign that the end is coming soon - a symptom of death, not a solution for health. These doomsayers think the next crisis will be worse than in 2008 because central bankers have fewer options than they did then. In other words, they won't be able to stop it this time. Pretty dire. But nonetheless, a speculation. Doomsayers' predictions are always speculative, and thus far for the U.S., wrong.



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Warren Buffett

Warren Buffett doesn't think the economy is near the end. Even if we had another financial crisis, he expects the Dow to reach 100,000 within 20 years. That's about a six-fold increase, or about 9% per year on average. Not bad. He doesn't think the next crisis will happen within the next few years because, after something like 2008, it's akin to surviving a bullet to the chest. When you leave the emergency room, it's hard to ever forget.

We'd all like to see real GDP growth of more than 2%, Buffett says. But he makes the point that 2% still delivers astounding gains over time. In a single generation of, say, 25 years, 2% growth leads to a gain of more than 34% in real GDP per capita. This means \$76,000 of extra GDP annually for a family of four.

But real wages have been flat for 40 years. That means, after inflation, that our economy's growth has not helped employees. The wealth gap has widened as large businesses and the people who run them, and invest in them, are thriving. But working and middle-class Americans are struggling.

Buffett says, "Though the pie to be shared by the next generation will be *far* larger than today's, how it will be divided will remain fiercely contentious. Just as is now the case, there will be struggles for the increased output of goods and services between... investors and workers and, in particular, between those with talents that are valued highly by the marketplace and the equally decent hard-working Americans who lack the skills the market prizes. Clashes of that sort have forever been with us – and will forever continue... For 240 years it's been a terrible mistake to bet against America, and now is no time to start."*

* Berkshire Hathaway 2015 Annual Letter to Shareholders



KATHY HEALY, CFP®
WEALTH MANAGEMENT ADVISOR

Kathy has an MBA from the University of Alabama at Birmingham, and 17 years of experience in banking, insurance, and financial management. She also holds the CERTIFIED FINANCIAL PLANNER™ designation, and completed the coursework through the Terry College of Business, University of Georgia.

In 2012, she founded Healy Wealth Management, LLC, with the goal of making a difference for clients, one person at a time. Investment management is part of the overall wealth management services the firm provides, along with comprehensive financial planning.

In 2013, Healy Wealth Management became a member of Integrated Financial Group (IFG), a consortium of independent financial planners. Before a company is invited to become a member, there is a rigorous vetting process. The culture fostered in this dynamic group is a passionate commitment to clients and to our profession. The ideas, innovation, and brain power that come from being part of IFG benefit our clients and set us apart as a group.

Healy Wealth Management, Integrated Financial Group, and IFG Advisory, LLC are separate entities from LPL Financial. Securities are offered through LPL Financial. Investment advisory services are offered through IFG Advisory, LLC, a registered Investment Advisor.

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