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ANNUAL DEFICIT AND NATIONAL DEBT - For fiscal year 2016 (the 12 months that ended 9/30/16) the United States had a $587 billion budget deficit. During fiscal year 2016, the United States increased its national debt by $1.423 trillion to $19.573 trillion (source: Treasury Department).

TOP AND BOTTOM - American families in the bottom 50% of pre-tax household income are expected to receive 17.7% of national income in 2017. American families in the top 1% of pre-tax household income are expected to receive 15.4% of national income in 2017 (source: Treasury Department).

GROWING - The US economy has been growing for the last 87 months (i.e., no recession), an expansion exceeded in length only 3 times since 1900 (source: National Bureau of Economic Research).

You've seen your friends' posts on Facebook. You've heard pundits discuss it on the radio. You've seen the ads on your television. If [Insert Candidate Name Here] wins the election, it's the end of the world … or at least, the end of your investment portfolio.

Right? Well, maybe not so much.

Every four years, I hear the same story. The stock market will crash if so-and-so wins. Bond prices could skyrocket if what's-his-name is our next president. But history—cold, impartial, nonpartisan history—suggests otherwise.

As worked up as we often get about our political beliefs, neither party tends to have that much impact on the markets compared to the other. Historically, the Dow® has gone up an average of 9% every year a Democrat lives in the White House. With Republican presidents, the number is 6%.[1] That difference is very small, and can be attributed to a whole range of factors, not just politics.

Make no mistake: who we elect as president is a serious matter. **But when it comes to your investments, there's someone far more important:**

You

Regardless of who wins this November, some people are going to be ecstatic. (The country is saved!) Others are going to be horrified. (The country is doomed!) That type of reaction is normal … but it can have a far greater impact on your investments than the candidate who prompted it in the first place.

To illustrate what I mean, open up your favorite internet browser, head over to Google, and search for the phrase **"presidential election+stock market."** Many, perhaps most, of the results will be some variation on "how presidential elections affect the stock market."

But there's something very peculiar about that wording. Look at it again: *how presidential elections affect the stock market*. It implies that the election itself *does something* to the markets. And that doesn't make any sense at all.

Remember, the markets are not a living thing, even if they seem that way sometimes. Markets don't move on their own. Markets don't react to current events on their own. They require investors to move them.

So presidential elections don't affect the markets. Presidential elections affect *investors*, who in turn affect the markets.

It may seem like I'm quibbling about semantics, but this is actually a crucial point. To prove it, let's take ourselves out of the equation and imagine a fictional country that I'll call *Emotionalia*. The good citizens of *Emotionalia* are also having a heavily disputed election between two very divisive candidates. By the time the dust clears, almost every man and woman feels like the very existence of their nation was just decided. Just over half of them are happy. Just under half of them are not.

PETRA
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October Insight

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BIG INCOM E - Warren Buffett, the 3rd w ealthiest person in the w orld (ranked behind only Bill Gates and Amancio Ortega), reported $11.6 million of adjusted gross income in 2015. Bill and Hillary Clinton reported $10.6 million of adjusted gross income in 2015 (source: Forbes).

A CHANCE TO START OVER – After peaking at 1.562 million in 2010, personal bankruptcies (either Chapter 7 or Chapter 13) are on pace to decline on a year-over-year basis for the 6th consecutive year in 2016. Through 9/30/16, just 593,000 Americans have filed for bankruptcy protection YTD (source: American Bankruptcy Institute).

SOM E DAY - As of Friday 10/14/16, the bond market w as priced to reflect a 7% chance of a Fed rate hike at its 11/02/16 meeting and a 69% chance of a rate hike at its 12/14/16 meeting (source: CME Group).

So what do the happy citizens do? They get ecstatic. (The country is saved!) They feel that good times are coming back. So they invest a lot more money in a lot more risky investments, because they are certain the stock market will go up. After all, the person they elected is so important and so talented and so everything. That's why they voted in the first place. So how could the markets not go up?

The citizens who backed the losing candidate, meanwhile, are depressed. (The country is doomed!) They're certain that it's the end of *Emotionalia* as they know it. So they put all their money into cash, or buy a lot of gold, or invest in companies that make toilet paper. (Toilet paper being the most valuable commodity during the apocalypse, of course.) After all, the person who was elected is so dangerous and so incompetent. That's why they voted for the other person. So why wouldn't the markets go down?

Who ends up being right? No one can say—and chances are, the markets will be neither as good as the optimists expect nor as bad as the pessimists fear. Regardless, the odds are that a lot of *Emotionalia's* investors have just made some very bad decisions.

It all sounds so ridiculous, doesn't it? No one should make financial decisions this way. But *that* is what to watch for this presidential election. When it comes to the markets, who wins the presidency is less important than your own reaction.

Now, most investors don't react quite so dramatically. But studies have shown that many investors make financial decisions based on whether their preferred candidate won or lost. In other words, they made decisions based on *emotion*.

You see now why the most important person in this election is you?

You are the primary driver behind your own success. *You* exert more control over your investments than anyone else. *You* and the decisions you make are what really matters … not Trump or Clinton or anyone else.

By all means, vote and campaign and promote your preferred candidate. Feel passion about these elections. But on the morning of November 9th, remember: the time for partisan emotions is over. At least so far as your investments are concerned. Remember that we have an investment strategy in place—a strategy based on *your* goals and *your* needs and *your* risk preferences. A strategy that is far more certain than guesswork based on what our future president may do.

By doing that, you'll know that the true contest, the contest between your head and your heart, has been settled … and the winner is **you**.

[1] Anne Kates Smith, "How the Presidential Election Will Affect the Stock Market," *Kiplinger.com*, March 1, 2016. http://www.kiplinger.com/article/investing/T043-C008-S003-how-presidential-elections-affect-the-stock-market.html

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