



**ALTIUS**  
Financial

# Empowered Future Report

Short term thoughts about long term matters

**November 25, 2019**

## **Quote of the Day:**

***“Often when you think you're at the end of something, you're at the beginning of something else.” – Fred (Mr.) Rogers***

## **Charles Schwab Acquiring TD Ameritrade**

You've maybe heard the news about the Schwab -TD Ameritrade merger announcement. Big news and interesting times. I saw the leak last week but wasn't going to send out anything until it was confirmed, which it now has been. Of course, it's early, and hard to know what any changes might really look like, but I have friends in this business who use Schwab as a custodian of their client assets and are happy with them. In fact, in special circumstances we've used Schwab ourselves to custody client assets and so we are somewhat familiar with their processes and trading platform. Before we selected TD as our main custodian back in 2011, we looked hard at all three of the big independent custodians: TD, Schwab and Fidelity and found each of them to have competitive strengths.

Schwab is the largest custodian in the country, while TD is the second or third largest, depending on how you measure size, and between the two of them, they would be a very large company. Our culture is sometimes skeptical of “big business” and so there is likely a potential anti-trust/regulatory approval process that must happen. Those of you who know me well, know I don't believe that “big” or “small” business is necessarily good or bad and that free, mutual, voluntary exchanges are what serve people best. Often, one of the benefits of large companies is scale that can benefit clients/customers in the way of costs,

pricing, and an increase in service and product availability with a merger like this. Then again, with size sometimes businesses become bureaucratic and less personal or less responsive. Only time will tell how this all works out, but I think, should this go through (likely in late 2020, by the way, per today's announcement), it is much more likely to impact ALTIUS's day to day, in-office experience more than anything you, as a client, might see. Needless to say, we will be monitoring closely and will keep you apprised as we get new information. It's something I wouldn't lose any sleep over as I think Schwab is a fine company. Here in our office, we'll tell you what we think and we'll continue doing our best to defend and grow your capital and financial security, regardless of which firm is custodian of assets and executing the trades behind the scenes. Stay tuned, and as the Chinese saying goes, may we live in interesting times.

### **Speaking of “Interesting Times”...**

It's been a little while since I've offered much commentary on the economy, markets and risk and it is indeed an interesting world. I don't know anyone, including myself, who can make accurate predictions about what's going on right now but, as you know, I do watch the news closely and at times feel compelled to say what's on my mind. It's been amazing how resilient the major financial markets have been considering:

- **Impeachment hearings in the House** – I'm not going to dive into politics here (if you want my personal opinions, I'd be happy to share) but, as it relates to markets, it may be worth noting that we have two examples in modern times: the impeachment proceedings against former presidents Nixon and Clinton. The market did fall during and after proceedings against Nixon and continued to fall following his resignation. However, stocks had been falling prior to impeachment, and the US economy was already in recession, largely brought on by the Arab oil embargo of the early 1970s. In the case of Clinton's 1998 impeachment by the House (and his subsequent acquittal by the Senate), markets pretty much shrugged it off and continued their upward march until the popping of the dot com bubble in

early 2000. So far, the markets have not reacted much to the accusations or evidence against Trump but that could change, especially if it impacts who the nominees are for either party going into next year's election, as the markets do hate uncertainty.

- **Brexit and complicated EU dynamics** – this is an old story that just hasn't gotten resolution. I think it has much less long-term impact on the US markets but it's another item that causes global investors concern. The European Union has ongoing political, cultural and economic disfunction and it's understandable to me why the Brits want more control over their own destiny.
- **Chinese slowdown and rising tensions in Hong Kong** – anyone who has watched the news regarding Hong Kong has to be concerned about that tiny but immensely productive country. It's amazing to me how the Chinese have adopted many western business practices, have opened up markets and benefited greatly from the example Hong Kong has provided and yet is still trying to control and, therefore stifle, the economic engine.
- **US-Chinese economic relationships** – the markets keep anticipating trade deals and lessening of tariffs and the trade war but I don't see any real commitment on the part of either country to truly focus on free trade and that is and will continue to bear some ugly fruit. It's frustrating since virtually any economist today, no matter their ideology, warns about such trade barriers yet these policies continue to be used as political weapons.
- **Joint efforts by China and Russia to reduce the pre-eminence of the dollar** - other than gold, the US dollar has been the global currency since 1944 and this has given our country immense (earned) advantages in international trade and finance. You've heard me rale on about our more recent fiscal policy and, while the US is a very strong economy, we have some major issues to deal with in the coming decade and much of it will be based upon how financially responsible we are.

These are a few of the geo-political risks facing investors, not to mention Turkish policies in Syria and the Eastern Mediterranean, tensions in the Middle East especially between Saudi Arabia and Iran, a potential Argentinian collapse at a time when Brazil is dealing with new pressures, etc.

One of the biggest concerns I have is the ongoing issue of government spending – it's a problem for most of the world (the world's economies have a combined debt of 240% of their total GDP) but certainly in the US as well. I've said that "raising the debt ceiling" will be on the agenda, unfortunately for the rest of my life, and it's interesting that these days it doesn't really even get any attention from the politicians or the news media. President Trump recently signed legislation to just suspend the debt ceiling for two years and, while before this would have received headlines, now it barely gets noticed. The deal significantly increased spending and allows the government to keep on borrowing, even as our annual deficit (not the actual total debt) approaches \$1 Trillion. I'm afraid there is severe case of evasion going on in Washington but it's really because the American people don't want to hear they cannot have their cake and eat it too. I'm currently reading [The Storm Before the Storm](#), one author's recounting of the beginning of the end of the Roman Republic and its eerie how many parallels there are.

I will say that, no matter what the timeframe, there are always reasons to be concerned and it's amazing how markets (real markets, wherever it may be found that people are making decisions based upon their needs and values and freely trading with others) tend to advance forward, yes in fits and starts, but unrelentingly toward more prosperity for all. Our strategy is to continue being vigilant regarding the value we get for whatever we invest in, that is to say, we won't overpay for something we just cannot make an economic case for and we'll continue to diversify, given the risks that are out there.

**Year End Planning, Tax Returns, etc.**

The end of the year marks the time for holidays and planning for next year. Keep in mind that many decisions around your finances are influenced by tax planning and December 31 is often the deadline to take advantage of opportunities:

- Max out company retirement plan contributions
- Reduce taxable income.
- Review required minimum distributions.
- Do a Roth IRA conversion.
- Defer or accelerate business expenses.
- Prepare charitable donations and planned giving.
- Review health insurance and set up/max out a HSA (Health Savings Account).

**\*\*Please keep in mind that December 31<sup>st</sup> is the IRS deadline for many of these strategies. However, to actually get them done by ALTIUS and TD Ameritrade, we realistically **need to act between Now and Dec 15<sup>th</sup>.****

Also, many of the assumptions we make in your financial plans are based on tax impact so it's very important to get us copies of the most current tax returns. You can do this by bringing them to your reviews or, even better, uploading to your secure vault on your My Empowered Future planning website. If you extended your tax filing, then we likely don't have a copy and would appreciate you getting us these and other important planning documents so that we can best plan for you. I'm right in the middle of my year end tax harvesting exercise where we look at offsetting gains and losses. Remember, our goal is to achieve maximum after expenses, after taxes, risk adjusted returns and to do this we need good information about your situation.

## **PIMCO Refund Checks**

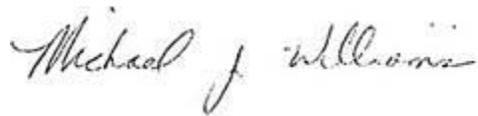
You may have received a small refund check from PIMCO mutual funds as a result of our holding the PIMCO All Asset/All Authority fund. They issued a check to holders of the fund due to a miscalculation they made on an advisory fee waiver in place to limit the advisory fees. PIMCO discovered this miscalculation during a review of their processes and determined that shareholders were overcharged. You should go ahead and cash or deposit this check directly into

your local bank within 90 days. If you have further questions about this, feel free to email me or check out the [explanation on PIMCO's website](#).

## Happy Thanksgiving!

I kind of popped off this year and said that a turkey is “not that difficult to cook” and so....guess who's in charge of cooking the family bird on Thursday 😊

Thanksgiving is, in my view, a truly wonderful holiday – historically a celebration of a bountiful harvest and time with family and friends, taking time to count our blessings and acknowledge our productivity. We are truly thankful to you, our clients and associates, for your trust and confidence and for your friendship. We hope you have a wonderful Thanksgiving and start to the holiday season.



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