"Measuring Success in America"

By Tommy Williams, CFP®

What a crazy week! Like the old wild mouse at the State Fair, the stock market turned into a frenzied roller coaster. When the Dow Jones Industrial Average loses 1171 points in a day – the largest point decline in history it gets your attention. That happened on Monday. Of course, the prior Friday it lost 600 points and Thursday of this week it fell another 1,033 points. That adds up to a drop exceeding 10% so we can officially call it a "correction". As you would guess, there is much debate about why it happened. But we all knew it had to happen at some point.

The culprit behind the Friday fall was likely to be bonds, according to Barron's. That week, the U.S. Treasury announced it would begin selling more short-term government bonds to fund the rising budget deficit. That sparked concerns about the impact of a bigger bond supply on interest rates. When bond supply exceeds demand, interest rates typically go up to attract investors. The United States already has ample bond supply since the Federal Reserve curtailed its bond buying program. Financial Times reported:

"Equity investing involves a delicate balance of three things: earnings, interest rates and valuation. Over the past decade, low long-term bond yields have played a crucial role in helping elevate equity valuations… 'You have to consistently show economic and earnings growth to justify these valuations at higher rates,' says Nicholas Colas, cofounder at DataTrek. 'People forget how closely tied economic and profit growth is to rising rates – it is a horse race and profit growth has to win – even if just by a little.'"


Tommy Williams

News about employment and wage gains added fuel to the fire of investor worries. In January, the United States experienced its strongest wage growth since 2009. While that's good news for workers, it may cause the Fed to raise rates more aggressively in an effort to keep inflation manageable. That has a way of shaking up stock investors who had been waiting for an inevitable pullback for some time. However, fundamentals that drive markets remain strong, so we are staying the course until that changes.

So, do you think Americans measure success by the value of their stock account when it was at its highest point (before the most recent correction?) Or perhaps by their annual income? They do, but it is not quite that simple. A corporate survey, Making It in America, questioned Americans about what it means to reach *"…a level of success, comfort, and security that you find wholly satisfying."* There were a variety of answers.

One gauge of success is income, according to about two-thirds of the respondents. The group's average income was $57,426 a year. They would know they'd 'made it' when they earned about $147,000 a year. According to CNBC, annual income of $150,000 would put many people in the middle class, depending on where they lived and the size of their households. It's notable few people aspire to join the ranks of the wealthiest Americans. More than three-fourths said they would not want to earn more than one million dollars a year.

Of course, money is not the only measure of success. A Pew Research study found just 11 percent of those surveyed thought wealth was an essential part of the American dream. Far more important were:

• Freedom of choice in how to live (77 percent)
• Having a good family life (70 percent)
• Retiring comfortably (60 percent)
• Contributing to their communities (48 percent)
• Owning a home (43 percent)
• Having a successful career (43 percent)

One participant said, "Even though I truly believe that having money is freedom, money is really just a tool to make experiences in life possible." Now that makes sense. Perhaps success is simply when you have enough!

Visit us at www.williamsfa.com. Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.

Reprinted with permission of the Shreveport Times February 11, 2018.