



We Could Be Headed for a Tsunami—A Growth Tsunami

-J. Kevin Meaders, J.D., CFP®, ChFC, CLU

May, 2012 - I've got good news, and I've got even better news. The good news: this article's only three pages. The even better news: the markets are proceeding much as we expected, and if our expectations continue to come to fruition, then you have good reason to smile today, and for many months to come.

Flush with cash, American companies have rarely been more financially stable, more profitable, and appear to be more poised for international growth than at any time in history.

In my last article, *A Rocket Full of Rocket Fuel*, I described the \$10 trillion sitting in cash, earning next to nothing. In fact, after factoring in inflation, these folks are losing money—right now about 3%, officially.¹

Many investors parked in cash will wait and wait until the market has run another twenty or thirty percent before they finally decide to invest, driving up the market even further—beyond reasonable prices. Meanwhile, Magellan's clients will be in the market, watching and waiting patiently for all the poor buggers to pile in and run our prices—profits—right on up.

Most investors are still “waiting for the market to calm down.” Well, I've got news for them, this is about as calm as it's ever going to get, and there have scarcely been times when the investing opportunity is this good. With a recent tripling of the money supply, even nominal growth could be significant, as occurred in Japan in the Eighties.

With more international economic integration and instantaneous global market reaction, global economics has never been so dynamic and so specialized. In many ways, it is a very exciting time to be alive and witness developing countries come “on-line.”

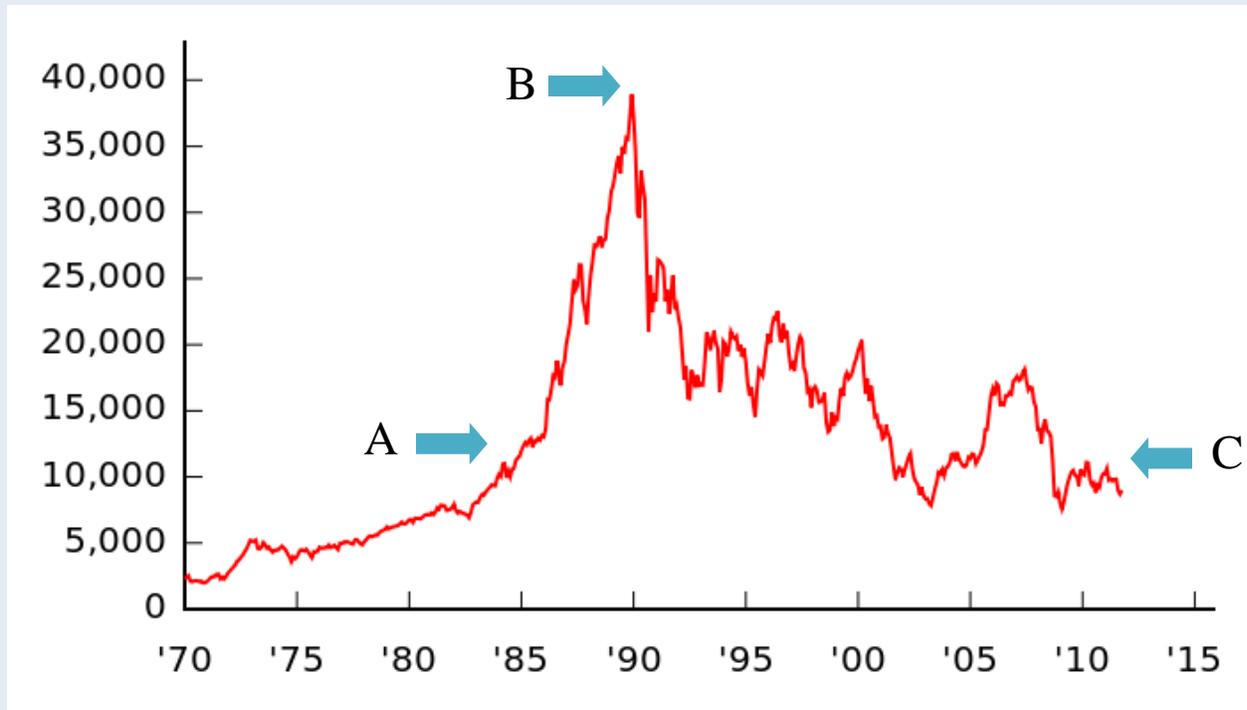
All those economies we forgot about and discarded for decades are finally showing signs of massive future growth: Cambodia, Laos, Columbia, Peru, Mexico, Bolivia, Chile, Vietnam, Costa Rica, Indonesia, Brazil, Mongolia, India, Bulgaria, Turkey, Poland, Estonia, Sri Lanka, Latvia, Georgia, Ecuador, Lithuania—even Cuba. In five years, we may be looking back with astonishment at the advancement of these economies.

¹ March 12, 2012, CPI Detailed Report, U.S. Bureau of Labor & Statistics.

So, what does the future hold for us here in the USA?

Well, if history is any guide, we are in for another great boom. Take a look at what happened to Japan's stock market after that country's central bank "printed" billions of Yen to help weaken the currency—almost exactly as we have done.

The following chart is the Nikkei 225, Japan's primary stock index.



When Japan began printing in earnest during the early 1980's, you can see the Nikkei's levels were near 10,000 (A) and in five short years had almost quadrupled to over 38,000 (B). Wow! There are many differences in the economies of Japan and the United States, but the common experience of booms followed by busts is unique to no country. You can see that today, some 25 years later, Japan is right back where she started (C).

Here in the USA, with more than \$10 trillion currently sitting idle in cash—savings accounts, money market accounts, and checking accounts—we believe a significant portion of this cash will eventually find its way into stocks, real estate, and commodities.

In our opinion, there is absolutely no reason to believe that we will not experience a boom/bust phase similar to what Japan experienced in the late 80's and early 90's. The trick will be to capture as much of the next run as possible and practicable, all the while preparing for the impending correction to come, and take positions to protect our growth and possibly profit from a bust.

Needless to say, this is not an easy proposition. But as I have said many times before, this is when we really earn our keep. If you remember our correct predictions of both the dot.com bust AND the real estate bust, you know we'll keep you informed. If you were a financial client during those turbulent years, you can attest to the fact. Of course, as you have heard *ad nauseum*, past performance is no guarantee of future results.

That said, our investment approach is already situated to take advantage of the tsunami of growth that we believe awaits us. As always, timing is impossible, but we can slowly begin to see signs of an improving economy here at home, despite the failures of the European Union.

You can also expect continued volatility—wild swings in the markets as literally trillions of dollars slosh around looking for a short term shelter, not a long term home.

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About J. Kevin Meaders

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Kevin Meaders graduated from Oglethorpe University in Atlanta with a double B.A. in Philosophy and Political Science, and then obtained a law degree from Georgia State University College of Law, focusing on estate planning and trust law. He has earned the designations of Certified Financial Planner (CFP®), Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU). He holds a General Securities Principal and Registered Representative registration and Investment Advisor Representative registration through ING Financial Partners (member SIPC).

About Magellan Planning Group

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Magellan Planning Group was established in 2000 to provide a service uniquely tailored to the needs of our affluent Atlanta community. We concentrate on *personalized* retirement planning through tri-disciplinary coordination:

- Financial planning with our Certified Financial Planner™ to prepare a retirement plan that takes into account your needs and expectations. We are a fee only asset management firm with a \$500,000 minimum relationship.
- Estate planning with our in-house Attorney-at-Law to determine and prepare the documents needed to minimize family liability and maximize privacy. (www.magellanlegal.com)
- Tax planning through a relationship with our in-house CPA to manage tax obligations throughout the year and prepare a tax return that takes into account current tax laws. (www.magellntax.com)

Our relationship doesn't begin and end with the preparation of a plan and the appropriate documents. We establish close personal relationships with our clients and their families and maintain those relationships through regular 'check-ups', market commentaries and educational Lunch & Learns.

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