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LIFELONG STUDENTS

"BACK-TO-SCHOOL" IS AN EXCITING TIME OF YEAR WHEN CHILDREN PREPARE FOR THE PRODUCTIVE AND GROWTH-ORIENTED PERIOD AHEAD. The goal of growth in intellect and experience are the ideals of parents for their child, all to increase the likelihood of success in their future.

And, while we prep the kids with these refreshed, start the school year right attitudes, along with dressing them in new school clothes and backpacks, we should also remember that as adults, we would do well to seek the same—an invigorated attitude for growth and education securing an even more successful future.

Readers of this article already know a lot of life's most productive lessons don't occur in the classroom but are discovered in real-world experience. Unfortunately for some students, recent experience may have unintentionally taught that stock, bond and real estate asset values only rise. And, although the last nine years have been an "investor's delight," this could result in a distorted lesson for younger savers when reflected against a longer historical backdrop.

For example, in June the Federal Reserve Board raised interest rates. In fact, that makes seven consistent interest rate hikes of a quarter of a point since late 2016. Please remember that interest rates are essentially the price of money. So, if the price of money rises, this will affect how people and businesses spend and consume. When you borrow money, you pay interest on the funds borrowed. As the price of the money goes up, it means a household or business can afford to borrow less, which means they invest or purchase less. When people and businesses spend less, businesses earn a smaller profit. When they earn less in profit or have none at all, they have to reduce their workforce. A reduction in workforce is a euphemism for layoffs, and a laid-off person may not have sufficient income, further perpetuating the cycle.

So, we can say interest rates are still historically "low," but the lesson here is to recognize that they have climbed in a meaningful way. In the past when the Fed raised rates "too much," it's been a consequential negative for asset prices. U.S. interest rates averaged 5.7% from 1971 until 2018. It's worth remembering that extremes like when rates reached 20% in March of 1980 and the record low of 0.25% in December of 2008 are exceptions to the norm, not the norm itself. The reality of the Fed raising rates from the 0.25 all-time low to the 2% we're at now is a significant increase in rates, or the price of money, by 700%. The move is intended to slow the heated market and economy, and we will know in the quarters ahead if or when "too much" is in fact "too much."

So, how the Fed handles the continuance of interest rate hikes in an effort to preserve the balance between growth in the economy vs. an overstimulated one is a tough one. Maybe now is the time to prepare an invigorated plan to make sure your portfolio reflects a greater history than the past nine years. It is important that you're protected in the event that markets respond like they have with "too many" rate hikes in the past. After all, this is a lesson I'd rather learn from history than from real-world experience.

Jeff Runyan is the lead of Runyan Capital Advisors financial advisory team based in Beverly Hills, providing clients nationwide with wealth management and retirement planning advice. Backed by over two decades of industry experience, Jeff leads an investment team committed to designing investment portfolios that adhere to the premise, "Discipline Makes the Difference." Learn more at ***RunyanCapital.com****. Securities offered through Wedbush Securities Inc. Member NYSE/FINRA/SIPC.*