

Is It Morning in America?

My son Nick is in a one-year countdown to exiting college and going into the job market fulltime. He recently asked me if the election results could affect future employment opportunities. I said, “Nick, don’t focus on politics. Instead focus on the economy.” I will never forget advice given to me by my father. Every election he would always say, “Always vote your pocketbook.”

I have been studying the tax proposals, regulations drawdown, and infrastructure plans. It reminds me what I saw happen after the election of Ronald Reagan - It was Morning in America.

The Malaise Economy

In the late ‘70s, economist described the economy as the Malaise Economy^[1] (sounds like some kind of disease you get in the tropics); No GDP growth for the entire decade, stagnation of wages, inflation, and oil costs had tripled. Do you remember the gas lines? And then along came a new president, Ronald Reagan, who said, “...government is not the solution to our problem; government is the problem.”^[2]

Boom

President Reagan cut taxes, rolled back regulations, the economy jumped up to three to four percent GDP. Businesses expanded, wages went up, and people spent more money. America was awakened and the stock market cranked. Reagan had created the right environment and President Clinton kept the good times rolling.

Rocket Fuel for the Economy

The demographics were perfect it came in the form of the baby boomers, “Data from the U.S. census Bureau show that there are 76.4 million baby boomers.”^[3] They were just hitting their strides in the workforce in the 80’s and 90’s. They made money and spent money like there was no tomorrow. About 70% of our GDP is our own consumption. The right economic conditions were present and the demographics were in our favor. America had rocket fuel for the economy.

Houston, We Have a Problem

Unfortunately, fast forward to 2016:

- Taxes are up
- Regulations are strangling businesses
- Subpar GDP growth under 2% for nine years
- Flat wages
- Government has gotten huge and inserted itself into our healthcare system (16% of GDP)
- Health premiums have doubled in the last eight or nine years
- The government could not even create a Healthcare website for a 2-3 billion cost. One of your grandkids could have probably done a better job with GoDaddy.com.
- Enacted Dodd-Frank to strengthen the big banks (too big to fail). And instead, put out of business hundreds of community banks while the big banks got bigger. ^[4]
- Sixty percent of American families don’t have \$1,000 set aside for an emergency.

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Studying the pending tax cut regulations proposed; these look like a go to me. I mean, who is really going to argue with paying fewer taxes? Cut the corporate tax and bring home the trillions of dollars of cash offshore. The infrastructure proposal looks good to me instead of a huge stimulus package companies will be offered tax credits to build bridges, airports and roads.

Rocket fuel for the Economy 2

Here come the millennials, estimated at 86 million. And guess what? They want a piece of the American dream just like their parents! They are starting to hit their peak earning years. So, let's get America moving again and get GDP up to 3%. I tell my kids, "Walk faster and dream bigger." It can also be a lot more enjoyable swimming with the tide than against it. Please do not pass the Malaise; I've had enough of that!

Sincerely,

John Romano, CFP®

References:

- [1] <https://en.wikipedia.org/wiki/Malaise>
- [2] <http://www.deseretnews.com/top/103/6/Government-is-the-problem-Ronald-Reagans-10-best-quotes.html>
- [3] <http://www.prb.org/publications/articles/2002/justhowmanybabyboomersarethere.aspx> (April 2014)
- [4] <http://www.chicagotribune.com/business/ct-rubio-dodd-frank-0807-biz-20150807-story.html>

John Romano, CFP® has over 30 years experience in the financial field. John is a Registered Representative with Securities America, Inc. (member of the FINRA and SIPC), and an Investment Advisor Representative with Securities America Advisors. He has prepared hundreds of reports for retirees to assist in their retirement income planning needs. He is dedicated to providing portfolio analysis, dividend and income information, and investment management services to retirees (and those preparing to retire) in The Villages, Florida and surrounding areas. He is a member in good standing of the Financial Planning Association (FPA).

[1] Dividend yield investing may not be suitable for all investors. You should never invest solely on the basis of dividends. Higher dividends are not indicative of the quality of an investment. Additionally, higher dividends will result in lower retained earnings. As dividend yields may not be sustainable, income investors must be sure to analyze an investment carefully and their ability to sustain market fluctuations. Investments paying dividends do not carry lower risk. Dividend payments are not guaranteed by the issuing entity. The issuer can discontinue the dividend at any time. Dividend payments reduce the price of the security by the amount of the paid dividend.

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305 Skyline Drive, Suite 3, Lady Lake, FL 32159
Phone: 352-753-8590 Email: John@RomanoJohn.com

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