



Herbert R. Smith and Company

Investment Advisors

Volume 29 2020 Issue 1

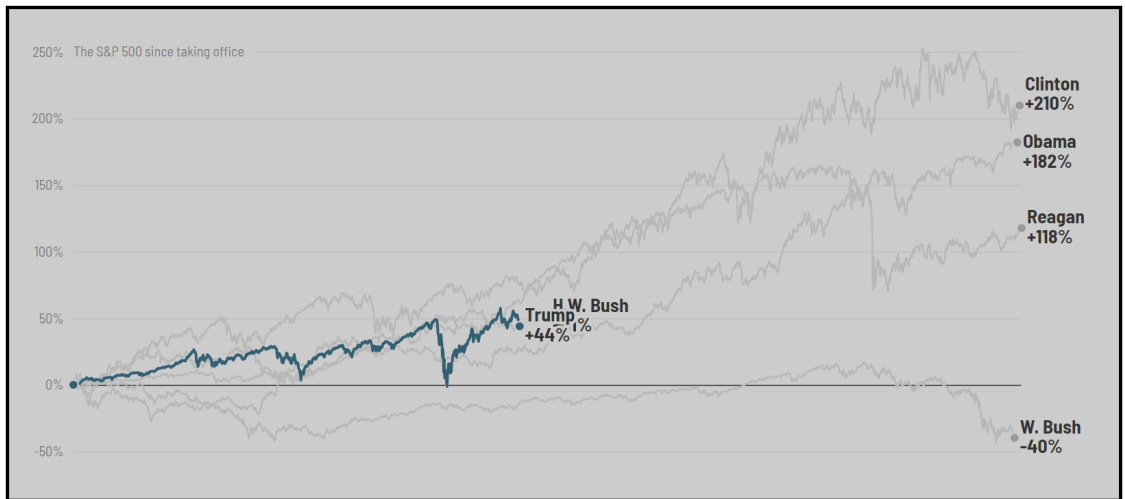
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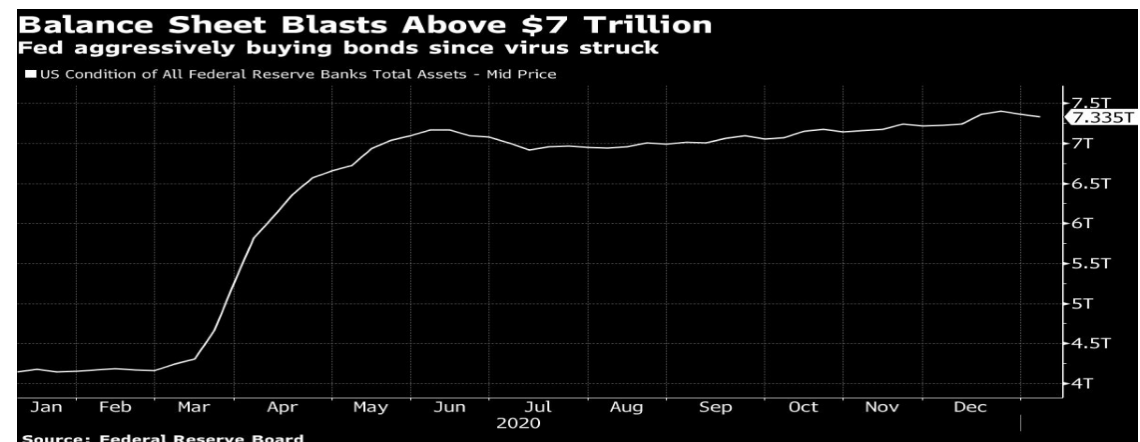
John J. Ford, CFP™

Just when you thought it might be safe to take off your mask, go to your favorite restaurant, enjoy the latest movie, or actually vote for your candidate — we turn on the TV to see what looks like republicans/conservatives breaching the Capitol building. Imagine a republican assault on the capital. We would expect to see people in Bermuda shorts driving golf carts, or a line of bass boats waiting for the launch ramp to the reflecting pool. The scenes we saw on the news did not remind us of anyone we would classify as a republican or conservative. It was discouraging to see how much our political discourse has deteriorated. And the current political battle may not be resolved over the next week, month or year — but the outcome will impact our monetary and fiscal policies as well as our capital markets.

	4-Qtr.	12-Mos
DOW	10.72%	9.72%
S&P	12.14	18.39
NASDAQ	16.35	45.65
10-Yr Treasury		.92%
10-Yr Municipals		.59%
Fed Funds		.25%
GOLD	\$1898.36	
SILVER	\$26.40	



We currently sit on a \$27 trillion national debt which has been accumulating since WWII, accelerating when Nixon was pressured into rescinding the exchange of US dollars for gold. Since funding the Iraq war, we have relied upon the exchange of printed dollars for marketable securities (bonds) through the Federal Reserve. Whenever the Fed thinks our system needs liquidity, they print a trillion dollars.



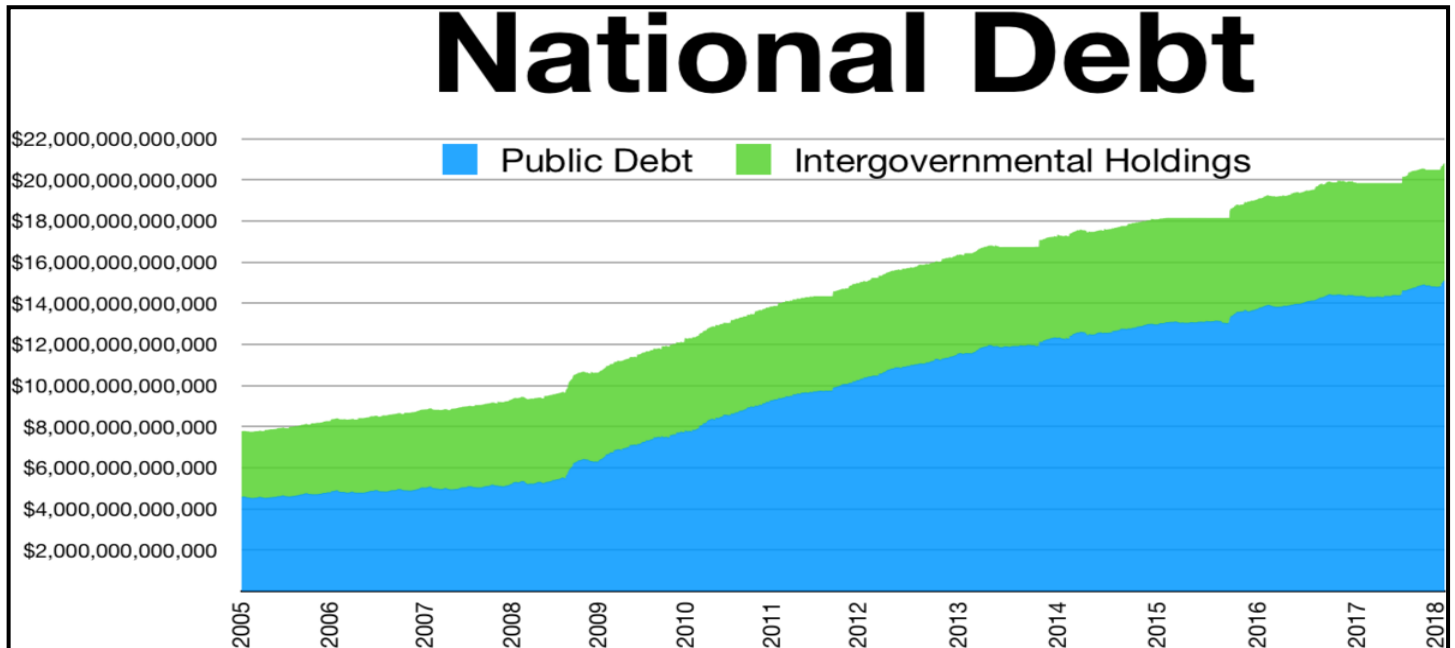
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“Government big enough to supply everything you need is big enough to take everything you have.”

Thomas Jefferson

Democrats now have the upper hand in Washington. Historically, the democrat party has generally been known for fiscal spending – and their desire to transfer wealth from some of the more fortunate sectors of the economy to those with limited resources puts pressure on the Fed to continue buying assets. President-elect Biden mentioned retired Fed Chair Janet Yellen as a possible Treasury Secretary – indicating



they want to continue their raid on the Fed until the vault is empty.

When 9/11 happened, the spending threshold seemed to be in the billions. Suddenly, once the COVID-19 virus revealed itself and the government shut down everywhere except your home, liquor stores, and Nancy Pelosi's hair parlor, we are now printing trillions at a time and shipping it out to everyone. With this penchant to raid the vault and pay off their promised largess, we don't think the value of the dollar has a strong long-term prospect.

But only time will tell. It is amazing how naive our citizens are – and how really uninformed we are about what goes on within our government, even to those paying close attention.

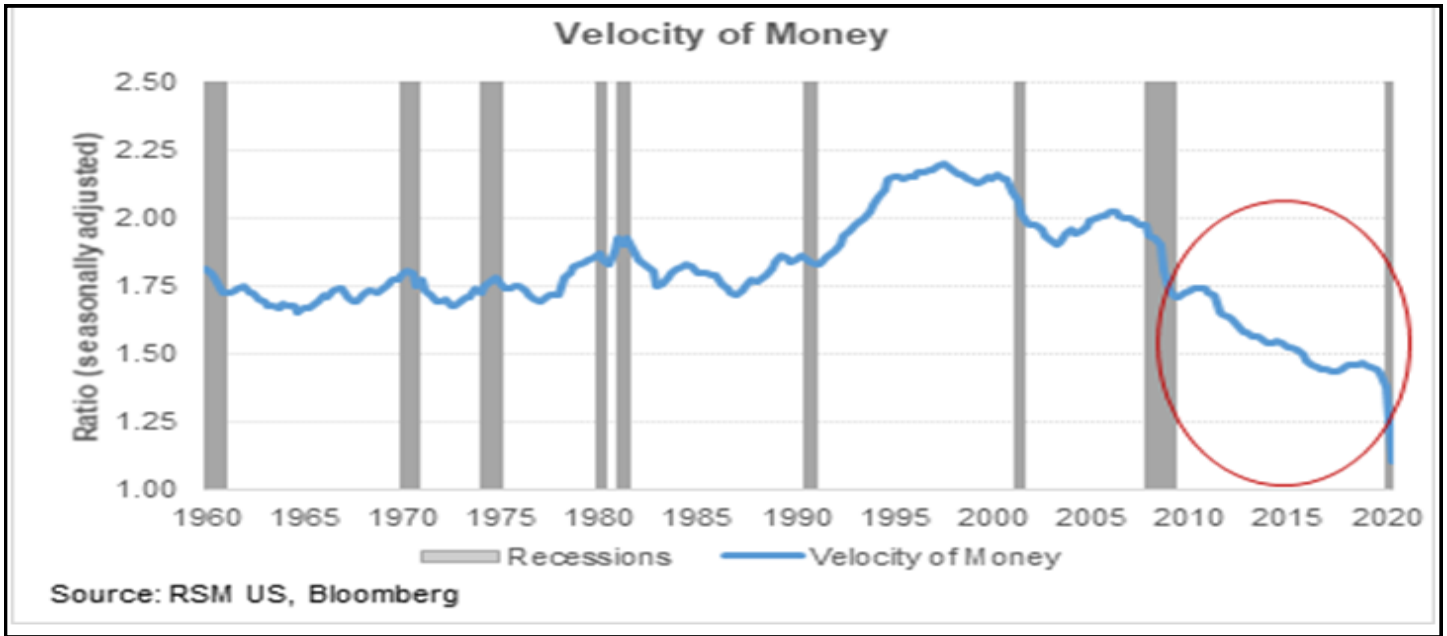
Allocation of assets: Where do we put cash these days?

Short-term: Money Market accounts, short-term bond and municipal funds

Strategic: Dividend paying funds and stocks, technology funds and stocks, precious metals

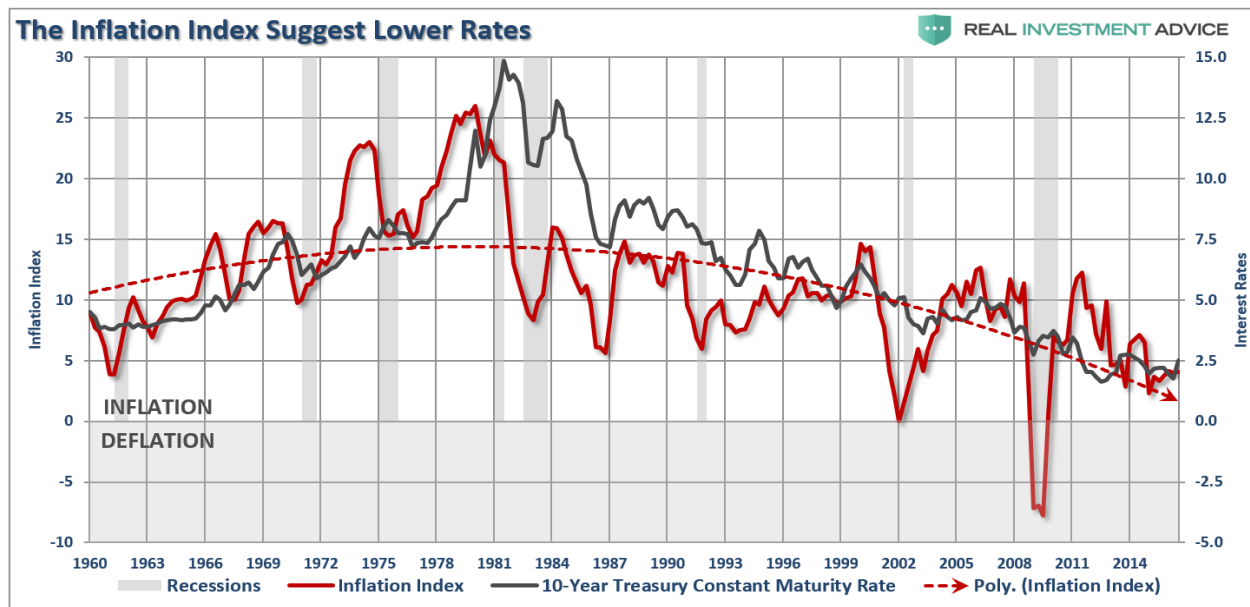
Long term: Pay down or off your mortgage, farmland and look at other real estate opportunities (REITs)

Core Holdings: (US industrials, technology, medical, food, natural resources and the S&P 500 Index



Why is inflation not a concern right now? The Chicago School of economic thought was that inflation was a monetary phenomenon. Inflation has always been a concern when the Fed prints more money, because as money becomes more available, it becomes less valuable, resulting in inflation. But since the recession of 2008, velocity of money (the number of times the average dollar is used in the economy over a period of time plus economic growth) will cause disinflation or deflation. It looks like we will be having velocity problems (people saving instead of spending) which may lead to energetic Fed movements once they get their hands back in the cookie jar.

If the Fed keeps the gas pedal down, that will make men like Elon Musk and Jeff Bezos happy (#1 and #2 on the billionaire list). The famous 1% retain their advantage unless different measures are taken. According to an analysis by the nonpartisan Tax Policy Center, the top 1% – those making over \$783,300 (\$2.4 million on average) – will pay an average federal tax rate of 30.2% in 2019. That's a higher rate than any other income category below it.



2020 brought us COVID-19 — resulting in the death of almost 380,000 Americans, entire industries nearly destroyed (travel, leisure, airlines) and the permanent closure of many small businesses (restaurants, bars, etc.). And political unrest we haven't seen since the 1960's. This too shall pass.

Looking forward, we must remember our economy is the strongest in the world, our capital markets the most robust, our workers the most productive and despite all of the troubles in 2020, we believe 2021 will be a stellar year.

Herbert R. Smith & Company has been providing investment advice to institutional and wealth-management clients for almost 50 years. Our expertise in managing assets has assisted our clients in meeting their financial goals without moving beyond reasonable risk guidelines. Our mission statement is:

To provide professional investment advisory services helping clients accumulate and maintain financial wealth through conservative long-term investment strategies.

Please call us if you have any questions or concerns:

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