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VERIPAX VIEWPOINTS

VERIPAX WEALTH MANAGEMENT

Email: Jerry.Verseput@veripax.net
Phone: 916-358-5635
Website: www.Veripax.net

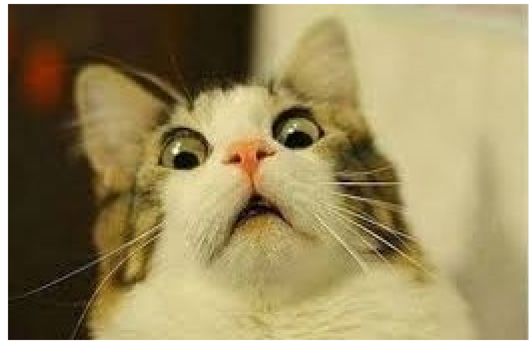
Lots Of Ways to Make Money

"There's more than one way to skin a cat" is a phrase that dates back to 1854. There aren't a lot of Millennials using this phrase, but I still hear it every once in a while. Are there people who put a lot of thought into this? Given the amount of times the average person has a need to skin a cat, do we need more than one way? Is it more of an art thing or just efficiency improvements? These are questions that are not often posed and even more rarely addressed. A question that probably has more relevance would be "Is there more than one way to grow your money?", but this is also a question that is not often posed or answered. Most people assume the best way to grow wealth is to buy stocks in one form or another, and whether this is true is not really questioned. I would like to question it.

Agreeing On What We're Talking About

Let's first be clear on what a stock is and why people buy them. As most people know, a share of stock represents ownership in a company. Usually a microscopic slice of ownership. If you bought a share of Microsoft, for example, you would own 1/7,660,000,000 of the company. Some stocks pay a dividend, but most people don't buy stocks because they want a microscopic slice of the company's earnings. If you buy Amazon stock it would take about 80 years-worth of earnings to get your money back. When people buy stock for growth, they are hoping that someone will want to pay more for it in the future. In the case of Amazon, that means either the company needs to make more money AND buyers will still pay 80 years of earnings for it, or the company keeps making the same amount but buyers will be willing to pay even more than 80 years-worth of earnings.

One other point about stocks is that they are not bought from the company. They are bought from

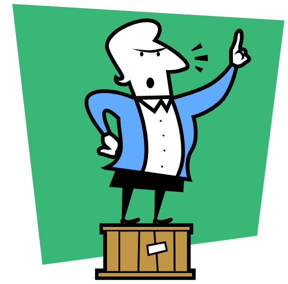


someone else who already owns the stock. So, you're not "investing" money in Microsoft or Amazon. You're trading with another stock holder, which is a bet. Even a buy-and-hold strategy is really just a long-term trade.

Investing for Wealth

Another form of investing, which I would argue is ***actual*** investing, involves giving your money to a person or company who will use your money to do something. Perhaps they are just borrowing your money and will pay interest. Or maybe they will use your money to build something or buy something that will gain in value. In this type of investing you typically own something with a value that doesn't depend on current market emotions. In fact, they are often called "real assets." I'm writing this during a boring spot of a presentation on 5G Wireless towers. The company wants investor money to buy communications towers for 5G wireless infrastructure. They may buy a tower that is leasing space to AT&T and Verizon, which produces cash flow to investors. The company then finds other customers, or "lease tenants," to increase cash flow and drive up the value of the tower. Then they sell it and give investors their money back plus some growth. This is investing as opposed to trading. The same thing happens when you buy a note from a bank, which takes the money, loans it out as credit card debt or home equity loans while they pay you interest, and ultimately gives you the money back. It turns out there are many more ways to make money in a reasonably predictable manner than there are ways to fillet felines, but we've grown used to the idea that the only way to make money is through trading. There's a reason the stock market is called a giant casino.

Something to think about:



"Remember not only to say the right thing in the right place, but far more difficult still, to leave unsaid the wrong thing at the tempting moment."

Benjamin Franklin

Market Comments

As I write this we are a mere 494 days away from the 2020 presidential election. Before you know it, we will only be a year away. Perhaps by that time the Democrats will have pared their field down to 50 or so, and Donald Trump's Twitter account will have overheated. We can only hope.

The presidential election is not necessarily market-neutral. I can't help but wonder how much of the trade war threats that are then pulled back, or sanctions against China that are cancelled at the last minute, are really designed as some form of political theater. Expect more of it. I had a conversation with another advisor at the conference I was at this week and he was complaining about how difficult it's been to position his clients for the next political move. Really? Not only trying to guess what trade war or tariff will be put on or taken off next, but actually putting client money in harm's way based on that guess? We don't all see eye-to-eye from a strategic standpoint in the financial world.

The stock market is getting whipped around a bit based on anticipation of the Fed lowering interest rates again, whether we are going to war with Iran, or to what extent we are going to punish China for unfair trade practices. This means that watching short-term movements in the market is even less meaningful than usual. If the Fed ultimately lowers interest rates it will be good for any "steepener notes" that clients own, since lowering the Fed Funds rate typically causes the yield curve to become steeper. It looks like Trump is trying to make a deal with China, and that will be good for stocks in general. Over the short-term I'm fairly optimistic, but that makes it tough to invest right now. There are some huge issues looming over the long term (2-5 years), so putting on a bunch of risk to capture short-term moves and then hoping we are the first ones out of the burning building is not very good odds. Or at least I'm not very good at it. Therefore, most of my time right now is being spent looking at investments that are hopefully somewhat recession-resistant (how's that for a bunch of caveats) and perhaps election-resistant.