

business forum

OPINIONS & ANALYSIS

Are things really different this time?

• Don't let today's apocalyptic messages about debts, deficits and recessions blind you to the remarkable potential of a resilient global economy.

By DAVID A. SCHWANDT

ABOUT THE AUTHOR



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The quotable Greek philosopher Heraclitus famously observed that the only constant in life is change.

The upheaval we've witnessed in the U.S. and global economies and markets over the past several years bears troubling witness to the reality and swiftness of change.

What's worse, the fear we naturally feel in times of uncertainty is heightened by a constant barrage of negative news and commentary that makes "the sky is falling" almost sound like a lullaby lyric.

For months some commentators have been insisting a double-dip recession was inevitable despite the fact this has only happened once since the 1920s. Those less-inclined toward cynicism about the economy weren't altogether surprised when third-quarter gross domestic product (GDP) grew at a rate of 2.5 percent. While that is not a stellar performance, it equals the 20-year GDP average.

Concerns about European sovereign debt have also made headlines for weeks. The plan announced by the EU on Oct. 26 won't fix the problem in the long-term, but the process being followed indicates European leaders are acting with unity of purpose. This eventually could help increase investor confidence in European government debt even if Greece rejects the EU's proposal. Their doing so would no doubt trigger more short-

term market turbulence, but European leaders will likely continue pressing for a workable and effective resolution.

So how is an investor to gain clarity and confidence amidst the chaos? It comes down to whether this time really is different, or if we're simply observing the same patterns experienced by investors for decades, writ large because of the speed at which information, commentary and market transactions themselves play out nowadays. Are today's economic and market conditions truly unique? Or have we merely substituted new vocabulary to define the eternal tug-of-war between greed and fear?

What I've learned over 30 years working with clients is that the only thing we really can plan for is change. Failure to recognize this leads to unrealistic expectations and blocked goals. Whether it's developing an integrated, comprehensive financial plan or constructing a well-balanced portfolio, flexibility in the midst of change must be available and embraced. A well-designed, flexible financial pro-



Plato and other ancient Greek philosophers could offer perspective during financial crises.

PETROS GIANNAKOURIS
Associated Press

gram must be able to adapt to changing conditions when those conditions might significantly lessen the likelihood the client will accomplish his or her financial objectives.

Some of the changes we're observing these days can be encouraging while others are, frankly, frightening.

My concern about our federal debt and budget deficits and the ideological entrenchment we're witnessing among our elected leaders comes down to this: What's at stake here is the very system that has allowed generation after generation of Americans to experience incremental improvement in lifestyle.

Of course, capitalism has led to extravagant improvement in lifestyle for some,

and others haven't benefited as much along the way. But, to paraphrase Winston Churchill, "Capitalism is the worst economic system ever devised by humankind... except for all the others that have been tried."

I believe that's true, and I think it's why we're starting to see forms of capitalism catching hold in emerging markets like China, India, Africa, Russia and Brazil. People in these countries seem to recognize this is an economic system that might have to be adapted to fit their particular culture and political structure but that engenders hope and opportunity.

A desire for people to improve their lives will lead them to become consumers creating a demand for well-run companies to meet their

needs and a wonderful opportunity for investors.

We must also recognize that retaining one's currency is quite different from maintaining one's purchasing power. Putting all your cash under the mattress, so to speak, might seem prudent in times of uncertainty, but it really amounts to a strategy for going broke slowly.

The value of money is not in the paper upon which it is printed; it's in the amount of goods and services we can purchase in exchange for money. Even with modest inflation, that purchasing power can be greatly diminished over the 20 to 30 years a person might spend in retirement. While today's prices can be troubling, indeed, they're not your prices

unless you must sell today.

Those who have been scared out of the market during challenging times have paid a hefty price for acting upon their fear. Time in the market — not timing the market — has been the best strategy historically for accomplishing one's long-term financial objectives.

The point is that we shouldn't let today's apocalyptic messages about debts, deficits and recessions blind us to the remarkable potential made available by the resilient global economy and the great, convincing weight of historical evidence that a well-balanced portfolio constructed in conjunction with a well-designed plan can provide a pathway for financial success and a sense of confidence in retirement.

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