

# THE MAIN ADVISORY

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*Piecing It All Together*

*www.MainAdvisory.com*

## Put Globalization Back Into the Bottle

In June, Britain voted to leave the European Union (EU). The vote came as a shock to global markets that had been astonishingly positive prior to the vote, on the assumption that an “exit” was an unlikely outcome. Moreover, it came as a shock to many British citizens, who never imagined the “exit” vote would trump the “remain” vote.

A majority voted to take back their country from the rule makers in Brussels, the headquarters of the EU. The cry to bring back jobs and rebuild factories was heard around the world.

Globalization—the free movement of goods, people and money—is causing angst among the working class who are experiencing joblessness and stagnant wages. This is true in America, too. In a speech delivered by Donald Trump in June, he said “the consequence of a leadership class that worships globalization over Americanism is the root of the economic problems in the U.S.”

Michael Schuman wrote an article on the subject of globalization in Bloomberg Business Week, and stated, “The rich West launched globalization on the ideal that nations tied together by bonds of trade, money, and culture are less likely to destroy one another. Now, those in the U.S. and Europe who believe themselves hurt by massive changes wrought by globalization want to reverse it. Isolationism is being heralded as independence.”

The slow recovery post the 2008 financial crisis is worldwide. Between 1980 and 2008, the growth rate for worldwide trade was 6%. It has averaged half as much between 2009 and 2016. During the Great Depression era, global

trade fell by approximately 60% as protectionist policies such as the Smoot-Hawley Tariff Act of 1930 gained traction, so there are some striking parallels.

One has to ask whether politicians can actually impact globalization or is the Genie too big to put back into the bottle? What would the world actually look like if countries retreated into isolationism? Will Americans rebuild the automobile factories in Detroit and commit to only driving U.S. made cars while the Europeans drive Volkswagens, Citroens and BMWs?



My parents grew a large garden, and my mother preserved hundreds of jars of vegetables and fruits when I was a child. We consumed the fruits of her labor during the winter months. Actually, everyone in our family had to pitch in to plant the seeds, string the beans and, for me, to wash and sterilize the jars since I had the smallest hands. We never dreamed of eating fresh green beans or

strawberries for Christmas. Thanks to globalization and free trade, we enjoy fresh fruits and vegetables flown in from Chile, Peru, and other agricultural producing nations throughout the year.

Capital has flowed from developed countries to undeveloped ones thereby raising the standard of living in the poorest of countries. Americans like to buy things at a bargain, so much of our manufacturing was exported to countries where wages and the cost of production is lower than in the U.S. Cries for bringing jobs back to America, alongside the demands for increasing the minimum wage must be embraced with a willingness to pay more for our “stuff.”

*(Continued on page 3) >>>*

**Assembling your financial puzzle one piece at a time.**

# Student Debt

Recently, we've received more calls regarding the burden of student loan debt than for most any other topic. According to the statistics we are reading, it doesn't look like the trend will subside in the near term.

An editorial in *Barron's* recently focused on the magnitude of the student loan problem and reminded readers that outstanding student debt totals approximately \$1.36 Trillion. The scary part: student debt has doubled in the last decade. Per the *Barron's* article, 70% of June graduates were in debt, with the average amount borrowed standing at \$30,000 per student.

The payback generally begins within six months of graduation with or without the debtor having a job. The real "kicker" in the situation is the magnitude of the interest rates on the loans. At a time in history when most of the world is operating in a negative interest rate environment, student loans are extended with rates between 5.74% and 11.85%. This is extortion at the most extreme levels. Adding insult to injury is the fact that most loans cannot be refinanced or consolidated into lower rates and payments. Is there any wonder why the delinquency rates are 11.6%?

Sallie Mae, a private lender, encourages students to find a co-signer. Duh! Co-signing means a parent, grandparent, friend, or relative takes on the responsibility, and the deep pockets, to step up to the plate and make the payments if the graduate cannot. So, think twice before making this commitment. Taking on the role of co-signer can negatively impact a credit rating even if the funds were never used for personal gain.

There are few payment plans to select from once a student graduates, aside from buckling down and making monthly payments. But, there is one popular option known as "the income driven repayment plan." There were 5.3 million borrowers who chose this route as of June, 2016. As the name suggests, the payments can fluctuate when income goes up or down.

While this sounds attractive, I was recently enlightened to a situation whereby the graduate married with the income repayment plan in effect. The couple filed their taxes as "married filing jointly." The combined income, being higher than a single income, kicked the income driven payment plan into overdrive. So, I throw out a word of caution to anyone with student debt to carefully consider



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whether filing 'jointly' with a spouse versus 'married filing separately' is the best route to take if the outcome results in much higher monthly payments on the student loans.

There is no relief from student debt through bankruptcy. A borrower can do very little to qualify for loan forgiveness. The fine print in this regard is miniscule. Even if there is a lifeline of debt forgiveness, the amount forgiven is subject to income tax.



The federal program known as the Public Service Loan Forgiveness Program promises to wipe out student debt for graduates who work for non-profits or in government service after 10 years of service so long as timely payments were made on the student loans during this period. 2017 is the first year of eligibility since the program began in 2007. The Department of Education says that 482,000 applications have been filed to receive the loan forgiveness. Taxes will be due on the forgiveness of debt in 2018. I anticipate there will be more headlines written and political debate will rumble when this occurs.

The cost of a degree has risen substantially through the years. Choosing a career path needs to be carefully considered so that debt doesn't overshadow the income potential upon graduation. I've often counseled families to consider getting the basics out of the way at the local community college where course credits are typically less expensive. Create strategies to reduce or pay off the debt before signing on the dotted line. "Hope" is not a strategy. Get involved and write letters to your elected officials encouraging them to address this mounting problem; at a minimum, provide a way to consolidate loans and reduce the high interest rates. Surely, as a nation with millions of college graduates, we can solve this problem of student debt overhang!

## HIDDEN CITIZENS



**M**y heart recently sank as I came across an article describing the epidemic of loneliness and isolation among the elderly in the U.K. One lady, in particular, aged 93, only had human contact when she phoned 911. The effects of loneliness are having a negative impact on both the health of citizens and the healthcare system. Governmental efforts are underway to address the situation.

The following facts were pulled from the website Campaign to End Loneliness.org:

- 17% of older people are in contact with family, friends and neighbors less than once a week and 11% are in contact less than once a month (Victor et al, 2003)
- Over half (51%) of all people aged 75 and over live alone (ONS, 2010)
- Two fifths all older people (about 3.9 million) say the television is their main company (Age UK, 2014)
- 63% of adults aged 52 or over who have been widowed, and 51% of the same group who are separated or divorced report, feeling lonely some of the time or often (Beaumont, 2013)
- 59% of adults aged over 52 who report poor health say they feel lonely some of the time or often, compared to 21% who say they are in excellent health (Beaumont, 2013)
- A higher percentage of women than men report feeling lonely some of the time or often (Beaumont, 2013)



No doubt, this is not isolated to the U.K. In the fast paced age of technology, social media and over committed lives, the elderly could easily become the forgotten in our own neighborhoods.

My fondest memories as a child are gathering eggs and petting the pig with my elderly neighbor, Floyd. Of course, our visits always included some feasting on homemade blackberry pie kept in the warming bin of his wood-fired kitchen stove. The hospitality he and his tiny wife, Bessie, would extend as we showed up unannounced (they didn't have a telephone) is permanently branded on my heart. To think there may be a "Floyd" out there who doesn't have any personal link to another human being is heart-rending. So, my new challenge to myself is to strike up a conversation with an elderly person whenever I get the opportunity.

## Put Globalization Back Into the Bottle *(continued from Front Cover)*

The advancements in technology have allowed businesses to expand internationally. How surprised I was to discover a Starbucks and a McDonalds side by side as I recently emerged from baggage claim in the Paris airport! I even saw a few children adorning Mickey Mouse ears, no doubt purchased at Disneyland Europe. The iPhone was everywhere. Globalization has "melded" cultures, countries, religion and people together.



Technology, and especially the internet, has changed employment habits and preparedness globally. It took less than five years for "internet surfing" to penetrate 50 million American households. By contrast, it took 38 years for the radio to hit that milestone number. Workers have been, and will likely continue to be, displaced by improvements in technology. Combine improvements in technology with increased numbers of immigrants and it becomes a recipe for workforce unhappiness, fear, and a backlash of discontent towards the electorate.

Retraining programs are antiquated. There is a long list of services to aid the unemployed, or "displaced" worker as they are often defined, on the Department of Labor's website. But, there are numerous accounts, and articles written, that confirms these may be more "fluff" than substance. Much of the worker training initiative still remains with private industry or universities.

It will be extremely interesting in upcoming months to watch the renegotiation of trade agreements between Great Britain and its trading partners. At the same time, China is attempting to cut new deals. It is all about gaining an edge. Political rhetoric among presidential candidates in the U.S. is hinting that new rounds of negotiation may ignite around existing current trade arrangements. In an interdependent world, it seems unlikely that any country can retreat into isolationism.

I was reminded by my pastor during a recent sermon that globalization was originally promoted by none other than Jesus when He said "Therefore go and make disciples of all nations..." The idea of globalization was promoted more than 2000 years ago, so I doubt it is going away anytime soon.



# STAFF NEWS

## Darla Main - President, Main Advisory, Inc.



My husband and I totally enjoyed our 40th anniversary celebration in France in July. In addition to our anniversary, we celebrated the 60th birthday of a friend who decided to throw himself the party and invite an entourage of friends and family. Forty two guests, most of whom had never met one another, quickly became friends for a week. We were divided between four lovely country chateaus approximately 1-2 kilometers apart in the countryside, about seven hours by car south of Paris.

After parting from the birthday event, we slowly made our way up to the Loire Valley where we toured several of the most magnificent castles with acres of lush gardens and fountains. The setting was absolutely stunning.

We feasted on excellent food and wine. I had the best duck breast I've ever had in my life in a tiny village in the southern countryside. The odometer on the car increased by almost 1000 miles. I can't say we have a yearning desire to return to France soon, but we certainly cherish the memories of a great getaway.

## Nancy Diel - Client Services



Summer is officially over. I guess all good things must come to an end. My son, Jake, a senior in high school, is trying to decide if an aviation career is something he wants to pursue. My brother-in-law, Ken, works at the Air Force Base in Dover, DE. Ken was able to set-up time in a C-5 simulator with a colonel so Jake could fly the simulator. An hour was way too short for Jake; he could have remained much longer! He also toured a C-5, which he said was "really cool." On another day, Ken and Jake visited a second Maryland base. Ken's colonel friend took them for a jaunt in a Cessna 172S. Jake was not only allowed to fly the plane, but he was able to take off and land too. He loved it and definitely has the flying bug now.

In the last newsletter, I mentioned my daughter, Abby, was going to Nationals for her gymnastics team. Her Team did a wonderful job and came in 1st place for level 5! She had some time off this summer from gymnastics, but I am back to running her to the gym a few times a week.

## THERE'S AN APP FOR THAT!



The scorching humid days of summer are morphing into autumn and it's time to get some golf in before winter arrives. One of the best ways to appreciate fall foliage is to spend a few hours on the links. Pennsylvania has some beautiful courses with mountain views.

Before heading out for a relaxing day with your foursome, download the Golf GPS & Scorecard app by Swing by Swing Golf. (Free, in-app purchases) (Apple Watch)

This app is a top free GPS rangefinder that works on over 33,000 courses worldwide. You can find the distance to the center of the green and to any obstacles. Satellite photos are available, and you can zoom in and touch



anywhere to get distances from you to that point. Also available as part of the app is a digital score card that automatically advances from hole to hole. You can store your rounds for free online, and use the available graphs and stats to track improvement in your game. In-app purchases give you access to real-time wind speed, elevation, and "plays like" distance. Their paid service also lets you track the clubs you use and measure the distance for each club, as well as get club recommendations during the round. And it lets you play handicap-adjusted games and matches. Apple Watch functionality includes distances, scorekeeping, and tracking shots.

The reviews were terrific with many folks contributing their thoughts. No one reported knocking several swings off their game, but it was helpful in other ways. ■