My 3 Step Portfolio Check Up Plan

Back in August of 1993 I laid out a three step portfolio check up plan for investors. If you answer these three questions, it should give you a decent idea of how your portfolio should be positioned at the moment. I wrote:

> *Few investors realize that you can keep your portfolio in shape simply by asking (1) Are short-term interest rates moving up or down on a trend basis? (2) Is inflation advancing or declining on a trend basis? (3) Is the economy expanding or contracting? You don't need to go beyond these questions for help in balancing your investments portfolio in any cycle.*

The answers to those questions today are:

- Short term interest rates are finally moving up after being held low for years by the Federal Reserve.
- On trend the rate of inflation has been accelerating since early 2015, as measured by the government's somewhat flawed CPI index.
- The economy is expanding, and faster than it has for some time.

I went on to write:

> *In the 1960s, the Dow gained an average 1.8% per year. In the 1970s, the average annual advance was only 0.5%. In the 1980s, however, the Dow averaged a whopping 12.2% per year. (These average annual figures are exclusive of dividends.) In the 20-year span beginning in 1960, the stock market made little headway. In the 1980s, it was gangbusters. Why the shocking divergence? Interest rates and inflation. A rise in both is bad for the stock market. Both the 1960s and 1970s opened with*

> *low interest rates and low inflation that moved higher during the decade. The 1980s, however, opened with high interest rates and inflation that would, over the decade, fall sharply, triggering a boom in stock prices.*

With rates rising today, and inflation advancing, it would benefit investors to pay close attention when making portfolio allocation decisions.

At my family run investment counsel firm, Richard C. Young & Co., Ltd., clients are served with fully customized portfolios of individual stocks and bonds generating income that will pay their families a retirement wage in good times and bad.

If you'd like to learn more about the strategies employed at Richard C. Young & Co., Ltd., I encourage you to sign up for the monthly client letter (free even for non-clients). In it, my son Matt, president and CEO of the firm and one of *Barron's* Top 100 investment advisors for each of the last five years, explains the strategies and decisions made in client portfolios from month to month. You won't be disappointed.