

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 (2012-2016) [Disclosure](#), explains the strategies and decisions made in client portfolios from month to month. You won't be disappointed.