

Are Rising Interest Rates Good Or Bad?



Interest rates are a perennial subject in the financial media, and for good reason.

The cost of borrowing money touches nearly every corner of our \$18 trillion economy. So each time the Federal Reserve Board meets, there's a buzz of anticipation, breaking news on what they decide to do, and then hours of speculation about what they might do next.

The people borrowing money to buy cars, houses, and education, want rates to be low. While the people lending them the money would like rates to be high.

The same goes for the business world. Corporations want the lowest-cost way to finance improvements and expansion. While their bond holders would like to receive returns above inflation.

So knowing there are so-called winners and losers each time the prime rate moves a quarter point, it makes sense to ask, "Are rising interest rates good or bad?"

A Positive Sign

If you ask the Federal Reserve, rising rates are a sign that the economy is healthy.

For almost a decade after the financial crisis, the Fed kept its benchmark rate at a historic low, hoping that easier borrowing would help businesses get back on their feet. As employment numbers improved, the Fed began to ease rates back up toward a more historically average level, raising them three times in 2017.¹

But if low rates are good for the economy, why raise them at all?

The answer is two-fold. First, artificially low rates can cause the economy to "overheat,"

leading to a sudden spike in inflation. Second, investors who are unable to earn a return by loaning money, tend to move their capital into much riskier ventures. As we saw in the subprime crisis, a high rate of failure can put an enormous strain on the financial system.

So the Fed carefully monitors these economic indicators to determine when it's time to take their foot off the gas.

How Rising Rates Can Benefit Long-Term Investors

The Fed has indicated that it will continue to raise rates through 2018. This can affect the markets in several different ways.

For example, companies that are heavily leveraged will see the cost of servicing their debt go up and so be less profitable. If they are publicly traded, this may put downward pressure on their stock price, hurting their investors.

Additionally, when new bonds are issued with a higher declared interest rate (known as “yield”), the value of lower-interest rate bonds declines. However, rising interest rates can have a positive effect for long-term investors holding diversified bond portfolios.

According to a study, an investor with a time horizon longer than their bond portfolio's average duration (time to maturity) may benefit, because rising rates will allow them to incorporate bonds with higher rates over time.² The key is to own a diverse range of bond funds within a long-term investment plan.

While higher interest rates will make it more expensive to remodel your home or pay for a college education, they can bring positive results for the prudent investor with a disciplined strategy.

It's a complex issue with many factors to consider, so talk with us about what to expect and ways to help you be prepared as interest rates rise.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



Increase Your Distance

Accurate short drives may make for more strategic games, but they sure don't make approach shots any easier or less intimidating. In the long run, short drives translate into more shots and higher scores. Who wants that?

How do you improve your long game, knock the balls closer to the greens, and put a little more swagger back into your step?

Here are 3 easy tips to get you swinging more smoothly and to send your ball sailing for the long journey:

No more swing swaying: Turning your right foot outward during the swing helps prevent swaying, but only if you're a little stiff in the first place. If you have good hip flexibility and are able to maintain a neutral hip position, you may proceed to the next step.

Grip strength: Improving your grip is one of the easiest and most useful tips to going long. While it may take you a while to get accustomed to the hold, a stronger grip packs more punch in your swing. Rotate your hands to the right (for right-handers) on your club, which turns the clubface to create a draw spin.

Move the ball closer: This enhances the prospects of hitting a draw, which sends the ball on a lower trajectory but with greater roll. Hard and dry terrain is the best for this type of maneuver.

Sometimes a few simple changes in how you play can make a big difference in your game.

Tip adapted from Age Defying Golf ⁱ

Recipe of the Week



Shaved Zucchini and Prosciutto Grilled Pizza

Serves 4

Ingredients:

1¼ pound pizza dough
4 tablespoons olive oil, plus more for greasing
½ cup marinara sauce
¾ cup shaved pecorino cheese
2 medium zucchini, trimmed
1 jalapeño chile, thinly sliced
¼ cup packed fresh mint leaves, torn
2 tablespoons fresh lemon juice
2 ounces thinly sliced prosciutto, torn into strips

Directions:

1. Take the pizza dough out of the refrigerator 30 minutes prior to cooking.
2. Preheat grill at medium.
3. Use oil to brush clean grill grates.
4. Stretch and roll dough into a 13-inch round on lightly floured parchment paper.
5. Generously brush the top of the pizza with 2 tablespoons of oil.
6. Use the parchment paper to place dough, oiled side down, on the grill. Remove parchment paper.
7. Cook the pizza for 2 minutes or until the bottom is crisp and charred.

8. Flip the dough and layer on sauce and add ½ cup of cheese.
9. Cover and cook for another few minutes until the dough is lightly charred on the bottom.
10. Cut the zucchini into long, thin slices with a vegetable peeler.
11. Mix zucchini, jalapeño, mint, lemon juice, the remaining 2 tablespoons of olive oil, a ½ teaspoon of salt, and ¼ teaspoon of freshly ground pepper in a medium bowl.
12. Spread zucchini salad, prosciutto, and ¼ cup of cheese on top of the pizza.

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Understanding ADHD

What is It?

Sufferers of attention deficit hyperactivity disorder (ADHD) display symptoms of inattentiveness, impulsivity, and hyperactivity. Formerly called attention deficit disorder, ADHD afflicts both children and adults.

Adult sufferers may experience difficulties managing their time, getting organized, setting goals, and retaining employment.

How Do You Treat It?

Doctors typically prescribe stimulants to treat ADHD, which help sharpen concentration and curb distractions. Drugs help rewire brain circuits that direct attention and focus. Doctors will prescribe antidepressants if stimulants don't mitigate ADHD symptoms. Antidepressants or other drugs stabilize moods and control impulsive tendencies.

Material adapted from WebMDⁱⁱⁱ

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ⁱ <http://www.agedefyinggolf.com/3-super-simple-tips-senior-golfers-get-distance/>

ⁱⁱ <http://www.goodhousekeeping.com/food-recipes/a44186/shaved-zucchini-prosciutto-grilled-pizza-recipe/>

ⁱⁱⁱ <https://www.webmd.com/add-adhd/default.htm>