

Don't Get Bitten by Tulips, Bitcoin, and Gold

Being in the financial services business, I'm often asked about my opinion on various topics and or fads. Let me back up by first looking at the very basics of American savings, habits, where, when, and how much people are savings as I come from a different perspective. I bring up American savings habits, because there is a woeful low savings rate in this country (but improving). I have found that when a new phenomenon comes along whether it is the tech stock that has skyrocketed or a new start up (must have) company; investors flock to 'the new'. This is how bubbles have been created, sustained, and then have an eventual collapse. Look back at the seventeenth century. The Holland tulip craze ended in a huge economic collapse in Year 1637. 'Tulipmania' was one of the first bubbles on record. Yet, people thought it could go up forever. Very often, it is the part of the investing public that can ill afford to be a part of these fads. It is the last thing that most investors need to take a part in, especially those that haven't started building their retirement wealth.

Now, we have Bitcoin. It is different than conventional investing, as you acquire and sell it through unconventional channel and it current has a gray area or reporting gains and losses. It is a buy and sell situation that trades only on pure underlying trading activity. There is no underlying profit to be had. The argument is; there is only a finite number, except they can always release more of the finite number. This is not a good way to accumulate wealth or even speculate in my opinion. It is expensive to acquire and dispose of. This is such a huge unfortunate distraction for the investing public. The advertisements now are going after retirement accounts and saying you don't have to worry about inflation with Bitcoin. Be careful if you go there, and only dip your toe in this if ALL of your retirement/savings accounts are adequate.

Gold is another one that is hard for me to consider actively investing in. It is often labeled as an investment hedge against other investments. The fear tactics to get investors to flock/invest continue to be astounding. Gold is also expensive to buy, hold, and sell. I have found that most that have accumulated estates over their life time skip this sector over their investing life.

If you have anxiety about the financial markets; I recommend a pure fixed annuity (not the annuity that pays income for life,) but an annuity that currently pays 3% for 5 years with no fees. You need to hold the investment for the full five years. Another alternative is the Municipal Bond fund; which can pay about 2-4% but your principle does fluctuate.

Sincerely,
Andrew D. Wade, CFP®
President