



Election Reflection

by Jim Bell, CFP®, President and Founder, Chief Investment Officer

Nielsen estimates that 84 million Americans watched the first Clinton/Trump presidential debate, a new all-time record audience. The interest in this election runs high with a level of anxiety to match, leaving Americans to worry about their future and their investments.

The best response is to stay with your plan. We are strong advocates for formal financial planning whereby we can reference your capital at work and your goal for present and future cash flow to design your optimal portfolio taking no more risk than necessary. It is not wise to upend your plan in response to disturbing events like this election. The US market and economy are not influenced as much by elections as you might think. The time to invest is never perfect, and there are times when you might be tempted to sell everything and head for the hills with your cash, but fear and emotion are not good investment managers. Earlier this year, financial editor and analyst Mark Hulbert wrote in *Barron's*:



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To bet that this time is different and that the right course of action is to go to cash or any other alternative asset class, such as bonds or gold, you have to bet that you will succeed when almost all professional market timers in the past have failed. That's a triumph of hope over experience.

Election Prediction

Last month, The Macro Research Board (MRB Partners), a source of private, independent global investment research, concluded that Clinton will win. Their resources for this conclusion are: state-by-state polling, statistical models, and Las Vegas betting odds. From the beginning, Clinton has enjoyed a head start due to the Electoral College structure. Trump has to swing many more states to his side than Clinton. The MRB Partners emphasize the critical outcomes of the House and Senate races, not just because of the separation of powers, but also because of the long-term decline of bipartisanship resulting from gerrymandering by both parties favoring candidates with high ideological positions and extreme political biases.

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On September 13, MRB Partners put the odds of a Clinton victory at 65% vs. 35% for Trump. The odds of a Democratic Senate and Republican House are reported to be 43% vs. only 20% for the House and Senate to both be controlled by one party. As of October 5, Nate Silver of Five-ThirtyEight puts the odds of a Clinton victory at 76.2% vs. 23.8% for Trump. The significance of a divided Congress (Democratic Senate and Republican House) is that the House will be able to block radical changes in policy.

Stock Market Preference

In terms of stock market preference for policy, Clinton is favored in the areas of fiscal, monetary, trade, and economy. Regulatory policy is the only area where markets favor Trump according to MRB Partners. The non-partisan Urban-Brookings Tax Policy Center (TPC) estimates that federal debt would decline modestly under Clinton policies whereas the debt would increase by 41% of gross domestic product under Trump. The bias toward upper-income

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What We Did on Our Summer Vacation (continued)

The Economy

The economy is extremely limited. Imagine: no retail stores, rationing, few churches, no supermarkets, limited fresh fruits and vegetables, an abundance of canned grayish-green beans, tour guides chosen and paid for by the government, no new clothes, tourist trinkets that must be approved by the government, et al. While, yes, education is free, most people do not pursue higher education because whether you're a doctor or work in a store, your (tiny) salary is the same. The only people making anything above bare bones wages are people in the tourist industry, because they are able to earn tips.

When you ride in those colorful cars from earlier decades, notice that they are exuding black smoke, they don't have seat belts, and the seat covers are just about threadbare. I am grateful to still be alive after risking my life in a handful of these Cuban cabs during the ten days we were there. I had forgotten what it was like to flop around the back seat of a car at break-neck speeds without wearing a seat belt. Traffic police? Speeding tickets? Insurance liabilities? No such thing.

All of this said, people are people wherever you go, and the Cubans are no exception. They were handsome, friendly, kind, fun, talented, and oh, the Cuban music! But they are, in my opinion, extremely deprived, and affected by the kind of Com-

munist to which they have been born and under which they have been raised. I found myself increasingly grateful for my own freedom — of thought, philosophy, lifestyle, career, and more — the things I take for granted every day.

The Oakland Youth Orchestra

And what about the Oakland Youth Orchestra? They were fabulous! They represented our country and our city in a way that would make all of you very proud. Under the direction and inspiration of their adored conductor, Omid Zoufonoun (formerly on staff with the Oakland School for the Arts), they achieved musical excellence as well. As supporters, we followed the orchestra to all three of their performances in the Teatro Thomas Terry in Cienfuegos; the Teatro La Caridad in Santa Clara; and in the Teatro Nacional de Cuba in Havana. We celebrated with them at the most beautiful vintage hotel in Havana, the Hotel Nacional de Cuba, where we also had our best meal (no canned green beans), and a floor show of gorgeous Cuban men and women gowned and tuxed in full 50s Cuban regalia a la Desi Arnaz. The members of the Oakland Youth Orchestra have never looked as beautiful and proud and accomplished as they did that night. They will surely take all of that with them as they move into their futures. ■

Election Reflection (continued)

groups in Trump's tax reduction policy reduces the impact on consumer spending because the wealthy have a higher savings rate. Clinton's plan to reduce taxes on lower and middle-income households would increase consumer spending because these groups have a higher propensity (and need) to spend additional cash flow. For the capital markets and the US dollar, Clinton's fiscal policy is more favorable than Trump's.

The MRB Partners warn that any significant weakening of the US commitment to free-trade and globalization would be negative for stocks, corporate profits, Treasuries, and the US dollar. The MRB Partners conclude that Clinton believes trade is a net job producer for the US, implying a broadly supportive trade policy bias.

The US economy suffers from very slow growth in the US labor force. Baby Boomers are retiring, and our young people are staying single longer and are tending to have small families if they have families at all. The solution points to a positive immigration policy, since immigrant families tend to have more children and help the labor force to grow. Zachary Karabell from *Politico* (politico.com) reminds us that Ronald Reagan believed the economic pie could expand year after year and embrace more people; and this belief is backed by a generation of economists who argue that open trade and globalization make the whole world wealthy. This is far better than a world view that can only see winners and losers. ■



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1111 Broadway, 16th Floor
Oakland, CA 94607
510.433.1066 ■ f 510.433.1067
800.700.0089

Fountaingrove Village
2097 Stagecoach Road, Suite 230
Santa Rosa, CA 95404
800.700.0089

info@bellinvest.com
bellinvest.com
careerlifecoaching.bellinvest.com



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Knowledge Work: Finding and Funding a College Education

by Forrest Bell, CFP®, Sr. Investment Advisor, Financial Planner

For more than a decade now, the US economy has shifted away from manufacturing and toward what the late business guru Peter Drucker called “knowledge work,” work that requires a person to use judgment and understanding to creatively solve problems. Over time, we’ve learned more about the challenges of this kind of work. Knowledge work expert and author David Allen puts it this way: “In the old days, work was self-evident. Fields were to be plowed, machines to be tooled, boxes packed, cows milked, crates moved. You knew what work had to be done — you could see it.” He goes on, “Now, for many of us, there are no edges to most of our projects. You can’t ‘see them.’” In knowledge work, you have to determine for yourself what you need to do to succeed at a project and when you’ve actually finished it.

Preparing for a Career in Knowledge Work

Preparing for a career in knowledge work is time consuming. In general, it means spending more time learning and more time in school than you need for other kinds of work. Perhaps that’s why the national consensus is that attending college is essential to a modern career. In his article “College Calculus,” John Cassidy writes that in 1980, only one in six Americans ages 25 and older was a college graduate. Currently, about 70 percent of high school graduates go on to college, and half of all Americans between the ages of 25 and 34 have a college degree. Fortunately, there are plenty of colleges to meet this demand. Unfortunately, they have become expensive. Here is a list of California schools with their total annual costs:

Stanford University	\$61,261
Santa Clara University	\$60,489
University of California, Berkeley	\$54,801
California State University, Sacramento	\$32,986

Source: MoneyGuidePro

Choosing a College

The sheer number of colleges and their costs have made choosing a college more stressful and more complicated than ever. To unwind this complexity, many families turn to high school guidance counselors and/or private college admissions consultants. Private college admissions consultants offer a range of services from

test preparation and college selection to essay and interview coaching and application packaging. Some even offer services for students who are just beginning high school, providing curriculum planning to help students choose the right classes. There are a few things to consider when searching for a college admissions counselor, but finding a good one can make the college application process more organized and less stressful for parents and students.

Gone are the days when most families could say to their children, “Get into the best school you can, and we will make sure it gets paid for.”

— Forrest Bell, CFP®



Paying for College

However, even gifted college admissions consultants fall short in their handling of one particularly crucial component of choosing a college. Because their work focuses on helping students target the right school and shepherding them through the application process to improve their odds of being admitted, the consultants often give little attention to how families will pay for college. For financial planners, on the other hand, how to pay for college has become a meaningful concern.

Gone are the days when most families could say to their children, “Get into the best school you can, and we will make sure it gets paid for.” We see that even our clients who had the discipline to fund 529 plans from the day their kids were born still sometimes have to find other resources to cover the costs. If those other resources are the parents’ savings accounts or income that was earmarked for savings, then funding college can create a hole in their retirement plan. If those other resources are student loans, then students can end up with an unwieldy amount of debt. As the August 2016 issue of *Consumer Reports* points out in the article “Lives on Hold,” many recent college graduates are using all of their earned income just to pay for groceries, housing expenses, and student loan debt.

Using Planners/Consultants

This is why the combined work of financial planners and college financial aid consultants, who can advise you on how to reduce college costs, is becoming so important to the college planning process. A good financial plan can determine how much is too much to commit to funding college before the damage is done. Additionally, a good college financial aid consultant can reduce the cost of college itself.

The work of reducing the cost of college starts by determining whether a family will be eligible for needs-based financial aid. If you’re eligible, you should give particular focus to schools that are generous with needs-based aid. If needs-based aid is not an option, focus should turn to merit-based aid. Some schools are especially keen to recruit students with strong academic records and will reduce tuition to entice them. Finally, some colleges are interested in balancing each incoming class with non-academic accomplishments and talents. If your child has a special talent, it’s worth finding schools with an historical interest in that talent as it may mean substantially reduced tuition payments.

Like a lot of knowledge work, college planning is not exactly self-evident. You can’t easily “see it,” which might be the reason why many of us overlook finances when planning for college. Fortunately, it’s easier than ever to bring these financial considerations to the fore, and it is highly worthwhile to do so. ■



What We Did on Our Summer Vacation

by Bonnie Bell, MA, MDiv., Principal, and Director of Career/Life Coaching

We did something we never really intended to do. Out of the blue, the Oakland Symphony Board posed this question to its members, “Would you be interested in accompanying the Oakland Youth Orchestra to Cuba for their concert tour this summer?” Since Jim was still the president of the Board of the Oakland Symphony at the time, and we are big fans and supporters of the Oakland Youth Orchestra, without thinking much about it at all, we said, “Yes!!”

The Decision and Logistics

Even though the trip would be in mid-

July and therefore hot and humid beyond measure, we jumped at the chance. Not only would we have the opportunity to see five Cuban cities before they get trampled by the rest of the American tourists soon to follow, but by going we helped defray the costs encumbering the youth for their once-in-a-lifetime trip. In addition, being on a “cultural tour” to Cuba is known to be a very unique experience.

The itinerary was planned by a performing arts tour company in Oakland (ACFEA), an organization with exten-

sive experience in planning tours for arts groups facing such unique challenges as safely loading expensive musical instruments onto and off of commercial airplanes, making in-country rental arrangements for instruments too big to

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— Bonnie Bell, MA, MDiv.



1111 Broadway, 16th Floor, Oakland, CA 94607

fly, e.g., pianos and harps, and arranging for complex in-country transportation for approximately 70 students, their chaperones, and a doctor in one bus, and 35 adult “supporters” in another.

Transportation

The brand new, top-of-the-line, air-conditioned buses to which we gladly became accustomed were a rare and welcomed luxury in a country that is pretty much luxury-free. For example, toilet seat covers, soap, and paper towels are luxuries only to be found in hotel bathrooms, not in public places. (Those little packets of travel Kleenex are a must, should you

to decide to go to Cuba yourself.) Our surprisingly comfortable tour buses were made in China, and are only available to tourists, not locals.

There are no subway systems or trains in Cuba, only buses and cars, and most



of them are far more dilapidated than anything to be seen in the US. As you may have heard or seen in photos, the country is peppered with American cars from the 1950s and 1960s. They are quirky, loveable, and picturesque for tourists, but they do reflect the sad state of deprivation and deterioration the whole country is in. The majority of the cars are not in good repair. Drivers save their pesos for years, one at a time, to be able to buy one. In so doing, they have an entrepreneurial opportunity to use that car to be a cab driver or to make some extra money as cab driver in addition to whatever else they do.

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