



Trump Punishes Craft Beer

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

Thanks to the St. Patrick's Day editorial page of the *Wall Street Journal*, I learned about American Keg in Pottstown, PA, the only remaining U.S. manufacturer of stainless steel beer kegs. Their biggest seller is the 15.5 gallon keg, very popular with fraternities, bars, and restaurants. Despite competition from Germany and China with cheaper kegs, American Keg has survived by selling to craft brewers that want to support American workers and steel. So far this is an inspiring, patriotic story about American businesses that prioritize their values over the cost of production as much as they can to stay viable.

But now the story starts to go haywire. Donald Trump has been salivating over tariffs for many, many years. Upon his election, U.S. steel producers began raising prices in anticipation of Trump's tariffs. Consequently, the cost of American hot-rolled steel has increased by more than 35%, and when Trump signed the tariff orders on March 8, prices increased by more than 4% in one day.



The force of economic growth in the U.S. and abroad will prevail over Trump's histrionics.
— Jim Bell, CFP®



American Keg

CEO Paul Czachor worries that Trump's tariffs could put American Keg out of business, and he has already laid off 10 of his 30 workers. Trump's destructive tariffs may help 140,000 workers in steel production but punish 6.5 million workers in steel dependent industries. Trade policies are complicated. Tariffs are not something you blurt out at a surprise meeting blindsiding your chief economic advisor and all U.S. manufacturers and trading partners. The steel tariffs cover only raw steel materials, not finished products like imported kegs, so the kegs from Germany and China will have even more of an edge over American Keg. Craft brewers can only stand so much patriotism before their ideals turn destructive to their business results.

"Why would you do that, Mr. President, when we would rather work than be on welfare?" asks Mark Foster, age 55, one of the 10 workers laid off at American Keg. The *Journal* editorial concludes that American Keg is being punished, not by competition, but by President Trump's "rotten policy."

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Phases One and Two

As fiduciary investment managers, we appreciate the positive returns for our clients helped by Trump's business friendly developments, including deregulation and tax cuts. The February jobs report revealed that non-farm payrolls grew by 313,000 new jobs, and 800,000 workers came off the sidelines to join the labor force, the largest labor pool rise since 1983. This is a big deal. 2017 fourth quarter corporate earnings grew by 14.8%, and Ed Yardeni, veteran Wall Street researcher and author, reports that the tax cuts have nearly doubled Wall Street's expectations for the 2018 S&P 500 earnings growth rate from 10% to 19%.

I think of these positive developments as Phase One of President Trump's economic accomplishments. I am concerned however that Phase Two is beginning with destructive behavior that could undermine everything good from Phase One. It seems likely that chief economic advisor, Gary Cohn, resigned

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because Trump went around the process that Cohn had developed for economic decisions. How do you deal with an organization that operates without processes? It has been true since the beginning of our republic that the president gets too much credit for a strong economy and too much blame for economic weakness. No man or woman makes the market or the economy.

All Talk/No Action

On April 3, Yahoo Finance featured this headline; *World Financial Markets are Betting that Trump is All Talk and No Action*. It is apparent that Trump likes to begin negotiations by punching his opponent in the face. The all talk/no action aspect is manifest in Trump blurting out his blanket steel and aluminum tariffs followed by exemptions for almost every trading partner including Canada, Mexico,

and the EU. There was the punch in the face followed by the backing off. As a result, steel prices have been volatile making it very difficult to run a manufacturing business. It may be too late for American Keg. Maybe Trump's financial friends can convince him of how much he is harming the U.S. economy and market.

Trading Partners Respond

Our trading partners have been very clever and strategic in their retaliation announcements if Trump followed through with his metal tariffs. The EU threatened to put tariffs on Kentucky Bourbon, the home of Republican Senate Majority Leader Mitch McConnell, and Harley Davidson motorcycles in Wisconsin, home to the Republican Speaker of the House, Paul Ryan. Choosing these two products to punish is not a coincidence. The EU is getting the attention of Republican leadership. China is taking a similar approach with its

retaliatory strategy by going after pork and agriculture, the heart of Trump voters in Iowa and all of the agricultural states.

Tariffs will punish the American consumer. Thanks to world trade, we have enjoyed low prices for many years, which improves our quality of life. 42% of the clothing and 72% of the footwear purchased in the U.S. come from China. How would you like to experience a 25% increase in the cost of clothing and food this summer? On March 31 in the *Wall Street Journal*, FactSet, a U.S. financial research company announced that the tech companies in the S&P 500 are poised to post 22% earnings growth in Q1 2018. The force of economic growth in the U.S. and abroad will prevail over Trump's histrionics.

There is a lot to think about here, so I am going to reflect at my favorite craft beer garden, **Drakes Dealership** on Broadway in Oakland. ■

UPCOMING EVENTS

WEBINAR



The Tariff Tantrum and the Trade Deficit

Wednesday, April 18, 2 – 2:30 pm
www.bit.ly/123tariff

VOLUNTEER OPPORTUNITY

Rebuilding Together Oakland-East Bay

Saturdays, April 28 &/or May 12
www.bit.ly/BonnieWrites

OAKLAND SYMPHONY CONCERT

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The Artist's Struggle

Friday, May 18, 2018
www.oaklandsymphony.org/event-category/classical-series/

Come Volunteer with Us!

Bell Investment Advisors' staff is once again partnering with the staff of Wendel, Rosen, Black & Dean to rehabilitate the home of a senior and/or disabled homeowner under the auspices of the non-profit organization called Rebuilding Together Oakland-East Bay. Additional volunteers include family members, clients, and friends. The skilled project managers tell us what to do, and we pretty much do it. If you have building skills to offer, that's great, but it's not required. Most of us provide ordinary services, e.g., cleaning, painting, sweeping, hammering, repairing, replacing broken locks, installing railings, ramps, and doing anything that's needed to make a house safer and more livable. Together we achieve a great thing. The gratitude in the hearts and on the faces of the homeowner(s) and volunteers alike is a reward no one ever forgets. And it's fun! If any of this appeals to you, please contact Lauren Taylor at our office to learn more. (510) 433-1066 ■

Is There Method in the Madness? (continued)

Meanwhile, we all had to wait to find out whether the final victor would be University of Michigan or Villanova. I knew my team had already lost, but I decided to place my hopes with Villanova, since, after all, they had Fr. Bob as their chaplain, and I'd heard his prayers are pretty powerful as well.

Postscript:

So in the end, as we all know now, Villanova was the victor. And at the office, Rohan Nayak, CFP®, Portfolio Manager, Investment Advisor, was the winner of the Bell Investment Advisors 2018 jackpot, having chosen Villanova as the winner and having accumulated the victorious number of points along the way to beat out Brian Baylis, Chief Operations Officer, at #2, and Corinne Salera Bedford, CFP®, Portfolio Manager, Investment Advisor, at #3. ■

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Bell Investment Advisors

Financial Planning ■ Investment Management ■ Career/Life Coaching

What About Umbrella Insurance?

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

Last month, the radio show *Radiolab* aired a story about the Benrath Senior Center in Dusseldorf, Germany. Like many centers of its kind, some of its patients suffer from dementia and Alzheimer’s disease. On occasion, these patients would try to walk out of the center. Most of the time, staff would intervene before a patient could get out. But sometimes, a patient would leave unnoticed and wander the streets. This, of course, is dangerous.

One solution to this problem is to remodel the center and build what are known as “locked floors.” But remodeling can be expensive, and the staff at the Benrath Senior Center didn’t want the center to lose its caring feel or to look like a place designed to keep patients trapped inside. So instead, the center added a bus stop.

The bus stop isn’t real and isn’t part of an actual bus route. But patients who walk out will immediately find it, sit down on the bench and patiently wait. This gives staff time to realize the patient is missing, find the person at the bus stop and, at the right moment, bring the patient safely inside.

Bus Stop Analogy

Everyone loves a “bus stop” — an elegant solution that doesn’t have a large cost but solves a large risk.

To financial planners, personal umbrella insurance is such a “bus stop”. It allows people to manage a big risk without living on “locked floors”.

Umbrella insurance is a kind of personal liability insurance. It protects against the risk of a lawsuit and the financial ruin that a lawsuit can bring. It acts as an extension of the personal liability insurance included in auto insurance and homeowner’s insurance. It even covers



some things that auto and homeowner’s insurance do not, including libel, slander, and defamation of character.

Cost

Auto insurance typically provides \$100K to \$500K of personal liability coverage for bodily injury to others. Because \$500K of liability insurance for bodily injury does not come close to covering the liability from a major lawsuit, umbrella insurance is designed to increase the overall level of protection so that you are covered. To be a true “bus stop”, however, the cost must be low relative to the safeguard provided. Fortunately, umbrella insurance comes at a very reasonable cost. Because it covers low-probability events, it can cover a large potential liability without being astronomically expensive. Umbrella insurance is usually purchased in \$1 million increments. The chart below shows some pricing details:

For an individual owning:			Annual premium for coverage of:		
Homes	Vehicles	Rental Properties	\$5 Million	\$10 Million	\$15 Million
1	2	0	\$500 – 650	\$1,000 – 1,200	\$3,500 – \$3,700
2	3	1	\$700 – 850	\$1,600 – 1,800	\$3,600 – \$4,300

Risk Factors

Umbrella insurance has the effect of managing the financial impact of a large lawsuit at a reasonable cost, but how do you determine the right amount of coverage? Start with your net worth and then consider some risk factors that might increase the coverage you need. In a 2013 report, the reinsurance company Gen Re cites its own internal study titled “Cause of Loss Study for Personal Umbrella”, which found that auto claims represent 78% of personal umbrella claim counts and 87% of claim dollars. Because about 90% of personal umbrella claim dollars relate to auto claims, the following risks factors deserve special consideration:

- Do you have young drivers in your household?
- Do you have elderly drivers in your household?
- Do you use your cell phone while driving?
- Do you frequently drive in dense, urban areas?
- Do you transport children?
- Do you often rent vehicles?

Other non-auto risk factors include owning rental property, firearms, a dog, watercraft, or a swimming pool; or holding a nonprofit board position.

If some of these risk factors pertain to you, we recommend that you round up the level of personal umbrella coverage. It’s also a good idea to round up because people’s net worth often grows; rounding up coverage accounts for the possibility of your net worth increasing.

Exclusions?

Some suggest that certain retirement accounts should be excluded from calculating your personal umbrella coverage. Retirement accounts, such as 401(k)s, have additional protections from creditors. A similar case can be made for excluding your primary residence, as homes also have additional protections against creditors. But in reality, there’s not any part of your net worth that is

judgment-proof. With that in mind, taking the conservative approach of starting with your net worth and rounding up makes sense. It helps to remember the following:

- You can be sued for more than your net worth.
- Your greatest likelihood of causing bodily injury to others is when you get behind the wheel of a vehicle.
- Umbrella insurance is one of the most cost-effective forms of insurance.

And while umbrella insurance lacks the creativity of a bus stop, it is an elegant solution to a serious risk. ■

Is There Method in the Madness?

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

Most of you are familiar with our two Bell Investment Advisors blogs: one on career/life issues called Making a Good Life Happen®, which I write, and the other, our finance blog, which a variety of our staff writes, depending on whose expertise is needed. But what you don't know is that we pretty much have a team of basketball enthusiasts here. I have often said we really should have a third blog that deals exclusively with basketball, because we have plenty of expertise to go around on that subject among both male and female staff. Our bench is deep.

During basketball season, basketball talk is a recurring theme at the office every day and first thing in the morning depending on what's happened over night. Our monthly staff lunches always include a passionate discussion of who's doing what on which team, college or pro, and you can imagine how this all goes during March Madness! The kitchen is plastered with each of our brackets, and at the risk of getting in some kind of trouble with the SEC, we do compete fairly strenuously among ourselves with "trash talk" and the like, but limit our individual contributions to

the pot at \$10 each.

As the years and basketball seasons have flown by, my interest in basketball has

... Let me guess that they (the Loyola-Chicago team) have been taught to be good sports, and to learn what they need to from the painful experience of defeat.

— Bonnie Bell, MA, MDiv.



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surprisingly grown. Rather than being tempted to plug my ears as the conversations take place, I have been drawn in and developed my own interests in certain schools and certain pros. When I was the winner of the coveted pot one year, I realized that I actually did have a chance to win — that basketball expertise isn't necessarily the determinative factor in beating out the March Madness competition. Luck is definitely a player as well.

Sister Jean

When I choose a team to root for, I have to be enthusiastic about them or their coach or their school or the stories I've heard about them; otherwise, it's just not interesting to

me, and I won't hang in there until the very last day. When Loyola University Chicago was beat out by the University of Michigan I knew I'd lost the jackpot. But hey, wasn't it fun to see Loyola-Chicago make it all the way to the final four after a 30-year drought? And wasn't it fun to learn about tiny Sister Jean, still an enthusiastic and



soulful Chaplain to the team at the age of 98? I especially loved the newspaper photo of her standing up, out of her wheelchair and in a prayerful circle with her beloved team members, each of whom was at least a foot or two taller than she.

Following their heart-breaking loss to Michigan, let me guess that she and the team are still stinging, but that they have been taught to be good sports, and to learn what they need to from the painful experience of defeat. Let me guess also that they will never forget Sister Jean or the countless things they learned from her, no matter what they end up doing in life.

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