



## American Consumers Get Great Deals from the Trade Deficit

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

In 2017 investors benefited from an unusually non-volatile market with consistent growth, but 2018 has been notably less euphoric. So what changed? In short, tariffs: these economic and political tools are the only force holding back the U.S. stock market in 2018.

A tariff is a border tax imposed by a country on imported goods. Tariffs are the weapons of trade wars: *You tax my products, and I tax yours.* Tariffs are taxes on American families that increase the costs of the products they purchase. As pointed out in the 03.28.2018 issue of the *Wall Street Journal*, tariffs are inflationary and actually kill more jobs than they create. For every job saved by Trump's steel and aluminum tariffs, five jobs are lost.

### The Job Losses

There are many American businesses that have been hurt by these new tariffs. As of now, we can add **Mid-Continent Nail** in Poplar Bluff, Missouri, which makes 50% of the nails produced in America. The company depends on Mexican steel



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wire, which is now subject to Trump's 25% tariffs. The company tried passing on the increased cost to their customers, but most of them fled to cheaper Chinese nails. Mid-Continent Nail has cut 60 employees from its workforce of 500, and it will likely soon lay off 200 more.

### The Trade Deficit

Trade deficits occur when countries import more from other countries than they export. The White House would have us believe that trade deficits are bad. I believe trade deficits are a sign that Americans are getting great deals. For example, Americans buy 42% of their clothing and 72% of their shoes from China, and as a result, a shopping cart of clothes purchased in America costs less than it did 20 years ago. American consumers have saved billions of dollars over the past decades by getting great deals from imports. (*Wall Street Journal* 04.06.2018)

*It makes no sense for us to make things at home if it costs less to import them. We raise living standards by sending the Chinese airplanes that we exchange for*

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*their clothing.* (Harvard economist Robert Lawrence)

*Rich economies with trade deficits have grown faster than surplus countries over the past decade.* (Economist Megan Greene)

According to James Mackintosh, senior columnist at the *Wall Street Journal*, economists dismiss trade deficits as meaningless, irrelevant data. The White House focuses on a domestic production policy that aims to boost exports and limit imports, which theoretically would increase jobs in America. But we can already see that costs of consumption go way up. Workers will have work, but they will not be able to buy as much with their earnings. Economists prefer to focus on consumption as a measure of economic strength. If Americans can afford more purchases, that is a net positive for their households — so a trade deficit is not a concern. Economists understand that free trade leads to a bigger economy and that trade tariffs cause the economy to shrink.

### The Political Problem

The lower-cost benefits of free trade are enjoyed by *all* consumers, while the job losses which result from free trade are concentrated in small groups. However, the unemployed shout louder than the consum-

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## American Consumers Get Great Deals from the Trade Deficit

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ers saving money. New tariffs save some manufacturing jobs, but as in the case of Mid-Continent Nail, and others, tariffs lead to the loss of U.S. jobs, and they also decrease the purchasing power of the dollars that all Americans earn. (*Wall Street Journal* 06.26.2018)

The Tax Foundation predicts that 48,584 jobs will be lost from the tariffs Trump has already implemented on importing washings machines, solar panels, steel and aluminum, and \$50 billion in other Chinese products. That figure would soar to over 250,000 job losses if Trump moves forward with tariffs on another \$200 billion in Chinese products. (Heather Long,

*Washington Post* 06.25.2018)

### The China Problem

In China, steel production bears no relation to market demand. The government subsidizes steel production way beyond what world markets need, so China has been guilty of dumping its excess steel below cost in the world market. This is unfair, of course, because competitors cannot compete with steel sold below cost. This is a problem that would best be confronted by a team of allies led by the White House. Unfortunately, the current administration is better at destroying a team of allies than building one. There is, however, some evidence that Trump's tariffs might be having his intended impact: it appears the German automakers want the German government to drop all tariffs on American car imports.

There are other unfair trade practices from China which may merit addressing through political action, such as the forced relinquishing of proprietary technology by U.S. companies if they wish to do business in China. This is outright theft of intellectual property, and it is not sustainable for American businesses or our allies.

### The Best Deal for the U.S. Economy is Not a Trade Surplus

Trump needs to understand that U.S. business leaders will always go where they can get the best deal, even if it means the U.S. has a trade deficit. Getting the best deal is a business's fiduciary obligation to its shareholders. If the tariffs persist, we will see more businesses closing up shop, downsizing, and/or moving to keep consumer prices down. ■

## How to Plan and Take a Vacation Even If You're Unemployed

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reflect your growth. If you need help, get help early in the process, not when your unemployment checks run out.

**3. Plan each week on Sunday night or Monday morning. Don't let the days blend into one another or slip by unnoticed.** Think of all the times you said you didn't have time to do something because you were working so much. Now that you're not working, take advantage of it. Do you have more time to exercise? Practice an instrument? Do yoga? Read? Get together with good friends or family? Take some concentrated time to develop important criteria for the job you are looking for next, and search for it regularly — but not constantly. Searching constantly is exhausting; searching consistently is wise. You will get used to the lay of the land on the internet, notice new job announcements when they are posted, and get a sense of what's happening in the marketplace. Keep your eyes and ears open for possibilities you may not have already thought about. Pay attention to the news and business

sections of newspapers to inform your awareness of trends and companies you can research. Make an exhaustive list of the contacts you have in your personal gold mine of contacts. These are people who already know you and think well of you. Be sure to let them know what you are up to in a short email or phone call or lunch date. Give them a clear sense of what you are looking for, not just the news that you are looking for work, in order to avoid referrals that are completely inappropriate and/or time-consuming. Check these websites regularly: indeed.com; monster.com; bayareajobs.com; careerbuilder.com.



**4. Build in some vacation time; you need a break from the stress of unemployment!** One of my clients who is handling

her unemployment very wisely searches the internet twice a week for two to four hours, has several résumés out to target agencies and companies, and keeps in touch with her “gold mine” of contacts regularly. She has had a number of interviews as well, which to my way of thinking, means she is very close to finding her target job. She took a one week camping trip (“planned time spent not working,” remember) with her son and partner to a place she'd never been before, and thoroughly enjoyed her time off from the continuing job search. Now she has landed a good temporary contract in her chosen field and is taking time off again from any further searching just to “enjoy being a non-working mom for a couple of weeks” before her son returns to school and the contract begins. I predict a good ending to this story.

**5. Make a list of all the activities you LOVE to do and do them as often as you can.** Whatever helps you lose track of time and build a good mood helps you take good care of yourself, which is more important than ever as you face into the unknown.

**May you stumble directly into your dream job! ■**

OAKLAND OFFICE  
1111 Broadway, 16th Floor  
Oakland, CA 94607  
510.433.1066 ■ 800.700.0089  
fax: 510.433.1067

SANTA ROSA OFFICE  
800.700.0089  
BOTH OFFICES  
info@bellinvest.com  
www.bellinvest.com



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# Homeowners Insurance

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

On October 8, 2017, a fire began in Calistoga, California, that would kill 43 people and displace 100,000 others. Because of the weather conditions, the fire moved fast. The following morning, I remember hearing that the fire had jumped the 101 freeway and engulfed the Fountaingrove Inn. By the time my first meeting of the day had ended, the fire had moved two miles and burned our Santa Rosa office to the ground. The Northern California wildfires would blaze until the end of October, burn down more than 4,000 homes, and destroy at least as many other structures. The tragedy would not end there. As many families began to piece their lives back together, they discovered that their homeowners policies were not what they expected.

A homeowners policy provides a broad package of protections but with many options, restrictions, limitations, and exclusions. Coverage includes real property (homes, outbuildings, fences, walls, trees, etc.) as well as personal property (furniture, equipment, collections, fine art, jewelry, silverware, etc.); medical payments if you injure someone or if someone gets hurt on your property; and personal liability, including legal defense for lawsuits arising from bodily injury or property damage you cause to others.

What the Northern California wildfires exposed on an incredible scale were gaps in the coverage of real property. With this valuable lesson in mind, it is worth reviewing your homeowners policy and examining specific parts of it.

## Loss of Use Coverage

When a home is damaged or destroyed, loss of use coverage is intended to cover the expenses in excess of what you would normally spend. For example, you may have to stay in a hotel or rent an apartment while your home is being rebuilt. Loss of



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use coverage will cover that cost. It will also cover things like an increase in food expenditures. If you dine out more often because you don't have a kitchen at your disposal, this excess cost is covered. Some loss of use coverage, however, ends after a set amount of time. For those whose homes were damaged in the Santa Rosa fire, a six-month loss of use allowance was helpful but far from sufficient. It has already been eight months since the fire, and for many families rebuilding hasn't even begun.

## Ordinance and Law

When a city or town updates building codes, those codes apply to new constructions only. The codes don't require homeowners to make those upgrades to houses that have already been built. But when someone remodels or rebuilds a home, the city can insist that the new codes be met. This often makes remodeling or rebuilding more expensive. Ordinance and law can easily drive rebuilding costs up by 20%. Make sure this protection is included in your homeowners policy, especially if you have an older home.

## Reconstruction/Replacement Costs

Oddly, most insurers make you responsible for setting the correct limits on the cost to rebuild your home. Understandably, homeowners often agree to low coverage limits to reduce premiums. That, however, is a mistake. Taking some time to understand reconstruction costs will greatly improve the value of your homeowners policy. A residential contractor, for example, can estimate the cost per square foot to rebuild. You can also ask your broker to use Marshall & Swift software to get the same information. An inflation guard should be included to offset the rise in labor and material costs. Many insurers offer what's known as extended replacement cost coverage for rebuilding your home. This is especially helpful in instances when the cost to rebuild exceeds a policy's limits. The higher the

percentage of the extension coverage, the safer you will be. When many homes have been damaged at the same time, such as in a large fire, the surge in demand for rebuilding can dramatically increase the costs of materials, labor, and architecture and engineering work. Extended replacement cost coverage will cover those cost increases.

Homeowners insurance isn't something you think about or need every day. It's removed from your normal life. Most consumers will only experience the benefits of homeowners insurance a few times throughout their lives. On the other hand, paying the premiums for that homeowners policy is a recurring experience, and it's not usually a pleasant one. Because we seldom see the benefit of this insurance, we can quickly get annoyed about paying the premiums. This isn't lost on insurance companies who focus marketing dollars on quirky television ads with the simple message that they will save you money. There is a seemingly endless cascade of insurance commercials with such slogans as "name your own price" or "you could save hundreds" or "15 minutes could save you 15% or more."

But focusing just on the cost for a homeowners policy is a mistake, especially if you reside in California. Here, homes cost well above the national average and factor importantly into many retirement plans. While Californians typically pay more for a comprehensive homeowners policy, it makes a lot of sense for them to do so. For many Californians, the right homeowners policy doesn't just protect their home, it protects an essential part of their net worth and an asset required to realize their retirement goals.

*Note:* As fee-only financial planners at Bell Investment Advisors, we do not sell homeowners insurance or any other kind of insurance. As fiduciaries, we do not accept commissions, kickbacks, or any form of compensation for our recommendations. While we do not sell homeowners insurance, we do advocate that our clients have it. ■

## UPCOMING EVENTS

### WEBINAR



**Consequences of the New Tax Law on Charities and Estates: What Nonprofits and Their Supporters Need to Know**

Tuesday, August 21, 2 – 2:30

# How to Plan and Take a Vacation Even If You Are Unemployed

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

Who doesn't love a vacation? The mere *word*, which means "planned time spent not working," along with other descriptors such as "break, breathing space, intermission, recess, recreation, respite, and rest," immediately releases some sort of dreamy enzymes into the veins. But as I have heard from more than one of my unemployed clients, "vacation" is almost a dirty word. People who are unemployed, and possibly their partners and spouses, don't feel as if they deserve any vacation ↴

at all. But at the same time, being unemployed and looking for work full time is extremely stressful and exhausting! Here are some suggestions for making good use of your unemployment period, including built-in "vacation days."

**1. Don't use your period of unemployment as if it were a "staycation,"** meaning you stay home and do nothing until your unemployment benefits run their course. Then, in a state of panic, you ↴

begin to look for a job, any job. I clearly remember a telephone conversation I had with a woman who called me about my coaching services after taking almost a year off "to rest" while she was receiving unemployment benefits. Now that her

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— Bonnie Bell, MA, MDiv.



1111 Broadway, 16th Floor, Oakland, CA 94607



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benefits were running out, she hoped that I would be able to do a résumé for her and help her with a job search, even though she was unclear about what type of work she wanted. When I told her that our work together was designed to help her gain clarity about her future, and that it would no doubt take approximately ten sessions, she said there was no way that she could "wait that long" to figure out what was next for her. It didn't appear that she had done any serious thinking about herself or her offer in the marketplace during the year she was unemployed (with benefits), and it became clear to me that she and I were probably not a good match under the circumstances. She hung up on me. . . and I was relieved.

**2. Do take your period of unemployment seriously, and plan how you will use your time constructively, every day, with the intention of finding a better job than you left and creating a better future.** Unfortunately, most people are better at planning vacations than at planning their careers and lives. I'm not being smug or judgmental, as if it were easy for me; in fact, the reason I do what I do is because it was all so much more painful than I expected it to be, that when I began to find my way, I also found my passion, which was and is to be the extended hand on the rocky path of life in the same way that certain people who extended helping hands to

me on my own very rocky path. Use these four questions to review and reflect on the job you just left: What worked? What didn't work? What was missing? What's next? Keep what worked and build in more of it; get rid of what didn't work: you don't need to do more of it; think about what is missing from your career and life and add it in; ask yourself, what's next? The next job you get should be better than the last, because you are evolving as you go. Say no to the things you already have learned or things that don't work for you. Don't just look for a new job doing the same thing as you did before. Learn from your mistakes. Your new résumé should

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