Polaris Greystone FINANCIAL GROUP, LLC

Polaris Greystone Educational Series

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Why Are You Sitting In Cash?

Far too many investors are sitting with far too much cash in their portfolio. What's worse, they have been sitting in cash for years, waiting for a correction that may not happen for some time. When asked why, they reply, "The market has gone up so much recently that it HAS to correct."

Why? When? Based upon what research? No one, and I do mean no one, knows when the markets will correct. But for a moment, forget about the media. Don't look at a chart of the S&P 500 or the Dow Jones Industrial Average.

Let's describe what's going on in our current environment and you tell me if it sounds like a market that is about to correct.

- Standard and Poor's 500 companies reported record earnings for Q3 2017
- According to Factset, expected earnings for the S&P 500 companies for the next four quarters is even higher.
- Unemployment is at 4.1%. We haven't see unemployment rates this low since 1999.
- Core CPI, aka inflation, is at 2.0% and completely under control.
- The U.S. economy is chugging along, growing at about 2.3% year-over-year, according to the Bureau of Economic Analysis. This is slightly below average, but still healthy.
- The U.S. dollar has weakened to other major currencies, making our products cheaper to sell abroad.
- Depending on what valuation tool you are using, it is easy to argue that the market is not overvalued.
- The European and Asian economies seem to be turning around.
- The United States is most likely going to pass a sweeping new tax bill. While I don't see the tax bill help the average investor, I do see this bill helping certain industries.
- Seasonally, November through April are the best six months of the year to be an investor.

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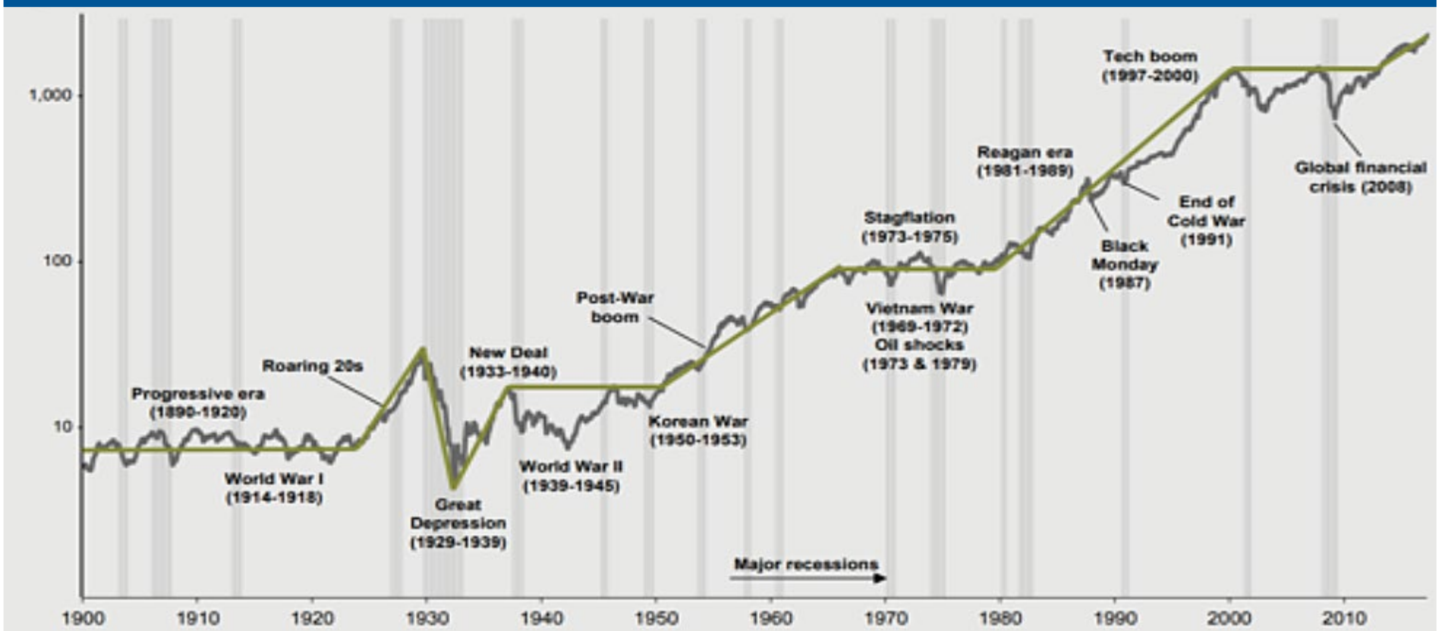
A broken clock is correct twice a day, so if you insist that the market is going to correct you will eventually be correct. We are four years into our secular bull market (see graph below). The average secular bull market lasts 14 years. The shortest secular bull market ever was nine years. This doesn't mean that we won't experience a correction or two along the way. Look at the secular bull market in the eighties. It went from 1982 to 2000, eighteen years of generally up markets. Within that timeline you had the 1987 stock market crash, the 1990 recession, and the 1994 recession.

S&P Composite Index – Log Scale, Annual



A closer look at our current secular bull market (seen to the right), which began in 2013, shows a very normal secular bull market. No market goes straight up or straight down. The S&P 500's price dropped by 0.7% in 2015, and January 2016 was extremely challenging.

Source: Standard and Poor's, Tradingview.com

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Again, I can't tell you that the markets won't correct, no one can. What I can tell you is we are four years into our secular bull market. It should last for another five to ten more years if it were going to fall into normal ranges.

Leaving your money in money market funds guarantees that you will lose your buying power:

- According to Bankrate.com, the top 10 best money market rates are yielding between 1.30% and 1.50%
- Current inflation rate is 2.0%, core inflation
- Sitting in cash is guaranteeing yourself to lose 0.50% to 0.70% of your buying power every year

A market correction could happen at any point. Is it likely? I don't think so. There are far too many good things going on to derail this current rally. The question really is, "How long are you willing to wait in order to be correct? How much is that going to cost you?"

Please talk with your Polaris Greystone advisor to have them review our investment strategies with you to determine which one will be best for that cash you are sitting on.

We look forward to meeting with you.

Sincerely,

Jeffrey J. Powell
Managing Partner, Chief Investment Officer