

Safe Money Advisory

When Will the Next Big One Arrive?

The long history of markets is volatility, uncertainty, and during recent decades, meltdowns. The major economic events that have rocked the markets since the Civil War include:

1. The Panic of 1873, which closed the New York Stock Exchange for ten days. The country had 364 railroads and 89 went bankrupt; massive business failures occurred, unemployment reached 14% and the 1870s were dubbed the Long Depression.
2. Another deep depression happened from 1893 until 1897 and resulted in a major political realignment that became known as the Progressive Era.
3. There were panics and recessions in the late 1800s up until WWI. The Great Depression started in 1929 and ended in 1941 with WWII. Unemployment reached 24% in 1932 and millions relocated in search of better lives. Risk-avoidance was permanently burnt into the minds of an entire generation.
4. The inflation woes of the 1970s resulted as the country grew increasingly dependent on oil importation. Inflation climbed steadily until the early 1980s and was finally broken with 20% interest rates that incapacitated industries dependent upon borrowed money.
5. The late 1980s and early '90s witnessed the S&L debacle and widespread government deregulation that planted seeds for turbulent economic times after 2000.
6. The dot-com bubble of the 1990s went bust in 2000-02. Markets skidded to half their previous levels, wiping out the savings of millions and littering the economic landscape with bankrupt businesses.
7. The housing bubble and profligate ways of Wall Street gave us the Great Recession of 2007-09. Again market averages were cut in half and millions were victimized with job losses and foreclosures. What happens in the aftermath is yet to be written but a slow return to normalcy seems certain.



Along the way we witnessed Japan's lost decade, the collapse of the Soviet Union, global hot spots of armed conflict, major deterioration of the American dollar, corporate scandals reminiscent of organized crime and ballooning budget deficits that threaten future generations. The economic background is abuzz with job losses, inflation, high taxes, trade imbalances, irresponsible government waste, income redistribution and seriously under-funded entitlement programs on which many depend. So, why bring all this up?

History always repeats itself – never exactly, but enough to make certain that periodic interruptions are a way of economic life. What is the next big event? The economic disruption that again rips the heart out of your retirement takes away your lifestyle, undermines the value of your money, fosters market losses you can't afford or threatens your economic well-being! We don't know what it will be, when it will come, how big, how long or the exact effect, but we know for certain it is coming. Could it be an energy crisis created by disruptions in the Middle East? Another terrorist strike on one or more major cities? Runaway inflation spawn by out-of-control government spending? Widespread bankruptcy of local or state governments? Will the failure of entitlement programs like Social Security, Medicare and Medicaid be the cause? Will escalating taxes lead to civil discord? What major scandal is now brewing? Chances are the next Big One will be caused by something unexpected as were the past economic downturns and market meltdowns. What can you do to prepare?

It is tempting to reach for the high return, given recent losses you've suffered and the barely positive rates now being paid by banks, but the promise of above-market returns also means above-market risks. It is extremely dangerous to travel across today's treacherous investment landscape without a professional guide that knows the terrain. Some routes through the investment wilderness are simply not suitable for those who want to get to the other side without losing their lifetime savings. If you haven't already, you're encouraged to work with a financial professional to keep your retirement money in places that will be spared the next market explosion. We don't know when – we hope never – but history says a Big One is on the way. Today's the time to start preparing.

Louis E Presley, RIA

To get more information or to talk to a professional advisor about your retirement investments please call our office. 800-338-2005 or email us at

Louis@LouisPresley.com