



JANUARY 2016

TEN LOGS

Written by David Ferrucci

January 1st is a date synonymous with New Year's resolutions. When the ball atop Times Square drops, countless people either start something new or quit something old. Shortly afterward, as January settles in, such pledges are tested. Sadly, most people struggle to make it through the first few weeks, or even days, before abandoning their efforts. I have certainly made my share of New Year's resolutions, only to falter and, eventually, allow them to fade from memory. We can easily excuse ourselves for letting small promises slip away. After all, desserts really are delicious! But, what about aspirations to achieve something of importance to you and value to others? Something meaningful, powerful, fulfilling.

Children, in particular, are great dreamers, encouraged by their devoted parents. When I was a boy, my mother often quoted poet Robert Browning:

*Ah, but a man's reach should exceed his grasp,
Or what's a heaven for?*

Leaning on this passage, I dreamed big. But dreaming without action, most adolescents discover, doesn't get the job done. As adults, we too are dreamers and can do a pretty darn good job of imagining great events unfolding in our futures. Yet, the advantage we now have over our youthful days is the ability to not only think ahead, but to also plan a course of action toward achieving a goal. Like New Year's

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resolutions, however, staying on track can be tricky, especially with regard to personal goals. The necessary discipline may be, perhaps, best illustrated anecdotally.

Every spring, after making full use of our fireplace throughout winter, a fresh cord of wood is delivered and dumped on a scraggly patch of grass adjacent to our garage; out of the way, but still in view. And, every spring, I have a choice: stack the wood and tidy up the area; or, convince myself the pile of wood is charmingly New England and leave it as is. Always, my desire and aim is to stack the wood, but lack of time seems a good excuse to stick with the rustic look. As if struck by Divine intervention one day, I pulled into our driveway and thought, *"Ten logs! If I stack ten logs every time I arrive home, slowly and steadily, I'll get the job done."* For eleven days, I did just that. Admittedly, there were moments when I would return home in the dark, tired from the day, bypassing the woodpile. Upon entering the house, one of my kids would ask, "Did you stack ten logs?" Back outside I went.

In high school, I wrote an essay entitled, *"Dreams are Merely Pondered. Goals are Accomplished."* Regardless of age, we all delight in dreaming big; like good fiction, daydreaming offers a fun pause in life. Likewise, we can have fun with a variety of New Year's resolutions, whimsical and otherwise. But, again, what about aspirations to achieve something of importance to you and value to others? The start of a new year is a great time to highlight any meaningful, powerful, and fulfilling goal. Motivated by your vision, set out to accomplish it... ten logs at a time.

MARKETLIGHT

Written by Paul Ferrucci

Story of the Year

The most talked about financial story in 2015 was the Federal Reserve Bank's long-awaited decision to increase interest rates; and, in December, they did so by 0.25%. Usually, a meager quarter-percent increase doesn't attract much attention, but this was the first move by the Fed since former Chairman Ben Bernanke lowered the interest rate to zero in 2008.

Economics 101

In broad terms, the "rate" is the percentage of interest charged by the Federal Reserve Bank (Uncle Sam's bank) to private banks (such as your local bank). In turn, banks then lend money to customers (you, me, other people, and businesses) at a slightly higher interest rate. The Fed has kept interest rates at record low levels since 2008 to encourage more borrowing. Borrowed money puts cash in

pockets, which leads to greater spending. Naturally, increased spending by individuals and businesses leads to demand for more "stuff" like cars, homes, vacations, and iPhones; or, as economists like to say, *goods* and *services*. As our demand for goods and services increases, the supply – or production – of such items increases accordingly. The Fed's desired result: more jobs and a lower unemployment rate. More people at work and greater amounts of money being spent on goods and services foster a healthy and robust economy. Though not yet robust, the Fed's rate increase is their signal that our economy is at least healthy enough to adjust the interest rate slightly.

Savings and Goals

While spending is critical to a strong economy, savings are equally important. As savers, you and I have set aside money for today, tomorrow, next month, next year, the decades ahead,

and even for the next generations. History and careful research guide us to diversify our savings among the many and varied parts of the U.S. and global economies; *balance!* A strong economy cultivates positive results in the stock markets, and a balanced portfolio can benefit from such growth. While the S&P500 finished 2015 with a slight 1.2% gain, it was the seventh year in a row for positive returns in stocks. Likewise, the Barclay's Aggregate Bond Index finished the year at +0.55%.

While January is a great time to cheer growth and gauge the health of our savings, we must be careful not to measure success in terms of market and portfolio performance alone. Returning to David's article above, let's measure and celebrate your success with every step that moves you closer to realizing your goals and vision!

The Ferrucci Company is a wealth management boutique where families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

David Ferrucci: Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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balance is a monthly feature written by Paul and David Ferrucci,
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