

# Investment Philosophy

## Protect, Protect, Protect

Before we can protect something, we must know what we are trying to protect it against. At Family Financial Partners, our financial advisors work hard to protect you against three common bad things that happen to money.

Perhaps the most important risk we must protect against is inflation. Inflation, also known as the devaluation of the dollar, is one of the greatest risks our money faces. Inflation acts like a piranha, steadily and tirelessly devouring the buying power of our hard-earned money. There are many ways of calculating both the current and historic average inflation rate, but suffice it to say that the stuff we buy—gas, milk, eggs, rice, coffee and postage stamps—cost us more every year. If part of our money isn't working hard enough to outpace the effects of inflation and provide a source of rising income, then there may be trouble looming on the horizon.

We also have to protect against rising interest rates. During the current interest rate cycle, we've seen 10 interest rate increases since early 2022. Rising interest rates can have a dramatic downward effect on the prices of longer-term, more rate-stable, fixed-interest investments like corporate or municipal bonds. In 2006, we saw the most prolonged period of rate increases since 1994<sup>1</sup>—which many consider the worst bond market<sup>2</sup> in history. As important as intermediate-term and long-term fixed-interest investments can be in providing dependable income, we have to protect from their potential price-volatility.

Eventually, we will have to protect from low interest rates. In recent years, we saw 1 year CD rates drop from over 6% in 2000 to somewhere around 0.30% in 2022, although they have gone

back above 1%.<sup>3</sup> As important as CDs are in providing principal stability, dramatic reductions in short-term fixed interest rates can have a devastating effect on immediate income.<sup>4</sup>

The basis of our philosophy is that many people save and invest money for one reason — to spend it. Whether the plan is to spend their funds during retirement, to pay for their children's college, for a new home, for charity, inheritance, or a rainy day—many people save and invest simply to spend. If the money intended

to be spent isn't available when it's needed, that creates a problem. Enter: the need to protect your hard-earned assets.

We also protect against a fourth danger – loss of income as a result of death or disability.

**How well protected are your assets**

**and income?** Our financial planning analysis is a good way to find out. To schedule your initial financial planning meeting, please call our office at 800.677.7981 or 859.219.1006.

**“The basis of our philosophy is the fact that many people save and invest money for one reason—to spend it.”**



David E. Smyth  
Senior Partner



Alexander M. Roig  
Partner

1 <https://www.bankrate.com/banking/federal-reserve/history-of-federal-funds-rate/>

2 <https://moneyweek.com/473408/heres-what-happened-the-last-time-the-bond-market-crashed>

3 <https://www.forbes.com/advisor/banking/cds/historical-cd-rates/>

4 <https://www.bankrate.com/banking/cds/best-1-year-cd-rates/>