



Foreign Miscellany

Earlier this year, my wife Katie and I traveled to China to adopt our daughter Kiely. As you can imagine, we were preoccupied with jumping through the hoops required by the Chinese government and our concern over becoming new parents. I find I am unable to travel internationally, however, without thinking about things in slightly different ways and noticing items that might have a bearing on investing here at home. Here are a few reflections gathered on our trip.

The article did not specify whether the models' swimsuits were made of snakes or for snakes, although I'm inclined to assume the former.

1. No more aging crisis? In Hong Kong, one of the local papers had a story blowing the lid off a supposed scandal about the exploitation of senior citizens in southern China. A manufacturer of medicinal products made from snakes established a retirement community offering free room and board to anyone who lived past age 100. In return for this generosity, the oldsters were required to participate in marketing efforts testifying to the longevity-increasing power of the snake products. The story indicated that in various events for prospective buyers, the senior citizens were wheeled out by "snake-bikini clad" models as indications of the power of the firm's products. (The article did not specify whether the models' swimsuits were made *of* snakes or *for* snakes, although I'm inclined to the former). Who says communists can't market products?

A constant issue for financial planners is how long they should assume their clients will live. A lot of people plan to run out of money on the date of their predicted actuarial death. Unfortunately, this means that half of them will face dire circumstances when they live longer. With improvements in living styles and advances in medicine (even ignoring the whole snake thing), we may all live a lot longer than we think. This in turn means we may all have a money problem. Rather than read the story as a shocking example of exploitation, I took comfort that we all now have a money-free alternative in China if we hit the century mark.

2. Oh, those crazy foreigners. A Chinese business newspaper had a story in which government economists were wringing their hands about China's elderly (*them* again!) speculating with their retirement money in the stock market. The economists were particularly concerned since the older investors were novices in the financial markets who had never experienced an extended bear market, misguidedly thinking the stock market was an easy money machine. Also, the money the elderly were "playing" with was critical to them, since the government safety net for retirees is likely to be less comprehensive than in the past. When will these people become as sophisticated as we are here in the U.S.?

*Apparently, the Albanians
had never heard of
“The Trapezoid of Power”*

3. Albanian Meltdown. We didn't see this in person, but the main English-speaking TV channel we could get was CNN International, which was featuring reports from Tirana, Albania about the beginnings of that country's economic crisis. Apparently a huge percentage of the newly capitalist population of Albania had money invested in a series of institutionalized pyramid schemes. When a couple of the leading pyramid firms went under, the economy was devastated and citizens demanded that the government give them their money back. This reminded me of a movie from several years back in which a huckster was decrying the evils of investment pyramids due to the inherent instability of having three sides -- his product was called “The Trapezoid of Power.” Anyway, the demands of the Albanians became more assertive until significant bloodshed resulted. More recent reports indicate a significant economic recovery (making it hard to stifle the urge to give this piece the musical title “Tirana Boom Today”). Understanding what you are investing in, rather than just relying on dreams of quick wealth, is apparently good advice no matter where you live.

There's nothing like having a child for changing the degree to which you care about the future, not to mention whether you believe children should be financially responsible for their doting parents in their dotage. If nothing else, these observations show how emotions have the potential to impact, in a destructive way, any type of retirement plan. As we always tell our clients, investing is not a “game” to be played in a vacuum. Everything we save or invest is a hedge against future purchases by a flesh-and-blood human being, whether it's we or our children, whether we live in the United States, China, Albania or wherever.

If snake-based retirement homes and The Trapezoid of Power don't appeal to you, and you would like a long-term, rational investment program instead, contact us.

-- Bill Berg