Sherman
Wealth Management

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Your Financial Concierge

Greetings!,

On Wednesday the Federal Reserve raised interest rates for the first time since 2006, from near zero to a projected first raise of between 0.25% and 0.5%. During the Fed's last tightening cycle, they raised rates by 0.25% at 17 straight meetings. This time, however, they have made it clear that they will do it "at a measured pace."

Why is the hike so significant?

The last time the Fed raised the rate, you probably had a Blackberry and a MySpace account, and "Crazy" by Gnarls Barkley was everywhere.

What does it mean for you?

Potentially, the impact will be small. The Fed clearly would not have raised rates if they believed it would have a negative effect on the economy. In addition, this was one of the most highly telegraphed hikes in history, so much of the effect has already been folded into the markets.

What will change?

The rates for variable loans: credit card debt rates, some home equity loans, and other variable debt rates went up so, as a consumer, you are going to be paying more on interest.

What won't change?

Interest on savings accounts, unfortunately, will not go up for the time being. Fixed-rate debt will not change either, which includes many mortgages and student loans. And inflation, which is relatively flat, will probably stay there (Yellen said that part of the Fed's timing was to move before there were signs of inflation.)

What we don't know

Markets are not usually affected by short term policy decisions, they digest them over time. In addition, we don't know exactly how "measured" the on-going rate hikes will be. Because of that, we still can't predict how the economy will react and what the yield curve will look like.

How this affects your savings goals or financial plan

Interest on cash savings is still near zero. That's why we recommend a diversified portfolio, designed to beat inflation over time, for most of our clients.

If you have any questions about how this may affect your own portfolio, and whether it's time to rebalance, please don't hesitate! Scheduling a call or an in-person or online meeting is now just a click away.

And if you missed my last newsletter, with an end-of-year checklist, please click here for some great tips

Happy Holidays from the Sherman Wealth team!

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Your Financial Concierge

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7 Tips to Maximize the Value of a Bonus or a Raise

If you've got an end-of-year bonus or a well-deserved raise coming, it's easy to think of it as "extra money" you can use to splurge on a trip to Mexico, a new phone, or a serious visit to the outlet stores. It's particularly easy if you've been sticking to your budget and feel you deserve a little fun after behaving so responsibly all year!

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Does your financial advisor follow the Fiduciary Standard or the Suitability Standard? If you don't know the answer without peeking, you're not alone. A surprising number of people don't know what these very important terms mean and whether their advisor is acting in their best interest. The Fiduciary Standard, which is the standard for registered investment advisors under state and federal regulations, requires that a financial advisor...

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Expecting a visit from the stork soon or has it already dropped off a new bundle of joy? If so, you know the full range of emotions that come with a growing family. Along with the love and excitement you feel with a new baby boy or girl, comes the pressure of new responsibilities and additional financial obligations. Babies change your life in many ways, including requiring large amounts of time and money. While you may already be thinking...

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