



## After Hurricane Sandy: An Even Bigger Storm

As I write this letter, our country is still waiting for the floodwaters of the “Frankenstorm” Hurricane Sandy to recede, and millions of Americans are without power. This was the biggest natural disaster to hit North America in years, and it was the first time since the 1888 blizzard that Wall Street was closed for multiple days due to the weather.

Once the final tally is done, the damage may well be in the tens of billions of dollars, and this doesn’t fully take into account economic losses due to business disruptions and shattered consumer confidence.

But as bad as all of this might sound, America will recover from Sandy. We’ve had greater natural disasters in years past, and we’ve recovered from much, much worse. Within a few weeks, most of the affected areas will have returned to business as usual. We Americans are resilient people.

And even in the case of the stock market, I see no lasting impact, positive or negative. Natural disasters tend to be brief interruptions, and the market has a way of quickly returning to its prior, pre-disaster trend—whether it be a bull or bear market.

Still, there is another storm that *does* concern me, though it can’t be compared to a hurricane. A tsunami might be a better analogy.

I’m talking, of course, about the aging of America’s Baby Boomers. As a generation, the Baby Boomers have passed their peak spending years. Most of their children have long since left the nest. And with retirement fast approaching, they are saving every penny they can to build an investment nest egg to last them through their golden years.

While this is exactly what they *should* be doing at this stage of their lives, it acts as a drag on the economy. Every dollar saved or used to pay down debt is a dollar not spent at the local mall. And with 80 million Baby Boomers doing the saving, that quickly becomes a lot of dollars not spent.

Battered bridges and flattened homes left behind after a storm can be replaced. But what can replace the collective spending power of the largest and wealthiest generation in history?

I wish I had a good answer for you. By early in the next decade, we can look forward to the Echo Boomers—the children of the Baby Boomers—earning and spending at the level of their parents. Unfortunately, that is a good ten years from now. In the meantime, we have to adjust our expectations to more modest growth and invest accordingly.

America will rebuild after Sandy, and the country will enjoy another boom when Echo Boomers eventually enter their peak spending years. But in both cases, our response is the same. We have to wait out the storm.

Sincerely,

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