

Get While the Gettin's Good

“Even when the Fed does start raising interest rates, I look for it to be a slow, gradual process, exactly the opposite of the drastic reduction in rates we saw in 2000. Raising rates too quickly could result in stalling the economic recovery, and that won't happen during an election year, my friends.

So, the word for 2004 is, enjoy the economic expansion while it lasts. My advice would be to get your personal balance sheets in order. That means pay off debt, especially any with variable interest rates that can go up, while the rates are still low and resist the temptation to incur new debt. “

This is a quote from a respected financial e-newsletter, *Forecasts & Trends* (<http://www.investorsinsight.com/>), written by Gary D. Halbert.

What Mister Halbert and others are saying these days is that happy days are here again...at least through 2004. Beyond that, it gets a little murky. The economy is in an almost irreversible climb that will have plenty of momentum through the election year and into the next Christmas season, but as it heats up the Federal Reserve Bank will have little option but to begin applying the breaks ever so slightly by raising short term interest rates. This is so the accelerating economic machine doesn't become a runaway train – leading to rampant price inflation.

What does this mean to you?

It means that you can be relatively aggressive in your investing (presuming you're debt-free) in 2004. But as the new year draws to a close, you should already be reexamining your portfolio to rebalance its risk level.

Am I saying that 2005 will be a downer?

No. I'm saying what Mister Halbert and others are saying. I don't know. And because I don't know, I'm waving the flag now to tell you to plan on being aware of trends that will unfold later this year. Should the rest of the world experience quickly recovering economies like we are, they could carry the U.S. recovery for several more years. But I can't forecast that today. Should businesses start buying new equipment and hiring more employees in a big way, that could easily push the recovery through 2005. But I can't predict that either. We'll just have to wait and see as those trends develop.

The important point is, Happy New Year! 2004 should be a good one for paying down debt and squirreling away investment assets for your post-employment years. Don't waste it! And don't get caught up in any recovery euphoria that might develop this year about the stock market going up for years into the future. Make every year prove itself.