

## Health Care

I don't think anybody will dispute the idea that we have the best health care system in the world. It's probably the most expensive too but if we can get the litigation problem under control it wouldn't be. We also need to put some type of economic reality on what drug companies can charge for their cool creations. The unlimited reimbursements we pay here is lunacy on any level measurable.

Here are some interesting statistics about how quickly we can deliver medical care compares against a few of our peers.

Percentage of seniors needing hip replacement who received it within six months:

U.S.	90%
England	15%
Canada	43%

Percentage referred to a medical specialist who see one within one month:

U.S.	77%
England	40%
Canada	43%

It's hard to believe our technology is so good today we can simply replace joints and change out human body parts in a way not unlike we change out car or machine parts. The parts we're using as replacements are often much stronger than the originals albeit much less flexible.

**Health Care** (Cont'd on page 2)

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## Bonds and Defaults

A bond is a loan, if you "invest" in a bond you're simply lending someone else money, collecting interest and then in the end when the bond matures getting your principle back on the deal. Bonds come in many flavors in terms of how they're structured, but basically go from short term of a few months to long term 30 or 40 years. The longer the term of the bond the more the investor normally charges. The risk or credit is also a big factor in how the game is played. Low risk borrowers can pay a very low rate, such as 4 or 5% for a very strong company or entity, while low credit quality or high risk operations may be forced to pay 10, 12, 15 or 18% for a bond to be issued to compensate the investor for the larger risk.

We've seen many energy companies who have had bonds at 4% in the past now being forced to pay double digit interest rates (at least 10%+) to borrow money in today's environment with the energy prices collapsing. This is an economic fact that cannot be changed. It can be delayed or manipulated, as has been happening to many government bonds in the past few years. Take Germany and America, they can issue bonds for under 2%, under 1% for short term bonds and the appearance on the surface is that these are "risk free" bonds and will be paid back with utmost certainty. We know better than that and people once thought that about Detroit bonds, Stockton California bonds, etc.

The opposite end of the spectrum would be the junk bond marketplace which caters to the riskiest of companies and entities. Things have been choppy to say the least in the junk bond space for the past few years and we now can see cracks forming in the dam. We're seeing many firms who want to restructure their debt and their balance sheets pulling away from the junk bond market now as investors are beginning to demand higher and higher rates to be truly compensated for the risks. As it becomes more and more difficult for some borrowers to gain access to capital in this low rate, zero rate, negative interest rate environment we find central bankers in a tough spot. How do they raise rates and normalize monetary policy if in this environment some companies, and countries, cannot get the cash they need.

Ding ding ding, we're beginning to face reality here folks. If you're not a good risk and you're upside down with your debt and have no equity, assets or the ability to repay loans you DO NOT get the loan. Reality has a funny way of setting in doesn't it?

**Bonds and Defaults** (Cont'd on page 3)

## Health Care (Cont'd from pg. 1)

We're not done with our comparisons so feast your eyes on these statistics:

Number of MRI scanners (a prime diagnostic tool) per million people:

U.S.	71
England	14
Canada	18

Percentage of seniors (65+), with low income, who say they are in "excellent health":

U.S.	12%
England	2%
Canada	6%

National Health Insurance?

U.S.	NO
England	YES
Canada	YES

Now let's look at just how bureaucratic our system has become in terms of those in government with business experience by administration.

President	% of Cabinet execs w/private sector experience
T. Roosevelt	38%
Taft	40%
Wilson	50%
Harding	49%
Coolidge	48%
Hoover	42%
F. Roosevelt	50%
Truman	50%
Eisenhower	57%
Kennedy	30%
Johnson	47%
Nixon	53%
Ford	42%
Carter	32%
Reagan	56%
GH Bush	51%
Clinton	39%
GW Bush	55%
Obama	8%

## Rent by City, Wow!

Depending on where you live in America a dollars' worth of rent for your flat goes a really long way, or not so long if you're in a popular city. The graphic below shows just how big of a discrepancy in size of the space you'll get for a \$1500 monthly rent payment.



Brought to you by RENTCafe™

Memphis is clearly the cheapest rent in the nation for big cities with NY being the most expensive. Now what's amazing about this is the size of the space you'll live in. Memphis will get you 1948 square feet of a home for 1500/m while NY will get you 271 square feet. Let's look at this in a graphic to put it all in perspective.



Connecticut is no slouch here, the average apartment will cost you 1561/m and the size of that apartment isn't listed, but 3 bedrooms is a good sized place. Big differences within CT of course, you're not paying anywhere near as much in a big city but far more in Fairfield county, the Farmington Valley and other coveted locations!

## Noteworthy News!!!

- Congratulations to Jim Broderick on his retirement!
- Our condolences to the Nilsson family on the passing of Jean, a wonderful woman, wife, mother, sister, grandmother, friend and person.
- Our condolences to the Barrett/Rickborn/Maillet families on the passing of Doris, a wonderful woman, wife, mother, sister, grandmother, great grandmother, friend and person.
- Our condolences to the Haag family on the passing of Al, a wonderful man, husband, father, uncle, friend and person.
- Our condolences to the Nevers family on the passing of Bob, a wonderful man, husband, father, grandfather, uncle, friend and person.

## Question & Answer

*Q: Is now a good time to travel with the exchange rate, global drama?*

Well that really depends on where you plan on going. If you're a European traveler the Euros value against the dollars is very low now so your money will go a long way across the pond. Remember just a few short years ago it was the polar opposite and people were complaining that their dollar just didn't go very far if they were to go to Europe. The graphic below shows the relations of the dollar to the Euro from Google. The value is up almost 50% from 2014 so enjoy if you're going to Europe.



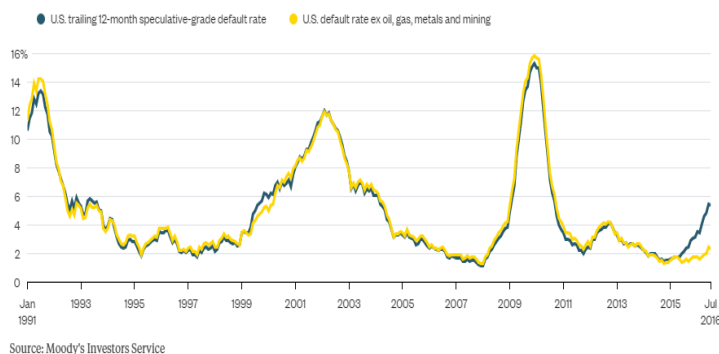
I don't think I'd be going to Turkey anytime soon, they may very well lose their title as the sixth most visited country in the world. The recent coup attempt likely isn't the last there and tourism is a major factor in their economy. Any travel guru's feel free to opine on this and we'll share it in next month's issue. What is ironic today is with gasoline prices plummeting again we have airline stocks getting rocked as well. Normally the relationship is when gas gets ripped airline stocks do well, but not this time, they're all getting ripped together. The market may be sending a message to us saying the global travel complex is contracting because people are worried about the lunacy of this terrorism craziness. Many people feel safer at home and we're seeing some cancel plans to go to far away destinations and swapping them for more local options. I can certainly understand that, but also realize there may be great deals to be had in the scariest of locations if you're willing to really go against the grain.

## Bonds & Defaults (Cont'd from page 1)

As we discuss this junk bond market realize it isn't a small one, but quite the opposite. People often talk about how bad the student loan debt bubble is with 1.3 Trillion dollars in total debt outstanding. The junk bond market is a tad larger at 1.4 Trillion so both are important to be watching.

If you're investing in a fund be careful to know if any junk bonds are in the fund and many times companies will have a "high quality" fund with a pretty big slice of junk bonds in it, often 5 – 15% and if they start going bad, the junk bonds that is, the returns of the fund will be damaged. This is also true for index based bond tools, which often have a big slug of junk in them.

This graph will illustrate the trend in junk bond defaults. Note the rise in defaults is looking a whole lot like it did just before the last 2 bubbles popped. Interesting how the market will give you clues if you're paying attention to what it is telling you.



The energy complex is by far the most hated category right now in the junk bond space. Check out just how bad it is based on historical market share below.



The market share of junk bonds being given to the energy sector is the lowest it has been since 2001. That was the end of the dot com bubble. This time will be interesting, we may be able to have energy rebounding while the rest of the markets go through their corrections. This has happened before and if it happens again it'll be very important that you're in the proper sector.

## Money Quiz



This month's challenge is on yields. Japan and Germany outstanding bonds are currently yielding negative rates. We'd like to know what percentage of German and Japanese bonds are currently yielding negative rates? Last month's quiz wasn't won the percentage of American's who are obese rose from 9% to 25% between 1991 – 2009, when smoking Medicare beneficiaries went from 15% to 9%. © Winner goes to Ruby Tuesday on us! 07/18/16: 13

## The Razor Theory

Most of us need to shave on a regular basis. It's funny how the hair falls out of your head but never anywhere else? I'd be okay with the hair falling out of my face and other parts of my body but staying put on my head. God has other ideas as it falls out of your head and then grows aggressively everywhere else, where you probably don't want it!

From a corporate perspective the razor theory is to give the consumer a product, in this case a razor, and then charge the consumer an absolutely exorbitant amount of money for the razor blade. I get a really fancy razor in the mail every so often from Gillette & Schick. They're awesome in every way and I always use them, until the blade dulls. Then when you look at the fact that new blades are often \$3, \$4 or \$5 EACH it seems like pure lunacy to feed that corporate machine.

This is how Dollar Shave Club & Harry's Razors were born, to give the consumer an alternative to this clubbing at the hands of Proctor and Gamble and other giants. They're catching on and in 4 years Dollar Shave Club has built a brand name business that they just sold to Unilever for \$1.0 Billion. That's right, 1.0 billion and that's big money. The market forces have spoken, and enough is enough with the cost of a razor so how Unilever treats this will be interesting. They've got a great brand, do they now use it's power to leverage their other products in the channel and keep the razor prices reasonable? Only time will tell.

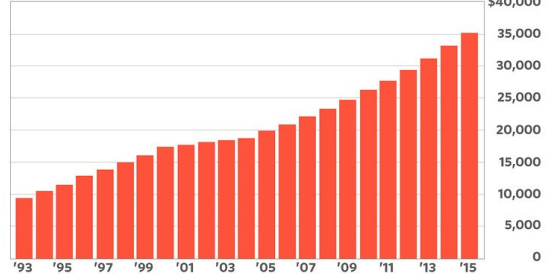
Another aspect of the market using the razor theory is printers. They'll sell you a super nice printer today for a few hundred dollars. It's the greatest value in America and prints anything you can imagine at amazing levels of clarity, brightness and quality. When you go to buy new ink for that printer be seated, often one refill of the ink can cost more than the printer. Consumables as they're called are a tactic often used to jack up profits. What workaround will some smart entrepreneur find for the printer scam? We'll see but I'm sure one is in incubation now and it'll rock the industry once it comes out.

## Education Conundrum

The youth in America were in love with Bernie because they feel they're getting the short end of the stick economically. Free everything clearly isn't the answer, but the cost of an education is a problem. Here is some data showing just how badly the current generation is getting hit with massive loans and not so massive paychecks after the loan deals are sealed!

### Millennials graduate with more student loan debt

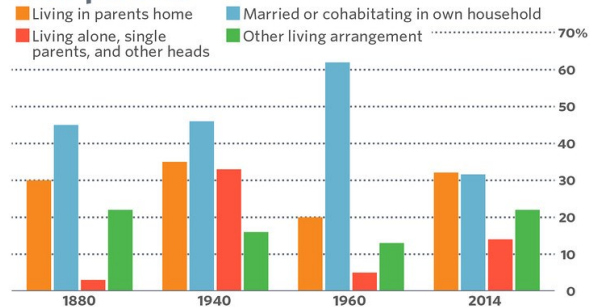
Average amount of debt, per borrower, by year of graduation



Source: Mark Kantrowitz/WJS.com

I can understand how the kids are feeling slighted by this equation but equally important is how college has changed. When I was a kid if you lived at school it wasn't the luxury apartment experience it is today, sometimes it was tenement housing not fit for humans! Many of us had the milk crate for chairs and the wire spool from the utility company as our tables. We built our own bunk beds with our sophisticated engineering minds and just worked it out. But the costs were reasonable. Fewer on their own, more with parents, see below:

### About 1 in 3 millennials now live with their parents



Source: Pew Research Center

Ironically Amazon has now begun offering student loans to the kids who have an Amazon prime subscription. No bubble here folks. This is a sad equation for the millennials in debt burdens but it's their choice to take it on!

### More millennials have education debt than any other generation

Percentage of each age group who has education debt

Millennials	41%
Generation X	26%
Baby boomers	13%
Silent Generation	3%

Source: Pew Research Center

## Inspirational Quotes

- You only live once, but if you do it right, once is enough, Mae West
- Believe and act as if it were impossible to fail, Charlese Kettering
- You cannot push anyone up the ladder unless he is willing to climb, Andrew Carnegie
- We didn't lose the game, we just ran out of time, Vince Lombardi
- A man's errors are his portals of discovery, James Joyce
- Never let your memories be greater than your dreams, Doug Ivester
- Inspiration grows into full-scale creation through persistence and imagination, Carol Lloyd
- Be not afraid of greatness: some are born great, some achieve greatness, and some have greatness thrust upon them, William Shakespeare



**We can piece the puzzle together and make your money work for you!**

## Kids Korner

Problem solving is a really big deal in the world. Letting the kids work through things, struggling, failing in the short term and working it out is a massive learning opportunity. My princesses are pretty good at this now but it's been a long road. We try not to just give them the answers they ask for and also try to let them struggle to work through whatever it is they're up against. Schoolwork is cake, now we're working on real life things – fixing things when they break, projects on the house and the cars, etc.

It's interesting to see how they do things as well because a lot of the tools they use didn't exist for us when we were kids. My two will often use YouTube to figure out how to do projects, fix things, etc. I find myself now doing the same, thanks girls for teaching Dad a great shortcut! They also use Skype to help their friends with homework and that's very much a Jetson's thing to see. They have the two way audio/video call going on in the kitchen and then they'll point the camera to the work on the counter to show exactly what they're doing in real time. It's really kids improvising a video conference call on a homework assignment and it's cool. It also gives the parents an opportunity to see how the kids behave and also learn about their friends. Sometimes we even become pawns in the game if they need another person.

We can also throw in our 2 cents on Skype if it can help and it's also a prime time to embarrass the kids in front of their friends! ☺

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