

Say Goodbye to Those Sweet CD Rates

The Federal Reserve Board cut the Fed Funds interest rate yesterday by 0.5% to a range of 4.75-5.00%.

The Fed Funds rate is the interest rate that banks and credit unions charge one another to borrow money on an overnight basis. They lend their reserve balances to each other without collateral to better manage their short-term balance sheets.

The rate they borrow from one another ultimately impacts the rates they charge you and me for mortgages, car loans and credit cards.

This action is an encouragement to those who borrow money and a disincentive to those who save.

The interest rates on certificates of deposit (CD), government bonds and other stable principal type investments have hit multi year highs in past months. However, the high inflation rates have simultaneously chiseled away at your true buying power.

For example, if inflation is 3.0% and you purchase a CD for 3.5%, you are earning 0.5% in real terms. Although the value of your money would grow at 3.5%, it is met with the cost of goods and services increasing by 3.0% and your actual economic improvement is the 0.5%.

Historically savers have lost value to inflation as interest rates have increased as it usually indicates inflation rates are doing likewise. A strategy to use fixed rate investments in a time of decreasing interest rates is to lengthen the maturities on those investments.

This is psychologically difficult for many as the memories of the recently higher interest rates motivate savers to wait for rates to go back up before lengthening their maturities.

It is worth considering that the Federal Reserve seldom makes short term changes in their longer-term policies. In other words, when they begin a new direction in interest rates that tends to be the direction they lean

Continued on back

The Anchor

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The Janitor and the Jump Shot (38)



Keith Tyner

“I bet that old janitor lives in a box!”

The sixth grader was looking for a laugh, but probably didn't know the narrowness of his comments. I wonder if the old saying “don't judge a book by its cover” is even in the awareness of younger folks.

That old janitor taught me to shoot a basketball. When I was a college freshman and finished with my basketball career, he told me I shot like an old wash woman.

In short order I was shooting a basketball well enough to be offered a place on a college team. But the wise, old janitor never told me of the opportunity until my college studies were behind me.

Janitor Jeff is a gifted man. As a high school junior, his assistant coach told him the varsity coach didn't think it wise for him to play his senior year. Jeff said, “if Coach doesn't want me to play, he's going to have to cut me from the team.” He worked hard that summer and began the varsity tryouts with a dunk so loud the entire gym became silent to see who caused the ruckus.

He had such an accomplished career he was awarded a Division 1 scholarship to Murray State University where he crossed my path. He was a big deal on campus!

Janitor Jeff is full of lessons. He may be the most talented teacher walking the hall of that middle school. Jeff's wisdom, insight, sense of humor and kindness are world class. He kindly showed the student a picture of his house. Although Jeff knows the house one lives isn't the measure of a man, the house he lives in is quite comfortable. The student couldn't believe or understand that it

was possible the old janitor lived in such a structure.

This \$5 coffee I am drinking, compounded daily over 20 years, will set me back the value of a great trip to Italy. The car lease I'm tempted to sign with the fancy designer logo might set me back the value of several hundred square feet on my future residence. Or several other subtle tricks of the wealthy walk around in janitor Jeff's mind. The old janitor knows things like this and others about life that the students around him need desperately.

An invaluable lesson I learned 30+ years ago is the foundational understanding that “what you do isn't who you are. Your value is much greater than the sum of your action.”

Janitor Jeff displays that truth bomb to hundreds of students daily without many every quite understanding the greatness that is in their presence!

Live well, my friends, knowing you are infinitely more valuable than what you do!

Up Your Average

American entrepreneur, Jim Rohn, is attributed with the quote “you are the average of the five people you spend the most time with.” Another famous author said, “don't be deceived, bad company corrupts good morals.”

Your life noticeably improves by the quality of the people you with whom you spend it. It also improves noticeably for you and those people as you improve yourself. Your friends and family will be influenced by the adjustments you make in your life choices.

Suppose the five people in your family are the ones you spend most

Continued on back

Keep All Your Problems Under One Roof

Bryan is one of the most successful investors I know. He pointed out the benefits and costs of businesses having multiple facility locations. He concluded the best choice for a small business owner is to keep all your problems under one roof, after years of observation and experience.

His point was the more roofs a business owns, the more employees, inventory, maintenance, possibilities, and problems are likely. All the upside is intriguing for the optimistic aspects of owning multiple buildings. But when the success of a business turns to difficulties and failures, the buildings become a trap leading to greater challenges.

Real estate works well when economies are growing and booming, but when hard times arrive, the ease

of selling properties vaporizes and real estate can take much longer than expected to sell. And during the dry season of selling the associated expenses continue mounting.

Whether you consider this principle for business real estate or personal real estate, the idea remains the same. If you choose to own multiple personal real estate properties, the time and money necessary to manage them remains constant. Unless you have a property manager who oversees your holdings, the time factor will prove to be significant.

Time is a great equalizer allowing real estate to change hands as the owners mature. Family farms are an obvious example. When one generation makes a living with their farm and the next generation has

varying interests and careers, the property becomes more challenging to transfer in many cases. The more buildings a farm has, the more the maintenance expenses continue mounting.

As you consider your financial plan and your place along the maturation journey, keep in mind the time and emotions involved in unwinding real estate can be more than you think.

Strategies with real estate properties are as important as with other investments. Consider your real estate this winter and what catalysts would cause you to sell, consolidate or reduce your holdings. Those strategies can help reduce the emotions associated with real estate for your future.

Up Your Average

Continued from front

of your time with. If one of them is struggling with a difficult habit, is it possible their activity will draw down your quality of life? This idea is intuitively true as most will do everything possible to help family members overcome their challenges.

We began weekly video updates during the mismanagement of COVID in 2020. The experiment has continued for these past 4 years. It left a digital footprint of our thoughts, opinions and beliefs, right or wrong. Throughout those months we were encouraged by many viewers.

However, it was a regular Friday morning 10 am live show. Many of you aren't available at that time and the motivation to track down the reruns on GimbalFinancial.com might have been lacking. We decided to convert the essence of our time with you to a podcast beginning this month. We have named this effort **Up Your Average**. You will be able to find it in the places you ordinarily track down podcasts. We will continue broadcasting on Friday mornings.

Our goal is to bring ideas, interviews and hope that will increase the average of the people who hang out with you. We want you to be better as the result of investing time with us. That has been an underlying motive for the half hour shows we have presented in the past, but with even more intention moving forward.

Joyce Heatherly wrote The Balcony People in 1984. The essence of that book changed my view of friends. Evidently the balcony dwellers at theatre and opera productions are the elite customers for the performers. The actors offer their greatest efforts towards those patrons.

You are on other people's balcony as a cheerleader and others are in yours. You have the option of choosing the dwellers of both balconies.

We are honored to serve as your financial experts and by having a seat on your balcony for this role and any other manner we can encourage you to live our best lives. **Up Your Average** is our latest effort to express that privilege.

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Continued from front

for many months. It isn't always the case as international events disrupt the overall economy.

Give your Gimbal Financial professional a call if you are wondering what makes sense with your CDs, bonds and liquid reserves today.



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