



## Fee Only Financial Planning & Investment Management

### Resolute Connections

In the September edition of *Resolute Connections* the first article below discuss the changing world of money market funds in *Regs to the Rescue?* Not exactly an exciting topic, but in 2008 when several money market funds ‘broke the buck’ and actually fell in value, money market funds were suddenly in the news and not for a good reason. *Good News About Global Warming*, the second article, as the title states actually relates some encouraging information concerning climate change. Finally, if the stock market, Trump, Hillary, or your child’s addiction to Pokémon are stressing you out, read *Communicable Stress* for some tips to combat this health risk, which by the way can be contagious.

If you have any questions about anything we have covered in the articles below, or a specific situation please feel free to give us a call, or visit our website, [www.ResoluteFinancial.com](http://www.ResoluteFinancial.com) .

### Regs to the Rescue?

The world of money market funds changed forever back in 2008, when an investment vehicle called the Reserve Primary Fund loaded up on loan obligations backed by Lehman Brothers. Lehman famously went under, and the fund “broke the buck,” meaning that when Lehman was unable to pay back its loans, the value of a share of the Reserve Primary Fund dipped under \$1.

This was the first time many investors realized that money market funds were not risk-free. Many panicked, causing a run on other money market instruments, and overall the event added another unhappy twist to the financial crisis.

Fast forward to the near future: October 14, 2016, the date when new protective regulations implemented by the Securities and Exchange Commission will go into effect. Yes, the government wheels creak along slowly.

What regulations? To make sure that the funds are able to redeem at par, all money market instruments that invest in taxable corporate debt or municipal bonds, and have institutional investors, will have to keep at least 10% of their assets either in cash, U.S. Treasury securities or other securities that will

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convert to cash within one day. (Many money market funds make overnight loans to lending institutions in the U.S. and Europe.)

As further safeguards, at least 30% of a money market fund's assets will have to be liquid within one week, and funds will be restricted from investing more than 3% of their assets in lower-quality second-tier securities. No more than half of one percent of their assets can be invested in second-tier securities issued by any single issuer. Finally, money market funds will not be allowed to buy second-tier securities that mature in more than 45 days.

What happens if all these safeguards don't work, and a share of the money market fund still goes below \$1? In those (probably rare) instances, the fund's board of directors are permitted to suspend your ability to redeem your investment for up to ten days, and under certain circumstances, they may impose a 1% or 2% fee on your redemptions.

The bottom line is that investors will still be able to put \$1 into a money market fund and expect to get \$1 back out again when they sell shares—with, perhaps, a tiny bit more confidence a few months from now.

## **Good News About Global Warming**

Chances are you've felt a bit discouraged by the global warming reports. On the one hand, they say that our world is in for trouble unless we make significant changes in how our global economy produces the energy it needs to function. On the other, they tell us that even if we shift totally over to clean energy tomorrow (not likely), the troubling warming trend—and polar ice melts, flooding of coastal areas, and increasing droughts, hurricanes and severe winters—will continue to accelerate for the next 30-50 years. The damage has already been done.

Or has it? The ideal solution would not just reduce carbon dioxide and other greenhouse gas emissions, but to remove some of what has already been pumped into the atmosphere.

There are two interesting developments along this front. First, researchers from Columbia University's Lamont-Doherty Earth Observatory in Iceland are perfecting a technique which would mix carbon dioxide captured from the smoke stacks of a power plant with water and hydrogen sulfide, and then inject the mixture into basalt rock—a substance which makes up about 70% of the Earth's crust. The result: 95% of the carbon solidifies into stone, due to a reaction between the various ingredients. In effect, carbon dioxide has been turned to stone and stored away securely—more or less forever. Currently, in Iceland, the local energy utility has been pumping 5,000 tons of carbon dioxide a year into underground rock formations.

Of course, that's a small drop in a very large bucket: currently our various industrial processes release more than 30 billion tons of carbon dioxide into the atmosphere each year. But if each power plant had its own recapture facility, that figure would come down dramatically.

Meanwhile, a company called Global Thermostat is testing a carbon capture unit in Silicon Valley that could suck carbon dioxide directly out of the air, reducing our global carbon footprint and potentially reversing greenhouse gas concentrations in the atmosphere.

The unit, which looks like a giant dehumidifier, would be attached to a power plant or factory, and be powered by the residual heat of the facility itself. Large pipes would bring the power plant's emissions into the unit, while external intakes would suck in the outside air. The carbon is captured from both sources, rendering the plants "carbon negative," reducing carbon dioxide in the nearby atmosphere—and cranking out a pure enough form of carbon to be sold at a profit for industrial uses, including plastics, manufacturing, biofertilizers, biofuels and soda pop factories. All but the fuels would keep the carbon sequestered and out of the atmosphere.

The test unit can extract up to 10,000 tons of carbon per year, which means the world would need roughly 3 million of them to offset the current level of emissions, and many more if we want to start scrubbing the atmosphere and addressing those scary future projections. The company envisions attaching these units to power plants, and also creating farms of them in remote locations to start the long, difficult process of undoing the environmental damage of our energy economy.

## **Communicable Stress**

By all accounts, stress—and its accompanying emotional mix of frustration, anxiety and fear—is bad for your health. When you experience stress in your body, you release increased amounts of glucose from our liver into your blood, and your body produces cortisone, which is actually toxic to your system. Your heart rate goes up, sending more enriched blood to your muscles. Your immune system kicks into high gear, and you stay in this high-alert state which is only designed to help you combat real threats, depleting you physically.

Now, researchers have discovered that stress is contagious—that is, you can catch it from those around you, and even from the evening news.

Researchers at the Max Planck Institute for Cognitive and Brain Sciences conducted an experiment where they gave individuals a series of very challenging arithmetic questions and interviewed them—in both cases, in order to induce direct stress. They had another group of subjects watch the test and interviews through a one-way mirror. They found that 95% of those subjected to direct stress experienced the physical symptoms, but so, too, did 26% of the observers. Later, they discovered that 24% of their subjects experienced stress simply watching television programs depicting the suffering of other people. (Think: Evening news.)

How do you combat this contagious health risk? Heidi Hanna, a psychologist and author of *Stressaholic: 5 Steps to Transform Your Relationship With Stress*, recommends, well, ten actual steps.

First, create a place where you can think without being disturbed. This is difficult in open-plan offices, of course, and it explains why so many great ideas are hatched in the relative isolation of the shower.

Second, when you interact with people, give them your full attention. If you set aside your smartphone and focus on that co-worker or spouse, it short-circuits the stress-producing message that the other person is not important. And it may reduce the stress of trying to do too many things at once.

Third, get to know when you're feeling stressed, and ask yourself if you're picking it up from someone else. If so, you can either help that person or limit your time together.

Fourth: Practice meditation, and give your brain a few minutes to get out of work mode.

Fifth: Make sure you get up from your desk to walk around and stretch every hour or two, and twice a day climb some stairs or otherwise get your heart rate up. If you sit too long, less oxygen gets to your brain, which can trigger a stress response all by itself.

Sixth: Don't go too long without eating. If your blood sugar goes down, it sends a message to the brain that there's a shortage of food, which can trigger an automatic stress response.

Seventh: Don't schedule every minute of your time. Allow time between meetings to prepare for your next encounter and to check and resolve email messages.

Eighth: Practice gratitude. That means avoiding the tendency to focus on the negative by redirecting your focus to things that are going right in your life.

Ninth: Redefine stressors as challenges. If you see that looming deadline as a challenge, but you know you have the resources to meet it, it generates adrenaline. If you worry about the deadline, you produce cortisol, the inflammatory stress hormone.

Tenth: Set a good example for others by practicing good stress "hygiene" and refusing to infect others. The better you take care of yourself, the more others will be able to avoid stress.

Sources:

Inside Information – Bob Veres

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