WCM August Newsletter

DID YOU KNOW

10 common scams and how to avoid them.

Familiarize yourself with these common swindles.

MONTHLY COMMENTARY

The Poverty of Nations

"To preserve our independence, we must not let our rulers load us with perpetual debt."

-Thomas Jefferson-

DOING GOOD TOGETHER

Look to our Newsletters over the next couple of months for opportunities to join us in making a difference.

Thank you for the continued trust you place in us and our office. Our practice continues to grow because of you. Your referrals are the best compliment that you can give.

DID YOU KNOW?

10 common scams and how to avoid them

TECHNOLOGY & INNOVATION

Familiarize yourself with these common swindles.

1. COMPROMISED BANK ACCOUNT SCAM

You receive a call or email from someone claiming to be from a financial institution or federal/state agency (e.g., IRS, Federal Reserve, FBI) saying that your financial accounts are at risk of fraud. They instruct you to move your funds to a new account they provide to you, coach you on how to answer questions from your financial institution and instruct you not to tell anyone.

2. PAYMENT SCAMS

Before paying a contractor for work at your home, investing in a company or purchasing a new property, a fraudster intercepts the email communication and replaces legitimate payment instructions with fraudulent ones. Red flags include last-minute changes to instructions, a change in the tone or word choice from prior emails, a new sender address and multiple payment requests. With this scam, the email account belonging to you, the service provider or both has been compromised.

3. COMPUTER SCAM

Someone calls pretending to be from a major tech company and says that your computer has a virus. They offer to get rid of it by asking you to log into a website that lets the caller control your computer. The caller can then steal your ID information and can gain access to your accounts.

4. GRANDCHILD/CHILD SCAM

Your grandchild or child calls and frantically requests money to pay a kidnapper, a legal bill or an emergency medical expense – and begs you not to tell anyone. But it's not real: Fraudsters commonly pose as loved ones and, preying on your compassion, claim to need money urgently. Recent technology can even allow them to successfully imitate your loved one's voice.

5. CHARITY SCAM

You donate to one charity and end up on every charity list. That's because they sell your name, phone number and email to other nonprofit and commercial organizations. These could include companies with similar names to charities you support – but they exist solely to scam donations.

6. LOTTERY SCAM

You get an unsolicited phone call or email saying you've won a large prize. All you need to do is send money to pay for shipping, taxes or some other fee before the prize can be released to you. You send the money, but the fictional prize never arrives.

7. TIMESHARE SCAM

If you own a timeshare, you may get a call from someone claiming they're authorized to sell it for you, for a fee. After paying, however, you never hear from them again.

8. DISCOUNT PRODUCTS/SERVICES SCAM

You get an unsolicited call or knock at the door offering a product or service for a discounted price (e.g., heart monitor, wheelchair, bathtub bench, home maintenance, tree trimming). You're asked for a deposit or prepayment and the product never arrives or the work is never completed.

9. MISSED PAYMENT SCAM

You're approached by a "professional" who claims your home is under threat of foreclosure and offers to pay off your mortgage or taxes if you sign over the deed to the property. Or, you receive a call from your electric company threatening to turn off services unless payment is made immediately.

10. CAREGIVER AND SWEETHEART SCAM

These predators claim to care deeply for you or your well-being. After spending weeks and months winning your trust, they may gain access to your accounts to steal money or your identity information. They may also ask you to accept money on their behalf followed by a request to send those funds to another location.

These scams are common and widespread. Keep these additional tips in mind to protect your identity and your accounts:

- Don't allow remote access to your computer.
- Don't give a caller verification codes that you receive via text or email.
- Don't click links in the body of suspicious emails or text messages, especially if they claim to come from your bank, credit card company, real estate agent or title company. Instead, log in to the company's official website or call them directly to verify.
- Don't pay for things you don't remember ordering.
- Don't give your personal information to unknown third parties.
- Work with financial institutions that use fraud protection to safeguard your credit card and banking information.
- Don't click links in the body of suspicious emails, especially if they claim to come from your bank, credit card company, real estate agent or title company. Instead, log in to the company's official website or call them directly to verify.
- Don't let strangers into your house. Instead, ask for a business card and say your spouse, kids or lawyer will be in touch.
- Be wary of caregivers and suitors, especially if conversations center around finances or financial transactions.
- Limit the purchases and donations you make by check, which may list your home address or other key data.

If you suspect you've fallen victim to a scam or that your identity has been compromised, it's time to act. Report the incident to your advisor right away to help protect your accounts, and consult identitytheft.gov to see the Federal Trade Commission's recommendations for critical next steps. Additionally, reporting cybercrime incidents to the FBI can help federal agencies respond quicker and more effectively to threats.

The Poverty of Nations

"To preserve our independence, we must not let our rulers load us with perpetual debt." -Thomas Jefferson-

By Mark Lazar MBA, CFP®

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On August 1 rating agency Fitch announced it had reduced the credit rating of US long-term debt, citing *erosion of governance and expected fiscal deterioration over the next three years*. The downgrade stunned pundits and financial markets alike, and resulted in a not surprising sell-off of stocks and bonds.

Item	YTD Change
Dow Jones Ind Avg	7.28%
S&P 500 Index	19.52%
EAFE Foreign Index	13.14%
Emerging Market Index	9.47%
Barclays Agg Bond Index	2.02%
10-Year Inflation Forecast	2.38%
Unemployment Rate	3.5%

**Market index data as of 7/31/2023 (*The Stock Indexes mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.)*

Former US Treasury Secretary, Larry Summers, called the report *bizarre*. "The decision of a credit rating agency today, as the economy looks stronger than expected, to downgrade the US is bizarre and inept." Treasury Secretary Janet Yellen responded in similar fashion, stating "I strongly disagree with Fitch Ratings' decision. The change is arbitrary and based on outdated data."

But was the decision to downgrade Uncle Sam's debt obligations *bizarre* and *arbitrary*? Following the June 2 vote to suspend the debt ceiling for two years, the Treasury borrowed $1.1 trillion in just two months, increasing total debt to $32.6 trillion. In 2006 public debt (which does *not* include intragovernmental debt) to GDP was 37% and the deficit (to federal revenues) was 10%. Today public debt to GDP is 98% and the deficit exceeds 18%. By 2033 the CBO forecasts debt to GDP at 119% with a 20% deficit. Similarly, debt service in 2006 was 9% of tax revenues. Today it's 14%, and by 2033 will exceed 20%. At the present rate of growth, by 2050 just the net interest on the national debt will cost taxpayers nearly $6 trillion per year. Bizarre and arbitrary? No. Careless and irresponsible? Absolutely.

Over the years I've often been asked, *when does the national debt matter?* My standard and somewhat flippant response being, *debt doesn't matter—until it does*. When might that be? When the market says it does. How does the market communicate its concern? Loudly and clearly via higher interest rates on Treasury securities, a falling US dollar, and subsequent higher inflation. To be clear, inflation is nothing more than an implicit tax, and higher interest rates compress risk asset values, meaning it makes us poorer.

Sustained imprudent fiscal policy eventually leads to a weaker currency and higher interest rates, both of which lower living standards and threaten national security. To put this into proper context, since January 2021 inflation has increased by 18% and mortgage rates have risen from 2.65% to 6.90%, or more than 4%. To illustrate the impact on new home buyers, the principal and interest payment on a $323,780 mortgage (the current average balance) soared from $1,302 to $2,120 in less than three years; a 63% increase. And this doesn't include a commensurate increase in taxes and insurance.

History is littered with sovereign debt defaults. The story is always the same; politicians promise the polity ever more free stuff in order to remain in power. However, they have but two options by which to pay for their handouts; raise taxes or print money. As George "read my lips" Bush Sr. learned the hard way, raising taxes oftentimes comes with a heavy political cost. However, inflationary Keynesian money printing is far more subtle, and allows bureaucrats in the capital city to point their accusing fingers elsewhere, inevitably placing the blame on central bankers, geopolitical events, supply chains, and the like—everywhere but themselves and their reckless spending.

But the US isn't just any nation. The 1944 Bretton Woods Agreement anointed the US dollar the world's reserve currency, conferring both benefits and obligations. Since the dollar would be the basis for global exchange rates, the United States' government (and consequently its Federal Reserve System) was bound by obligation and duty to maintain a stable currency. But unlike defaults by the likes of Argentina, Venezuela or Ecuador, the occurrence of which neither surprises nor threatens global stability, a faltering US financial system would be catastrophic. Every foreign central bank has a large exposure to Treasury securities and US dollar denominated assets, as do financial institutions around the world. Bad fiscal policy doesn't just threaten domestic stability, but that of the global financial system.

In 1776, and by no means coincidental to the American Founding, Adam Smith published his epic tome, An *Inquiry into the Nature and Causes of the Wealth of Nations*. Typically referred to as simply the *Wealth of Nations*, Smith's magnum opus served to create a deeper understanding of economics, and had an enormous impact on the Founders and their philosophies regarding the (limited) role of government and stewardship of the public purse. However, over the past century Keynesian policies have supplanted free markets with big government, demand-side spending schemes, which always lead to greater debt, and stifle innovation, growth, and economic freedom. If Smith were alive today, he may very well pen a new book entitled, *The Poverty of Nations*.

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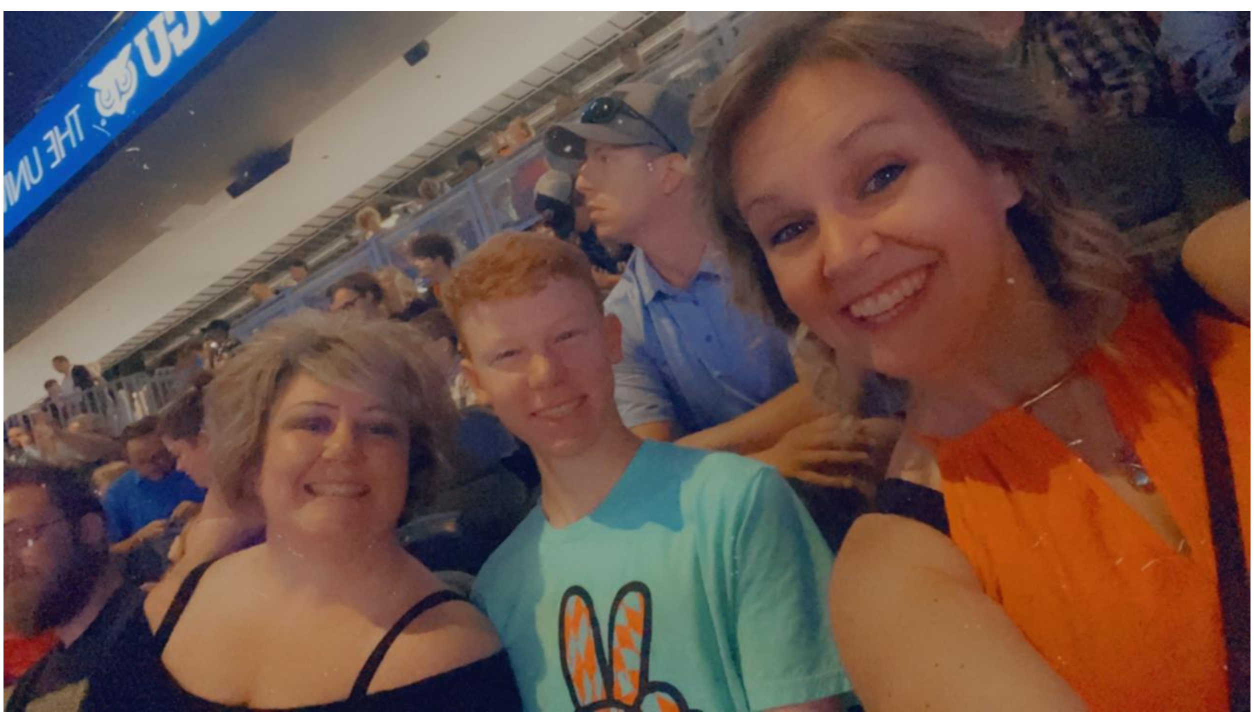
WCM Team This Month

Stan

The girl in my arms in this picture we just shipped off to start college in St George so it's been a few years, but this my extended family gathered for one of many pictures over the years at the Banyan tree in Lahaina. What a tragedy on Maui.



Nicola

In Seattle for my little sisters MBA Graduation. My oldest sister and nephew in the pic with me.

John

John & Shawn at a recent Red Butte outdoor concert!

Rees

Petersen family in Newport Beach, CA

Matt

Matt and the new family. Sam and baby Charli and doing great!!

Jessica

Jessica and her family visiting the Tree of Life in Olympic National Park.

Jon

Jon and the family went on vacation to Island Park, ID. Took this picture of a Moose at Big Springs where the Snake River begins… With lots of people getting too close to the wildlife lately for selfies, they stayed far away.

Susan

Susan Birthday Dinner with Family in Texas.

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