

## INSIGHTS

### INVESTMENT OVERVIEW

#### INFLATION VS. DEFLATION: THE BATTLE BETWEEN GOOD & EVIL

Before we could aggregate the data and complete the analysis for the Third Quarter Economic Overview, the market took a rapid downward turn, declining **-7.36%** peak to trough from late September through early October. Just as quickly, the S&P 500 enjoyed one of its best days of the year on October 21<sup>st</sup>, rallying **+1.96%**. This rapid rollercoaster ride spurred by the media's popular cocktail of concerns; Eurozone GDP growth (or lack thereof), geopolitical turmoil in the Middle East and, last but not least, Ebola injected startling schizophrenia into a rational, upward-moving equity market.

The rapidity with which the market assimilates events in a world of instantaneous information dissemination makes timing market moves and reacting to headlines not only fruitless, but also dangerous. Consequently, we use our Economic Overview to rationally analyze the data and provide thoughtful commentary about the important elements likely to impact longer-term asset performance. Beneath the superficial sound bites employed by the media, we believe the tug of war between inflation and deflation is the driver of the market's recent erratic performance. Despite the fresh sting from this most recent jab of volatility, the battle between good (inflation) and evil (deflation) has been going on since the end of 2008, persists today, and will continue into the future.

Inflation, long viewed as the harbinger of portfolio perdition, is now a welcome friend to the countries and consumers drowning in debt, while deflation, resulting from stagnating growth, could unravel the Ponzi scheme of leverage-driven growth keeping developed economies afloat. This is why Ben Bernanke, as early as 2002, crafted a speech entitled "Deflation: Making Sure "It" Doesn't Happen Here." It is our belief that every policy put in place by the Federal Reserve has been focused on the singular mission of inviting modest inflation and banishing deflation. The

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### FINANCIAL ADVISORY OVERVIEW

#### STEPS TO DOWNSIZING YOUR HOME

The discussion of downsizing has become an increasingly popular topic over the past couple of years. Unfortunately, the word "downsizing" carries with it some negative connotations of reduced lifestyle or comfort, which are not necessarily true. Downsizing can minimize the expense and effort associated with a larger residence. The most common time to downsize is around retirement and with retirement lasting 25 years or longer, the probability of needing to make a housing change at least once is very likely.

#### SHOULD I DOWNSIZE?

Before we help clients with planning, we first ask about their goals and desires. What does your ideal lifestyle look like in retirement? What do you

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#### SPECIAL POINTS OF INTEREST

- Stock & Strategy Spotlight
- Monthly Index Review
- Around Rinehart

## INVESTMENT OVERVIEW

## INFLATION VS. DEFLATION: THE BATTLE BETWEEN GOOD &amp; EVIL (CONTINUED)

recent market decline alongside a **-25.02%** slide of oil prices into bear market territory was a reaction to the deflationary dragon rearing its head in Europe, and the fear that that dragon might cross the ocean and stymie our anemic domestic growth is the real fear of the market. While the misguided media focuses on the spread of Ebola, the real factor to watch is deflation.

Consequently, this quarter's Economic Overview focuses on the ongoing battle between inflation and deflation. We define the conditions for both, providing supporting analytics with an overview of how the economy and market currently view these two competing paradigms.

#### UPDATE: KINDER MORGAN ENERGY PARTNERS, L.P. ("KMP")

As we highlighted in last-month's edition of INSIGHTS, Kinder Morgan, Inc. ("KMI") is consolidating its three related entities by acquiring the outstanding equity of those

TABLE I: INFLATION VS. DEFLATION

INFLATION	vs.	DEFLATION
US unemployment improvement		Bond yields near zero
US PMI		Volatility underlying flight-to-quality
Corporate earnings beating expectations		Oil prices decline
Relative & absolute valuations remain stretched		Industrial commodities decline
Retail investor complacency		Strong USD

Source: Rinehart Wealth Management

three companies – including KMP. For tax-protected accounts, we will be selling out of the position after the impressive return following the announcement; for taxable accounts, we will be reviewing the official merger election terms and analyzing the relative value and tax implications: shareholders may receive paperwork regarding the election options, so please feel free to reach out with any questions, comments, or concerns.

## STOCK &amp; STRATEGY SPOTLIGHT

## Company Name:

Equinix, Inc.

## Symbol:

EQIX

## 2014 (YTD)

17.72%

## Company Description – Investment Thesis:

Equinix, Inc. ("EQIX") is the leading provider of data center business services including colocation, interconnection solutions, and managed infrastructure services. Through its wide array of product offerings, EQIX works with over 4,500 clients/companies to accelerate business growth across its platform of over 100 data centers and its global presence in over 30 strategic markets throughout the Americas, Europe, Middle East, East Asia, and Asia Pacific. EQIX is an established leader in an industry with high barriers-to-entry, focused on delivering high-quality, value-additive business solutions/services to its customers. In September 2012, EQIX announced that its Board of Directors had approved a strategy/proposal to pursue conversion to a real estate investment trust ("REIT") for the tax year beginning January 1<sup>st</sup>, 2015. This was seen as an incremental positive by the market, as converting to a REIT structure would allow EQIX to benefit from significant tax savings on income and dividend distributions made to shareholders. The conversion itself, however, is contingent on receiving a private letter ruling ("PLR") from the U.S. Internal Revenue Service ("IRS"), as well as several incremental steps and components – including the issuance of special distributions to EQIX shareholders of previously undistributed earnings and profits (i.e., "E&P Distribution"). Earlier this month, EQIX declared its first special distribution of \$416.0 million on its shares of common stock outstanding, payable to shareholders of record as of October 27<sup>th</sup>, 2014. We believe that the upcoming E&P Distribution,

## MONTHLY INDEX REVIEW

Data as of October 31 <sup>st</sup> , 2014	October 2014	2014 (YTD)	2013
S&P 500	2.44	10.99	32.39%
Dow Jones Industrials	2.16	6.86	29.65%
NASDAQ Composite	3.09	11.92	40.12%
Russell 2000	6.59	1.90	38.82%
MSCI Emerging Markets	1.19	3.97	-2.27%
MSCI EAFE	-1.45	-2.42	23.29%
Barclays US Aggregate	0.98	5.12	-2.02%

## FINANCIAL ADVISORY OVERVIEW

## ABOUT RINEHART

## STEPS TO DOWNSIZING YOUR HOME (CONTINUED)

want to accomplish? Discussing these goals will shed light on the decision to downsize or not.

There are many different reasons for downsizing. The most common reason clients downsize is that kids are grown and a larger home is no longer necessary. Others want to travel more and desire the greater freedom and flexibility associated with not having to worry about the cumbersome maintenance of a home. Another popular reason is relocation to enjoy a change in lifestyle or to be near family and friends.

new place, as well as optimize the smaller space. These professional organizers provide valuable assistance with a daunting process. Several of our clients have used professional organizers to assist with the downsizing process and have shared with us that they could not have accomplished the move alone.

Recently, Kathryn Avayou, a professional organizer in Columbia, SC, assisted a RWM client with a move to a retirement community. After the sorting of furniture and belongings was completed, the client went on a week-long vacation and came back to their new home, completely furnished with their

*“Big corrections in a bull market and the beginnings of bear markets look the same.”  
– Michael Shaoul, Marketfield Asset Management LLC*

Whatever your reason, you need to carefully think through this decision. If you are seriously considering downsizing, think about renting a smaller home or condo for a trial period. If you are looking to move to a different area, spend some time there first. These are easy and risk-free ways of testing the idea without committing to selling your existing home and experiencing regret later.

**HOW DO I DO IT?**

After deciding to make the transition, the most difficult task arises. How do I fit all of my belongings into a smaller place? How do I decide what to take and what to give away or sell? At this point, deciding what makes the move and what does not can be time consuming and emotionally exhausting.

There are professionals that specialize in assisting clients with this process. They help with sorting belongings before the move, overseeing the move, and unpacking and setting up the new home. They are also experts in space planning and help ensure that your current furniture will fit in your

belongings, pictures on the walls, and everything organized just the way they prefer. Having a professional, like Kathryn, facilitate and execute the details of a move can be an invaluable part of the process.

**How Do I Pay for It?**

Downsizing usually implies buying a less expensive home, however, depending on where you are planning to move, it is not always the least expensive option. Deciding the most efficient way to pay or finance this transition can have lasting effects on your financial well-being. Your Rinehart Financial Advisor can help create a strategy to financially plan for this move in the most effective manner. We specialize in cash flow planning and how to optimize financial assets when downsizing.

At Rinehart, we realize that each client's situation is unique, and downsizing can be a very difficult decision and process to go through. Please contact your Financial Advisor with any questions, and let us know how we can help you with this decision.

Rinehart Wealth Management is an experienced, boutique Registered Investment Advisor dedicated to independent, comprehensive wealth management. Founded in 1985 by Mary Rinehart, the firm, from its inception, has had a singular focus: to provide highly customized investment management and financial planning solutions to clients.

**Boutique Firm:**

Being a boutique wealth management firm allows us the flexibility to provide more personalized service and offer unique investment solutions to clients in a Fee-Only environment.

**Team Approach:**

Because each client's situation is different, the team of advisors is hand-selected to ensure areas of expertise are appropriately aligned with the client's specific needs and interests.

**Proprietary Investment Research:**

The differentiating factor of our portfolio management process is the proprietary investment research driving the portfolio construction. All investment research and analysis is done entirely in-house by our Investment Team.



**RWM MAKES ROOM TO BLOOM**

We will once again sponsor the 62nd Annual Room to Bloom Celebration, the premiere fundraiser for the Mint Museum. We are proud to be part of this time-honored fellowship and philanthropy supporting the Mint Museum Auxiliary, an organization founded by Mary Rinehart's mother Martha Phelps Cosby. The event kicks off with a Fall Forum featuring designer and entrepreneur India Hicks.

**FIRST ANNUAL "STOP BY, SAY 'HI', GRAB A PIE"**

Please stop in November 26<sup>th</sup>! We will have a Thanksgiving pie waiting for you as a thank you for allowing RWM to serve your wealth management needs. Email Cynthia at [csims@rinehartwealthmanagement.com](mailto:csims@rinehartwealthmanagement.com) to reserve your pie.

**TEAM BUILDING FOR A GOOD CAUSE**

RWM suits up with Charlotte's Dress For Success program this November. DFS promotes the economic independence of disadvantaged women by providing professional attire, a network of support and the career development tools to help women thrive in work and in

life. Since its inception, DFS has outfitted more than 600,000 women. The RWM team will

be on hand at DFS November 6<sup>th</sup> to help with clothing sales and intake. Charlotte's DFS serves no and low income job-ready clients from an expanding network of not-for-profit and government agencies including Pathways to Employment, Goodwill, JobLink, Crisis



Assistance Ministries, Urban League, SafeAlliance, Jewish Family Services and YWCA Women in Transition. For more information visit [www.dressforsuccess.org](http://www.dressforsuccess.org).

**FINANCIAL ADVISORS HIT FALL CONFERENCE**

The National Association of Personal Financial Advisors (NAPFA) Fall conference was held in the Queen City October 21<sup>st</sup> through 24<sup>th</sup>. NAPFA is the country's leading professional association of Fee-Only financial advisors bringing the highest standards for professional competency, client-focused financial planning and Fee-Only compensation. As one of the first female-owned, fee-only advisor firms, RWM has a strong tie to NAPFA. In attendance were RWM's Financial Advisors Sandy Carlson and Andrew Savant, who attended: Guiding Clients Through Aging & Dementia; Cutting Edge Tax Planning; Current Trends in Estate Planning; Financial Planning for Corporate Executives; Disability Insurance Planning and Advanced Student Loan Strategies.

**HOPE FOR ONE SPECIAL FAMILY**

RWM has partnered with Charlotte Family Housing, a shelter-to-housing program for homeless families that empowers change by preserving dignity and self-esteem, increasing personal accountability and decreasing dependency. As a HOPE team, we were matched with a wonderful family and are working to increase their financial self-reliance, career, education, support network and health and wellness.

**Rinehart Wealth Management**

Wealth management is our only business; therefore, our attention is undivided and our intentions are transparent.

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