



Presidents and Your Portfolios

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As we approach Election Day on November 8, there will be endless debate, prognostication and media hype. But even before a single vote has been cast, the potential results are already being priced into stocks around the world.

While elections do have real consequences and can certainly impact individual companies, in aggregate they tend to be less important than many of the other factors that drive stock prices.

How much influence will the next president have on the price of Apple's phones and computers, Nike's apparel, Disney's entertainment or Starbucks coffee?

What matters more: who becomes president or whether a company's product is any good?

Every company on the major stock exchanges carries its own risks, profits, losses, management and strategies that actually have a much greater impact on its share price than a presidential election.

It is actually the *uncertainty* of the actions of a future president and Congress that could affect stock prices today.

Let's think for a moment about a large, retail company that we all own within our diversified portfolios and imagine these scenarios...

Uncertainty: Will the president (with Congress) change taxes? **Possible effect:** This could hurt profits if individuals can't afford to buy their products. If taxes decrease, people may spend more money. Or the company could produce something innovative or realize new efficiencies that drive profits despite higher taxes.

Uncertainty: Will the president and Congress make it more expensive for companies

to keep profits overseas? **Possible effect:** If yes, this may hurt the price of that company; if no, it may help. But European regulators may go after foreign earnings as well, making offshoring less appealing.

Uncertainty: Will the president increase import tariffs? **Possible effect:** This could hurt if companies can't produce their products as cheaply. However, it could help U.S. manufacturers. If tariffs are unchanged, the company and shareholders stay happy. If tariffs are reduced, the company could become even more profitable.

With each moment of uncertainty, there may be a different effect on the company price. With millions of people buying and selling the stock every day, this information gets processed between the buyers and the sellers and shows up in the current price. However, by the time the uncertainty is known, new buyers and sellers are now worried about the next set of uncertainties!

Many will contend that presidents have very little effect on the long-term prices of goods and products sold.¹ But, advertisers, filmmakers, TV and radio stations are among the winners to date. The Wesleyan Media Project recently estimated that more than \$408 million has been spent on political advertising... and that was only through May of 2016!

Did I mention that this information is factored into the price of those companies?

¹"Alternative Estimates of the Presidential Premium," Sean D. Campbell and Canlin Li, Finance and Economics Discussion Series, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, D.C.



2015 Favorite Halloween Candy by State

By influenster.com



Alabama - AirHeads	Nebraska - Skittles
Alaska - Snickers	Nevada - Jolly Ranchers
Arizona - Toblerone	New Hampshire - Tootsie Rolls
Arkansas - Skittles	New Jersey - Sour Patch Kids
California - Lifesavers	New Mexico - 3 Musketeers
Colorado - Milky Way	New York - Sweet Tarts
Connecticut - Reese's Peanut Butter Cups	North Carolina - Butterfinger
Delaware - 3 Musketeers	North Dakota - Sour Patch Kids
Florida - Nestlé Crunch Bar	Ohio - Milky Way
Georgia - Pixy Stix	Oklahoma - M&M's
Hawaii - 100 Grand Bar	Oregon - Candy corn
Idaho - Butterfinger	Pennsylvania - Swedish Fish
Illinois - Snickers	Rhode Island - Reese's Peanut Butter Cups
Indiana - Reese's Pieces	South Carolina - Candy corn
Iowa - Twix	South Dakota - Laffy Taffy
Kansas - Twizzlers	Tennessee - Candy corn
Kentucky - Whoppers	Texas - Candy corn
Louisiana - Swedish Fish	Utah - Nerds
Maine - Starburst	Vermont - Almond Joy
Maryland - Almond Joy	Virginia - Reese's Pieces
Massachusetts - Starburst	Washington - AirHeads
Michigan - M&M's	West Virginia - Oreos
Minnesota - 100 Grand Bar	Wisconsin - Laffy Taffy
Mississippi - Hershey's Kisses	Wyoming - Candy corn
Missouri - Hershey's Kisses	District of Columbia - Twix
Montana - Kit Kat Bar	