

Live for Today and Plan for Tomorrow

WHAT COULD GO WRONG? AVOIDING RETIREMENT DISASTER BY USING INVERTED THINKING

We have a friend who, before making a major purchase, will google “problems with (name of item).” He’s discovered that even the most highly rated products and services come with problems and trade-offs. Knowing what they are beforehand allows him to either plan for the problems or decide not to make the purchase at all.

While this kind of thinking seems a little pessimistic, it’s a useful tool for avoiding future disaster.

It’s a perspective known as inversion and it was famously used by Nobel physicist Richard Feynman to discover the cause of the 1986 Challenger space shuttle disaster. While other investigators were focused on what should have gone right with the launch systems, Feynman instead focused on what could have gone wrong. And then he tested it.

This approach helped Feynman identify the failure of the shuttle’s O-rings, which lost their ability to seal in freezing temperatures.¹

The principle of inversion can be applied when planning any major event, from a family wedding to an extended trip to your retirement years.

As generally optimistic people, we naturally focus on the positive aspects of the thing we’re eagerly anticipating. However, this positive mindset makes us prone to blind spots when it comes to potential problems. But when we can invert our thinking to identify the most likely problems, it makes them easier to avoid.

When thinking about retirement this means identifying the challenges you’re almost certain to face and coming up with a plan well ahead of time to deal with them.

Here are a few we commonly see:

- Keeping consistent cash flow as your needs vary
- Getting hit with unexpected healthcare costs
- Leaving a tangled mess for your heirs

In each of these cases you can reasonably predict how a problem might affect someone in your situation and then prepare to avoid it (if possible) or deal with it without worrying. When you take this approach, you can turn potential disasters into situations you’ve planned for.

Your advisor has helped many people through similar challenges and can use their expertise to help you prepare for your unique situation.

You should be looking forward to your retirement years. And planning ahead for challenges just means you’ll be more likely to enjoy the kind of life you’ve been hoping for.

Sources:

- 1 <https://www.kiplinger.com/retirement/retirement-planning/rule-of-retirement-inversion>

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THE TWO FACES OF AI ANXIETY

The investment markets have been jittery of late, and the headlines have blamed something called ‘AI anxiety.’ But what, exactly, does that mean, and is it a legitimate worry?

There are actually two elements to the single term, which seem to be mixed together in peoples’ minds, though they come from very different directions. The first is straightforward: many people have a vague sense that artificial intelligence is coming for their jobs.

This fear was put into a tangible form by a report from Citrini Research, which envisioned a near future where autonomous AI agents upend the entire U.S. economy. Software developers are laid off by the thousands, soon followed by white collar employees in all sectors of the economy. This eliminates income on a broad scale, leading to less demand for goods and services, which, in turn, lower sales volume at the very companies that rely on AI to become more efficient.

This is scary stuff, and anything that threatens our future—even if it’s not happening yet—makes people less likely to take risks with their money.

The second element is, oddly, somewhat the opposite of the first. A small number of giant technology firms dominate the most popular U.S. market indices, and they are spending (some

would say ‘investing’) fantastic amounts of borrowed capital on data center construction, increasingly expensive computer chips, electricity and staffers who cost up to \$400,000 a year—not to mention Meta’s (Facebook’s) reported \$200 million signing bonuses. By one estimate, labeled conservative, these firms will have spent more than \$3.7 trillion on AI infrastructure by 2030. A more realistic estimate puts that expenditure at \$6.7 trillion.

The anxiety comes from the possibility that the firms that underpin stock market growth won’t be able to recover those costs—that demand for artificial intelligence will never become as strong as they’re hoping. An article in the Harvard Gazette notes that Microsoft’s OpenAI has promised to pay \$100 billion contracts to several of its vendors—even though it doesn’t generate nearly that amount of revenue. OpenAI’s own projections anticipate \$14 billion in losses this year, and \$115 billion cumulative through 2029.

And meanwhile, the cost of providing services greatly exceeds the subscription fees (sometimes free) that the more popular AI applications charge. One writer asked Claude AI to think about a problem, and the AI agent took ten minutes to draw up enough power to make connections and provide an answer. That one answer might have

cost Anthropic thousands of dollars, while the user pays an annual \$100 subscription fee. The article suggests that marketing is having a negative effect: companies are losing money on every new user, and they keep spending more to bring in more customers.

Is all this anxiety justified? The Citrini report is probably an exaggeration of possible consequences—a ‘worst case scenario,’ if you will. As for the giant tech firms—Microsoft, Google, Facebook etc.—the question is whether they know what they’re doing, or not. It’s probably okay to be anxious about that, but that doesn’t mean people should bet against them either.

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CRYPTO CRISIS

The cryptocurrency world is experiencing what it always wanted: government approval and institutional credibility. President Trump has declared that he wants to establish the United States as the 'crypto capital of the world.' The U.S. has taken steps to integrate digital assets into the U.S. financial system and reduce regulations. A recent executive order establishes bitcoin as a government reserve asset, with the Strategic Bitcoin Reserve capitalized with digital tokens and owned by the U.S. Treasury Department. America now has a U.S. Digital Asset Stockpile, and the Trump Administration features the first ever 'crypto czar.'

Meanwhile, a new cadre of ETF investment pools now allow citizens to invest their retirement accounts directly into bitcoin and ethereum without having to worry about digital wallets. So-called 'institutional ownership' of bitcoin by mainstream organizations has risen from 0.9% in 2014 to 19.8% today.

With all this newfound credibility, one might expect bitcoin and other crypto tokens to be experiencing the best of times. But in fact, the value of a bitcoin token, which reached

\$120,000 in the summer, has fallen more than 50%, trading at around \$60,000 currently—and the drop appears to be continuing. Over the same period, ethereum tokens have dropped from more than \$5,000 down into the \$2,000 range. Crypto owners collectively have lost roughly \$1 trillion in what analysts are describing as a bloodbath.

Cryptocurrency volatility is nothing new; a downturn in 2013 eliminated much of Bitcoin's value, and in 2017 the tokens skyrocketed before tumbling again in 2018. But to some, the current downturn feels different. The current selloff has raised new questions about the purpose of digital assets whose sole existence is in computer ledgers. Is it a hedge against inflation or political uncertainty? Gold and silver appear to be taking on that role, as they have in the past. Is it a currency where people can buy and sell? Yes, if you're a gun-runner or need to launder drug money, but if you're heading to the grocery store it's unlikely they'll want you to open your digital wallet. Stablecoins—which are convertible directly to more traditional currency—are now being used to facilitate payments—and neither bit-

coin nor ethereum are among them.

The problem might be the public's evolving perspective on the crypto market. Once, bitcoin and ethereum were an exciting new development, a truly libertarian innovation that always seemed to rise in value after every pullback. But now they look like every other Wall Street instrument, available in ETFs, with their own ticker symbols like stocks and bonds. From there, it's a small step to comparing the tangible value of stocks and bonds with ghosts in the computer circuitry.

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RATES DOWN. SALES UP?

Is it time to refinance your home mortgage?

U.S. mortgage rates have taken an unexpected dip, to an average 6.09%, reaching their lowest level since 2022. The rate on 5-year adjustable mortgages fell to 5.23%.

And of course, it's always possible to find rates that are more attractive than the average. The challenge is that so many home buyers locked in mortgages during the long period when interest rates were low (and ultra-low during the Covid pandemic), that there might not be a lot of people who are paying more than the current rate on their mortgages.

But the lower rate might make this a good time to buy in a market where there seems to be more sellers than buyers. In 2024, sales of previously-owned homes fell to the lowest levels since 1995, and preliminary data from 2025 shows sales actually dropped from the year before. Delistings—where homeowners list a property for sale and subsequently take it off the market—rose by 50% compared with 2024.

It doesn't hurt to periodically check your mortgage rate against the latest offerings, and if the housing stall continues, it might be possible for new buyers to pick up a bargain.

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