

The Federal Reserve and The President

A Delicate Balance

OPTIVEST WEALTH MANAGEMENT

Did you know the Federal Reserve (aka The Fed) is not a part of the federal government and was created by an act of Congress? Its purpose is to serve the public but when you throw politics and the almighty U.S. dollar into the mix, it can be a delicate balance of power.

Created in 1913 to address financial crises, the central banking system was designed to control the monetary system and help alleviate panics (most notably the panic of 1907) and has three main objectives: maximizing employment, stabilizing prices, and moderating long-term interest rates.

It can create money. It can set the rates that large banks borrow from each other. Every move it makes has reverberations throughout our economy. It commands and wields power.

Now, if you're the president, can you see how you would want to influence The Fed? Job creation, fat portfolios, and easier borrowing; all of this is a winning recipe for the American consumer. And that can translate into a nice memoir and certainly a re-election for a sitting president.

The Fed doesn't report to the president; however, The Federal Reserve Board (FRB) controls them which is appointed by...wait for it, the president! And here's where it can get complicated because when you can appoint the Fed board the hope is you will be rewarded by a favorable monetary policy.

In 1972, former President Nixon arm-twisted the Fed Chairman, Arthur Burns, to continue a loose monetary policy during his reelection campaign. As a result, the economy continued to grow but by the 1980s inflation took root and The Fed was forced to sharply tighten policy which led us into a recession.

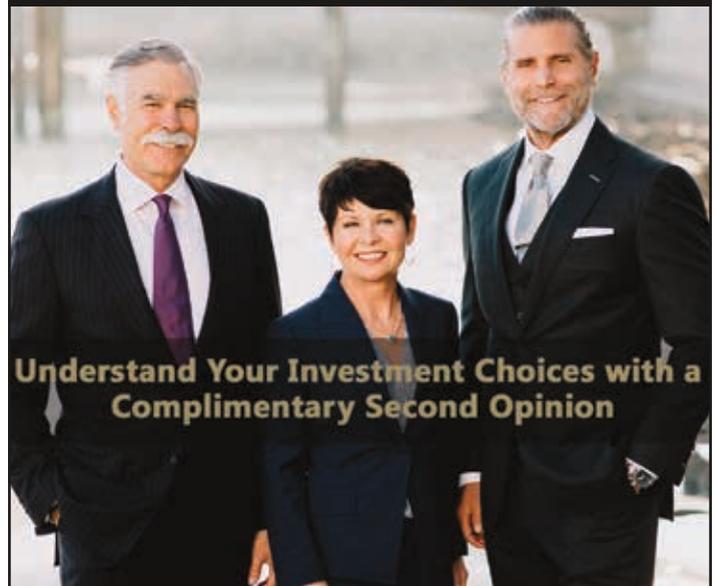
Presidents give the thumbs up to The Fed when things are good but once the economy starts to shift, soften, and weaken they are not quite as gracious. President Trump has recently been more critical than past presidents but make no mistake, he is only one of a long list of presidents to try and influence monetary policy.

But, throughout its history, The Federal Reserve System has been fiercely independent, and they strive to make decisions based on economics whereas politicians tend to make, well, political decisions. And, as an investor, you want this independence.

Current Chairman Jerome Powell (a Trump appointee) recently said "We do our work in a strictly non-political way, based on detailed analysis, which we put on the record transparently, and we don't ... take political considerations into account. I would add though that no one in the administration has said anything to me that really gives me concern on this front."

What The Fed does or does not do can impact your financial objectives, and things can get complicated when it comes to politics, the economy and your investments. At Optivest, we understand we are your portfolio's first line of defense and your navigator through the high and low tides of the economy. We monitor The Fed's actions and more importantly, how the markets react to their moves.

**Wealth is Built and Preserved through
Smart and Informed Choices**



**Understand Your Investment Choices with a
Complimentary Second Opinion**



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