Peak Oil, Global Climate Change, and the Planner's Response



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By Richard E Vodra, J.D., CFP® Spire Investment Partners, LLC McLean VA 22101

Richard.vodra@spireip.com

PO&GCC Financial Planning Principles



- Applying financial planning principles to PO+GCC
- What are positive or at least less depressing ways to think about these issues?
- How would we plan for clients who have comparable problems?



Two kinds of responses to PO&GCC we can suggest with clients:

- Investment based decisions
- Life decisions



Impact: PO+GCC will likely cause disruption and new rules at all levels

Responses: Reduce risk exposure generally

Reduce personal debt



Impact: PO+GCC will likely create a world in which traditional energy sources are much more expensive, much less reliable, or much less available

Responses: Prepare now to live in that world Reduce your energy and carbon "footprint"

- Downsize
- Live close to family
- Live close to work
- Take vacations now



Impact: PO+GCC is likely to create a world where transportation of all kinds is much more expensive than we have now.

Agriculture will be especially affected.

Response: Localization can become a way of dealing with transparent issues

- Support farmers markets
- Support local retail and production
- Participate in community organizations
- Know your neighbors
- Support alternative transportation



Impact: PO+GCC is likely to affect the availability of products and services. Repairing and reusing will become common again. Self-reliance will be more important

Responses: Become and stay healthy Learn new skills



Investment policy statement process The way we should do it:

- 1. Define goals, horizons, resources, risk limits, and so on
- 2. Clearly define the worldview and investment assumptions being used.
- 3. Describe the investment process and set the model portfolio



What might a "Worldview Two" portfolio Look like?

Key aspects

- Internationalization dollar weakness
- Relative price rise for energy, commodities
- Major risks of inflation and deflation
- Major risk of economic declines or slow growth



What might a "Worldview Two" portfolio look like?

10%	US cash
10%	Non-US cash
10%	TIPS bonds
10%	Non-US bonds
10%	Commodities – indexed or direct holdings
20%	Energy and natural resources
25%	General common stocks, globally diversified
5%	Real estate

More direct investments, fewer securities More money put into changes in the way we live

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Conclusion

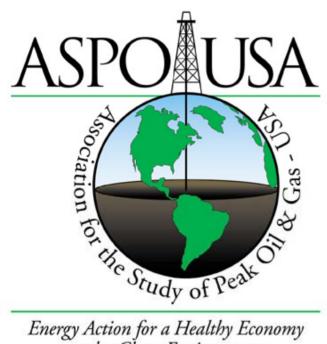


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