Episode: How to Handle Uncertainty

MICHAEL BASS:

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Good morning, everyone, and welcome to *Financial Edge*, where we cut through the noise and make sense of today's financial landscape. I'm Michael Bass, alongside my co-host and the mastermind behind Silver Edge Financial Group, Howard Silver.

HOWARD SILVER:

Good morning, Michael. And good morning to our listeners! We've got a big one today and it's something we've been saying for a while: the time of easy investing is over. No more zero-percent interest rates, no more free money flying around from the government, no more stock market running on stimulus steroids. And that means investors need to rethink their strategies—because the game has changed. It's not just about picking a few index funds and riding the wave anymore. The market is more complex, and quite frankly, a lot riskier.

MICHAEL BASS:

Howard, let's talk about something that's been on everyone's mind—market volatility. Investors are constantly looking for trends, but right now, one of the most powerful market drivers isn't earnings or growth; it's *uncertainty*.

HOWARD SILVER:

Absolutely, Michael. In finance, we talk a lot about *risk premiums*—how much extra return investors demand to take on uncertainty. What we're seeing today isn't just the normal ebb and flow of the market; it's a massive re-pricing of risk across the board.

MICHAEL:

And a lot of that comes down to unpredictability. Investors thrive on clear expectations, and right now, it's hard to find anything predictable in this market. Policy decisions are being made on the fly, corporate tax rates could shift overnight, and even trade agreements that took years to negotiate are being rewritten with little warning.

HOWARD:

Which makes long-term planning almost impossible! Investors don't necessarily care about whether policy is *right* or *wrong*—they just want consistency so they can assess risks.

MICHAEL:
Markets are shifting, and what worked in the past may not work moving forward. If you haven't reviewed your investments recently, now's the time. Call us at 561-300-0090 or visit www.silveredgefg.com to schedule a complimentary review and let's make sure you're not taking unnecessary risks.

So, Howard, let's put some numbers behind this. Right now, the S&P 500's forward price-to-earnings ratio has dropped from 25 to 20. That's a 20% decline in valuation, all because investors are demanding a higher risk premium.

HOWARD:
That's right. And what's even more interesting? Higher-quality, non-tech stocks—those with strong balance sheets, low volatility, and consistent dividend payments—are trading at a 25-50% discount to the high-flying tech sector.

MICHAEL:
That's a huge gap.

HOWARD:
It is, and it tells us something important—certainty is not just scarce, it's *cheap*.

MICHAEL:
So, we're saying that the market hasn't fully caught up to this new reality yet.

HOWARD:
Exactly. Investors are still transitioning from the speculative, high-risk mindset of the past decade into this new world where stability is king. Right now, there's still a major mispricing of high-quality, low-volatility stocks.

MICHAEL:
Why isn't the market fully pricing this in yet?

HOWARD:
Momentum. Investors spent over a decade riding the growth train, and it takes time for narratives to shift. But as uncertainty continues and volatility remains high, we expect these quality stocks to re-rate higher.

MICHAEL:
Alright, so we've got a market that's struggling with extreme uncertainty, a clear re-pricing of risk, and an opportunity hiding in plain sight—high-quality, stable stocks that are deeply undervalued. What should investors do?

HOWARD:
First and foremost—diversify *intelligently*. This isn't about throwing money at a broad index fund and hoping for the best. It's about structuring portfolios to balance growth with *certainty*. And that's where Silver Edge comes in. We're actively repositioning client portfolios to capitalize on this shift. We're looking for investments that provide *real value*, not just hype. And for anyone listening, now is the time to reassess your portfolio. Are you still holding too much risk? Are you relying too much on speculative assets that might not recover? These are the questions you need to be asking.

MICHAEL:
So, what's the next move for investors who want to reposition?

HOWARD:
Call us at **561-300-0090**, visit **www.silveredgefg.com**, or email me directly at **howard@silveredgefg.com**. Start with a portfolio review. Find out if you're overweight in high-volatility assets or if you have exposure to the stable investments we're talking about. And, of course, we offer complimentary portfolio reviews. No cost, no obligation—just solid analysis to help people see where they stand. There's no reason to wait. The market is shifting *now*, and smart investors are getting ahead of it.

MICHAEL BASS:
Alright, let's talk about this idea that a recession could somehow help the national debt. It's one of those theories that gets blurted out on social media but logically falls apart when you look at the bigger picture. The argument goes like this: if we go into a recession, the Federal Reserve will likely lower interest rates to stimulate the economy. Since the U.S. government borrows money by issuing bonds, lower rates mean the cost of borrowing goes down. If borrowing becomes cheaper, wouldn't that ease the burden of our national debt?

HOWARD SILVER:
I mean, on the surface, that could sound reasonable. If you or I had debt and interest rates dropped, refinancing could lower our payments. But we're talking about the federal government here, and the way Washington handles money is a little different than how you or I manage a mortgage.

MICHAEL:
Exactly, and the first major problem with this theory is tax revenue. When the economy slows down, tax receipts plummet. People lose jobs, businesses make less money, and stock market losses mean fewer capital gains. That all translates to the government collecting a lot less in taxes. So even if borrowing costs are lower, Washington has far less income to pay off its obligations.

HOWARD:

And I assume spending doesn't go down, does it?

MICHAEL:

Not at all. In fact, it's the opposite—government spending usually skyrockets in a recession. Think about what happened during COVID: unemployment benefits exploded, direct stimulus payments went out, businesses got government-backed loans, and trillions of dollars were pumped into the economy. It happens in every recession. More people rely on unemployment benefits, social programs expand, and Congress always steps in with massive emergency spending packages. So even if new borrowing costs go down, the total amount of borrowing skyrockets, which only adds to the debt problem.

HOWARD:

But what about the debt we already have? If rates drop, wouldn't that make it cheaper to manage?

MICHAEL:

That's another key flaw in this argument. The U.S. government doesn't refinance all its debt overnight. The average maturity of our debt is about five years, which means even if interest rates drop tomorrow, the government is still locked into paying higher rates on debt issued in previous years. Only new borrowing gets the lower rate. But all the trillions already issued? We're still paying the higher interest on that.

HOWARD:

So even if rates go down, it doesn't mean the government suddenly saves money on debt payments?

MICHAEL:

Exactly. And then there's the political reality. If rates drop, does Washington start tightening its belt and reducing spending? No. What actually happens is Congress sees low rates as an opportunity to borrow even more. Historically, every major recession has led to more deficit spending, not less. They call it "stimulus," but in reality, it's just piling on more debt. So instead of using lower rates to manage existing obligations, they use it as an excuse to take on even more.

HOWARD:

And I assume that affects the debt-to-GDP ratio?

MICHAEL:

Bingo. The debt-to-GDP ratio measures how much debt the government has relative to the size of the economy. In a recession, GDP shrinks while debt keeps growing, making the ratio even worse. A smaller economy means lower tax revenues, lower business investment, and less consumer spending, all of which reduce the government's ability to pay down debt. So even if rates are lower, the burden of the debt becomes heavier in a weaker economy.

HOWARD:
So let me get this straight—a recession leads to lower tax revenue, higher government spending, old debt that still carries higher interest rates, and new deficit spending that offsets any savings from lower rates.

MICHAEL:
That's exactly right. If recessions really helped shrink the national debt, why does the debt **always** get bigger during and after a recession? The truth is, recessions don't help the debt—they make it worse.

HOWARD:
So, what's the takeaway for investors?

MICHAEL:
The key takeaway is that government debt is spiraling higher, and we're in a period of increased uncertainty. Investors need to think strategically about **how to position their portfolios** in an environment where markets are re-pricing risk. If you're still investing as if Washington is making sound financial decisions, you're in for a rough wake-up call.

HOWARD:
And that's where we come in. Washington's policies may be unpredictable, but your financial future doesn't have to be. Let's build a strategy that works in any environment—reach out to us at www.silveredgefg.com or call 561-300-0090. Ah yes, the days of easy money! Zero-percent interest rates, endless government stimulus, and stock markets that just went up no matter what. Those days are gone.

MICHAEL:
And a lot of investors are struggling with this shift because they got used to it.

HOWARD:
Well, it was comfortable! The government pumped trillions into the economy after COVID. Interest rates were held at zero, which made borrowing dirt cheap. That fueled economic growth, but it wasn't *real* growth—it was artificial.

MICHAEL:
And now we're feeling the hangover. Inflation shot up, the Fed had to slam the brakes with aggressive rate hikes, and suddenly, borrowing money isn't cheap anymore.

HOWARD:
Which means companies that relied on cheap debt? They're struggling. Investors who built

portfolios assuming easy money would last forever? They're feeling the pain.

MICHAEL:
So, Howard, the million-dollar question—what should investors do now that we're in this new environment?

HOWARD:
First, accept reality. One of the biggest mistakes investors make is assuming things will go back to 'normal.' The market is different now. The market is choppier, inflation isn't going away as quickly as people hoped, and rates are likely to stay higher for longer.

MICHAEL:
And that means passive investing isn't enough anymore. Just buying an index fund and hoping for the best? That's not going to cut it in a world where market returns are no longer on autopilot.

HOWARD:
That's where active management becomes critical. At Silver Edge, we don't just follow the herd. We actively seek out opportunities in areas that have been overlooked—small, opportunistic funds, non-traditional investments, strategies designed to hedge against volatility.

MICHAEL:
And we avoid correlation with the broader market, right?

HOWARD:
Exactly. We're not in the business of handing our clients a standard cookie-cutter portfolio that mirrors the S&P 500. That's a surefire way to ride the market up *and* down with no control.

MICHAEL:
Alright, let's get practical. If someone's listening right now and thinking, "Okay, the market's different—what do I do?" Where do they start?

HOWARD:
First, get a portfolio review. Find out exactly what you're holding and whether it's built for this new environment. A lot of people have exposure to risk they don't even realize. And we offer those reviews for free, by the way. Just call us at **561-300-0090** or visit **www.silveredgefg.com** to schedule a no-obligation consultation. Second, look at risk-adjusted returns, not just raw returns. What matters isn't just how much you're making—it's how much risk you're taking to make it.

MICHAEL:
Right. A portfolio growing at 8% with high volatility isn't the same as a portfolio growing at 7% with half the risk.

HOWARD:
And third, diversify in ways that actually matter. That doesn't mean just holding 50 stocks instead of 20. It means having exposure to non-correlated strategies—things like structured investments, private credit, or even RILAs, which offer downside mitigation while capturing market gains.

MICHAEL: There's a lot of noise out there, but real financial success comes from having a plan and sticking to it. If you want skilled professional insight on how to navigate this market, let's talk—reach out at 561-300-0090 or visit www.silveredgefg.com.

MICHAEL BASS:
Alright, we've covered a lot today—how uncertainty is reshaping the markets, why the old investment playbook isn't working anymore, and what smart investors should be doing right now. But we know you've got questions, and as always, we love hearing from our listeners. So let's dive into some of the most common questions we've been getting about everything from inflation-proof investments to managing risk in this new environment. Howard, ready to tackle some Q&A?

HOWARD SILVER:
Absolutely, let's do it.

MICHAEL: Ok first question. Tom from Jupiter asked: **If inflation stays high, what investment strategies should I consider?**

MICHAEL:
Inflation is one of the biggest concerns for investors right now, and if it remains elevated, it will change how you should be investing. Traditionally, inflation eats away at purchasing power, which is bad for cash savings and low-yield bonds. But some assets actually **benefit from inflation** or at least **hold up better** than others.

HOWARD:
Here's what we recommend:

Dividend-Growing Stocks: Look for companies that not only pay dividends but also **increase them over time**. Businesses that can pass higher costs onto consumers—think utilities, consumer staples, and energy—are great inflation hedges.

Commodities & Real Assets: Hard assets like **gold, silver, real estate, and energy stocks** tend to perform well during inflationary periods because their value is tied to physical goods rather than financial speculation.

Shorter-Duration Bonds: If you're holding bonds, stick to **shorter-duration** ones. They are less sensitive to rising interest rates than long-term bonds.

Structured Investments & Alternative Income Strategies: These can help generate returns that aren't tied directly to stock or bond performance, offering **inflation-resistant cash flow.**

MICHAEL:
And most importantly—don't just assume inflation is "temporary." It might come down, but there's no guarantee it will return to pre-pandemic levels anytime soon. Your portfolio should be built for multiple scenarios.

Ok, Rachel from Miami: **Why is volatility increasing, and how do I manage risk in this environment?**

HOWARD:
Volatility has surged because markets are dealing with **more uncertainty than they have in decades.** Between interest rate hikes, political unpredictability, and global conflicts, there are more variables affecting asset prices than ever before.

But volatility isn't necessarily a bad thing—it just means the market is **repricing risk**. Investors used to take risks without much consequence, but now they're demanding more return for it.

MICHAEL:
So, how do you manage risk in a volatile market?

- **Use hedging strategies.** Investments like **structured annuities, hedged equity ETFs, and covered calls** can provide protection against downturns.
- **Rebalance more frequently.** If the market swings dramatically, your portfolio allocation could be shifting without you realizing it. Adjust accordingly.
- **Diversify intelligently.** That means not just spreading money across different stocks but across **different asset classes** that don't move together.
- **Focus on long-term resilience.** Short-term swings can be unsettling, but the best portfolios are built to withstand volatility over **years**, not just months.

HOWARD:
The biggest mistake people make in volatile times? **Overreacting.** The second biggest mistake? **Doing nothing.** The right approach is to analyze your risk exposure and adjust your investments strategically—not emotionally.

MICHAEL: Steve from Delray Beach: **What's the biggest mistake investors are making right now?**

MICHAEL:
If I had to pick just one, it would be **ignoring the shift in the investment landscape** and sticking

to strategies that worked in the past but aren't as effective anymore.

For example, investors who are still **chasing high-growth tech stocks** the way they did from 2010–2021 are taking on more risk than they realize. Those stocks soared because interest rates were low, making future earnings more valuable. But with rates higher, the math has changed, and valuations have come down significantly.

HOWARD:
Another mistake? **Not understanding risk-adjusted returns.** Many investors focus only on how much they're making, without considering **how much risk they're taking to earn that return.**

Here's an example:

- A portfolio that returns **11% per year with high volatility** isn't the same as one that returns **10% with low volatility.**
- The second portfolio might actually **be better in the long run** because it protects against downturns and reduces drawdowns.

Investors need to **think about their returns in the context of risk, fees, and taxes.** That's where having a strategic investment plan really makes a difference.

MICHAEL: Lisa from Boca asked: **How do I know if my portfolio is properly diversified?**

HOWARD:
This is one of the most common questions we get, and the truth is—most people *think* they're diversified when they're really not.

A lot of investors own a mix of stocks and bonds and assume that's enough. But true diversification goes deeper than just holding different investments. You need **non-correlated assets**—meaning investments that don't all move in the same direction when the market changes.

MICHAEL:
Here are some key signs that your portfolio *might not* be as diversified as you think:
Over-concentration in one sector: If tech stocks make up 40% of your holdings, you're vulnerable to a tech downturn.
Too much overlap in funds: Many people own multiple funds that track the same stocks, so they're not actually diversified.
Ignoring alternative investments: If you don't have exposure to alternatives, REITs, commodities, or private credit, you may be missing out on important diversification benefits.

HOWARD:
Diversification is about **reducing overall risk without sacrificing returns.** If you're unsure

whether your portfolio is properly structured, we're happy to offer a **complimentary review** to help you assess it. Just give us a call at **561-300-0090** or visit **www.silveredgefg.com** to schedule a session.

MICHAEL:
We covered a lot today—from the myths about recession and the debt to the end of the easy-money era and what that means for investors.

HOWARD:
And the bottom line is: the game has changed. If your portfolio hasn't changed with it, you might be exposing yourself to risks you don't even see.

MICHAEL:
So don't wait. Give us a call at **561-300-0090**, visit **www.silveredgefg.com**, or email Howard directly at **howard@silveredgefg.com**. Let's take a look at what you've got and see where there's room for improvement.

HOWARD:
No sales pitch, no pressure—just straight-up analysis and guidance.

MICHAEL:
That's it for today's episode of *Financial Edge*. Thanks for tuning in, and we'll see you next Sunday!

HOWARD:
Take care, everyone!

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