

Where the Rubber Meets the Road

It's all about traction – you can have unlimited power but if you cannot get the power to the road without burning the tires off all of that power is useless. Over the years as engines have become more powerful tire technology has had to improve. The first cars had wooden wheels and the last thing on Henry Ford's mind was spinning the tires, he just wanted to get from point A to B reliably. Wooden wheels quickly gave way to solid rubber, and then tubes and fast forward all the way to today's run flat tires. Traction in all weather in New England is equally important – if it never rained or snowed we'd all be running slicks. Not only has the science behind tires improved with better compounds, various degrees of wear or stickiness depending on your application – size has also increased exponentially. Today's high performance cars have tires that are over a foot wide of tread surface that actually hits the road and provides traction, sometimes over 20" around. Back in the muscle car era of the 60's and 70's a really wide tire may have had 8" of tread surface and at best 14" diameter, and that tread was bias ply, not today's slick and sticky radials. Automotive engineering has also improved from the original drive ideas. Most cars originally were a "one legger" where only one drive wheel actually spun, regardless of what axle propelled the car, front or rear wheel drive. Then came posi traction where the wheels were locked together and the car "bounced" around corners because the inner wheel had to spin at the same rate as the outer wheel. Then all wheel drive and four wheel drive came to being – with technology to provide the power to the wheels with traction and take it away from the spinning wheels. The last 50 years have seen some major improvements along the way to increase traction in our rides.

How is the traction of your investment portfolio these days? I'm guessing you've had some negative traction in the past five months. Since October of 2007 the markets are down over 20% and we've officially entered a Bear market. Many investments today are losing traction so we need to think through our long term game plans. Think of this as trying to go up a big hill in a snowstorm with a rear wheel drive vehicle. We all did it 30 years ago because it was the only option and we were prepared. We have weight in the trunk, studs on our tires and everything worked out just fine. Today people claim they "need" four wheel drive to deal with the 10 days each year there is snow on the ground. The reality is they don't need it, they want it and decades ago we did fine with real wheel drive a lot more snow. Perception is reality with money and investments today and the media hypes many factors that are really moot. The main economic issues today are banking, real estate and credit and many businesses are doing very well if they're not in those arenas. We're in a flat market where there has been no real progress in the indexes for 9 years, that's a strategy that needs to be thought through moving forward. There are some real opportunities in the volatility we see today – we make our money in times like this, but we don't realize it for a few years. What are you doing to get some traction with your money in today's slippery slope environment?

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