

April 2012  
Ask a Trust Officer

### **Low interest rates**

DEAR TRUST OFFICER: I can't believe these low interest rates! I thought the recession was over—when will interest rates go back to normal?—FRUSTRATED SAVER

DEAR FRUSTRATED: How does three years sound? That's the Federal Reserve Board's publicly stated position, interest rates will be kept low until the end of 2014. Their reasoning is that the economy remains too fragile to support higher interest rates before then. The housing industry, in particular, is vulnerable to higher rates, especially homeowners who have adjustable rate mortgages.

However, there have been some signs that the market may not agree with the Fed's assessment. Economic observers have noted that a healthy economy can't grow with zero interest rates, which is effectively where short-term rates have been. The economy needs lenders as well as borrowers, and lenders need to be rewarded for the risks that they take.

Investors will find somewhat higher returns in the riskier parts of the bond market, but those risks are very real. If you'd like a more specific opinion about your own portfolio management, please bring your questions to us.



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