



PLATINUM PERSPECTIVE

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Emerging Markets, Equally Important

Emerging markets are ripe with potential for investors and are an important part of a risk-appropriate, well-diversified portfolio. Not coincidentally, most of the professional money management programs that I can provide have an emerging markets component.

During the past two years, emerging markets have delivered stellar returns. The MSCI Emerging Markets Index was up about 74 percent in 2009 and rose by more than 16 percent in 2010, significantly outperforming most developed countries during both periods.

If you've been wondering about emerging markets, here are some points to consider:

- **Successful innovation** — Did you know that companies on the *Fortune 500* list now have 98 research and development facilities in China and 63 in India?¹ Emerging markets have always been appreciated for their cheap labor. Today, they are becoming valued for their ability to reinvent production and distribution systems. Companies in developing countries have been delivering “new products and services that are dramatically cheaper than their Western equivalents: \$3,000 cars, \$300 computers and \$30 mobile phones that provide nationwide service for just 2 cents a minute.”¹
- **Middle class expansion** — The World Bank estimated that the middle classes in developing countries will almost triple by 2030, growing from 400 million in 2005 to about 1.2 billion.² Two-thirds of that growth will occur in China and India, driving demand for all types of goods and services higher, and creating new markets for innovative companies.
- **Inflationary pressures** — Rapid economic growth has pushed inflation higher in many emerging countries. Food prices rose sharply during 2010, according to *The Economist's* food-price index.³ Since one-fourth of the average person's budget goes to food in emerging countries, higher food prices may curb consumer spending and slow economic growth.
- **Political risk** — As recent events in Egypt proved, emerging countries can be rife with political risk. The dangers of political violence, protectionism, geopolitical tensions and government instability can be significant. In addition, state-owned enterprises may be driven by political considerations as much as economic ones.⁴
- **Investment growth** — Goldman Sachs predicts that the value of stock markets in emerging countries will increase from \$14 trillion in 2010 to \$80 trillion by 2030. If this proves to be true, stock markets in these countries will account for about 55 percent of the world's market capitalization.⁵ ■

¹ *The Economist*, The world turned upside down, April 15, 2010

² *World Bank*, Global Economic Prospects: Managing the Next Wave of Globalization, 2007

³ *The Economist*, Daily Chart, Malthusian Mouthfuls, November 17, 2010

⁴ *The Economist*, Beyond Economics, February 10, 2011

⁵ *Goldman Sachs*, Global Economics Paper No: 204, September 8, 2010



Protecting Your Children from Identity Theft

If the term “piggyback” brings to mind galloping across the lawn on a summer day with a small child on your back, you won’t like what you’re about to learn. “Piggybacking” is the slang used to describe a specific type of identity theft.

Unused Social Security numbers are being identified by various online businesses. These often are numbers that have been assigned to children for tax purposes and have no spending history. The businesses then sell the dormant numbers to criminals, who can link them with their own credit file (“piggybacking”) or use the dormant numbers by themselves. In both instances, new lines of credit are opened with the dormant numbers, establishing credit histories and scores. In many cases, the theft of a child’s identity is not discovered until they apply for a driver’s license or a first job, or try to open a bank account.

If you have a minor child, it is a good idea to check with credit bureaus each year to see whether a file has been opened using your child’s Social Security number. In addition, there are signs that may indicate someone

has appropriated your child’s number. These include receiving:

- Pre-approved credit card offers in your child’s name
- Bank statements or bills in your child’s name for accounts that you did not open
- Calls from collection agencies asking for a minor

Adding insult to injury, federal investigators haven’t found a way to prosecute businesses that sell unused numbers because the businesses don’t refer to them as Social Security IDs and aren’t selling them as such. (The numbers are most often referred to as “CPNs,” — credit profile, credit protection or credit privacy numbers.)⁶

If you would like to learn more about identity theft and recovery, visit the Federal Trade Commission’s Web site, www.ftc.gov, and click on “Identity Theft.” ■

⁶ *Associated Press*, New Identity Theft Scheme Targets Kids, *August 2, 2010*

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