

## The Wealth Gap with the U.S.



After a commentary in the American Wall Street Journal highlighted the growing wealth gap between the U.S. and Europe, a debate ensued regarding the accuracy and causes of this finding. As a rule, in such discussions it is highly advisable to first review the facts and figures.

Indeed, it turns out that the U.S. achieves a significantly higher per capita gross national product than the EU. An American produces more than twice as many goods and services per year compared to an EU citizen. When viewed over time, this trend reveals a steady divergence in gross national product. For many years, the American economy has been growing more dynamically than its European counterparts. Most notably, the American economy shows a strong tendency to create and enter new business sectors, whereas in Europe, traditional industries often dominate.

The differences between the EU and the United States are even more pronounced when it comes to wealth. Because dynamic investment vehicles such as stocks feature much more prominently in Americans' portfolios, the financial prosperity of U.S. citizens is growing at a much faster rate.

Particularly with regard to wealth development in Germany, the perceived risk aversion and the preference for fixed-income investments have led to the country barely ranking among the twenty wealthiest nations in the world (based on median financial assets). All signs point to the wealth gap widening further in the coming years, especially since aging societies will show a declining propensity to invest in stocks. However, I believe that the root causes of these sobering findings lie in psychology and the financial markets. Americans' attitudes toward wealth, work, the state, the pioneering spirit, risk-taking, and entrepreneurship differ from those in Germany. In the Old World, security and the preservation of the status quo take center stage. In Berlin, Paris, Rome, Madrid, and Brussels, people rely on the state as the guarantor of a comfortable life. This stifles private initiative and crowds out

entrepreneurial engagement. The current political debate on reforms in Germany serves as a paradigm showing that bold changes are no longer capable of gaining majority support—neither in the government nor in parliament, and likely not in society either.

In addition to psychology, financial markets also play a decisive role in driving economic growth in America. Private financing of young companies and seemingly unlikely ideas leads to innovation and market leaders in the U.S. It is widely accepted in America that entrepreneurs who make a significant contribution to society through their business endeavors can become very wealthy. In contrast, particularly in Germany, there is a perception that the economy is a zero-sum game: what one person gains, another loses. This gross misjudgment leads to misplaced priorities and envy in this country.

Fortunately, individuals in Germany and Europe have the opportunity to distance themselves somewhat from cultural norms of wealth. What prevents responsible citizens from investing their money in companies and consciously participating in the economy's value creation? LOYS AG has been advocating this approach since its founding. The results of this approach can be seen particularly clearly in the

LOYS Philosophie Bruns Fund. While German government bonds, for example, have yielded less than 2% per year since the fund's inception in 2006, the most conservative fund offered by LOYS AG has delivered a net return of 7.6%. Once again, it is evident that real asset growth combined with risk-reducing diversification is only possible in the long term through equity investments.

Your fund manager and co-investor



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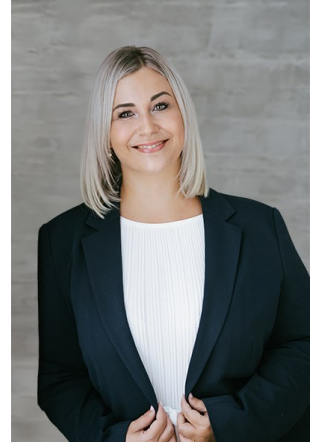
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