

Systemic Risk:

Six Mega-Trends Facing Organizations Today

Written by

Bob Mims

CPA



THE
KNOWLEDGE
INSTITUTE



About the Author



Bob Mims, CPA, is an entrepreneur and accounting/management executive based in Memphis, TN. He has served as a financial consultant across various industries in the role of planning, modeling and CFO capacities. Bob has had the privilege of serving as chair on an AICPA committee and on two FASB advisory committees. During his ten years with the accounting firm KPMG, he was selected national instructor of the year on three occasions.

Bob graduated from the University of Mississippi, and enjoys outdoor sports with his wife, 5 children, 2 service dogs, and a 20-pound cat named 'Squirt'.



Six Risks and Mega Trends

1. Economic trends and risks
 2. Is there “value risk”?
 3. Demographic risks
 4. Consumer risks
 5. People risks (Resolutions)
 6. Big data risk
- + Building trust against headwinds





Economic Trends and Risks

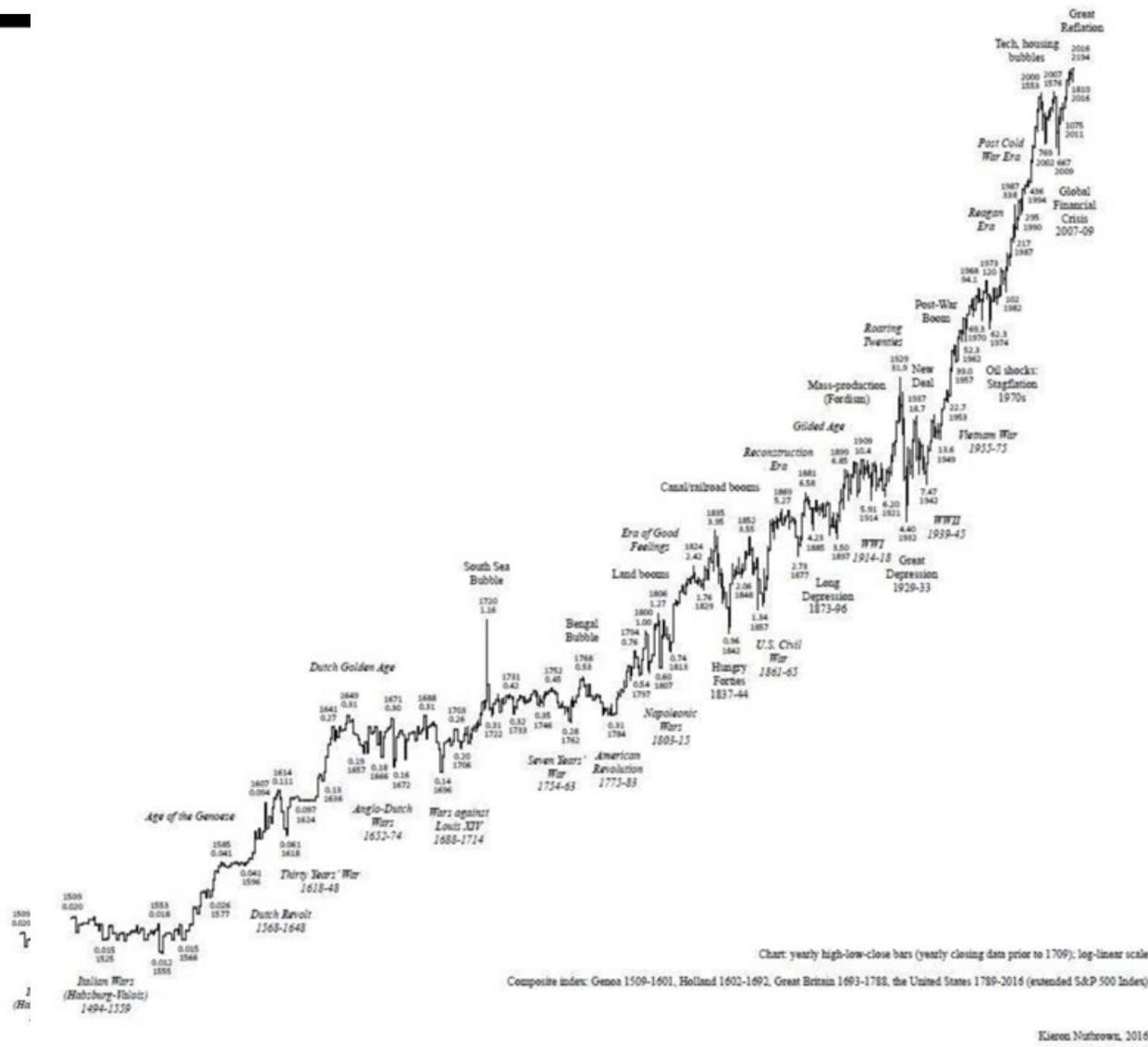


History

A History of Share Prices

Chronology of financial crises and market panics from the Middle Ages to the present:

- 1255 "Overexpansion of credit led to banking failures in 1255-63" in Italy
- 1284 Edward I default to the Riccardi of Lucca during war with France
- 1298 Seizure of the Gran Tavola di Siena by Philip IV of France
- 1307 Liquidation of the Knights Templar by Philip IV
- 1311 Edward II default to the Frescobaldi of Florence
- 1326 Bankruptcy of the Scali of Florence and Arts of Siena
- 1342 Edward III default to the Florentine banks during the Hundred Years' War
- 1345 Bankruptcy of the Bardi and Peruzzi; depression; "Great crash of the 1340s"
- 1380 Ciampi Revolt in Florence; "Crash of the early 1380s"
- 1401 Italian bankers expelled from Aragon in 1401, England in 1403, France in 1410
- 1433 Fiscal crisis in Florence after wars with Milan and Lucca
- 1454 Death of Cosimo de Medici; loans called in; wave of bankruptcies in Florence
- 1470 Edward IV default to the Medici during the Wars of the Roses
- 1478 Bruges branch of the Medici bank liquidated on bad debts
- 1494 Overthrow of the Medici after the capture of Florence by Charles VIII of France
- 1525 Siege of Geneva by Imperial troops; coup in 1527
- 1557 Philip II of Spain restructuring of debts inherited from Charles V
- 1566 Start of the Dutch Revolt against Spain; disruption of Spanish trade
- 1575 Philip II default; "Financial crisis of 1575-79" affected Genoese creditors
- 1596 Philip II default; "Financial crisis of 1596 severely affected Genoese businessmen"
- 1607 Spanish state bankruptcy; failure of Genoese banks
- 1619 Kipper-and-Wipperzeit; "Monetary crisis at the outbreak of the Thirty Years' War"
- 1627 Spanish bankruptcy; collapse of Genoese banks and the Fuggers
- 1637 End of the Dutch Tulipmania; also, "Dutch East India Company shares, canals"
- 1648 French state bankruptcy; "eliminated the Italian bankers"
- 1652 Outbreak of the First Anglo-Dutch War; attacks by Britain on Dutch shipping
- 1666 Second Anglo-Dutch War; disruption to the Dutch spice fleet
- 1672 Rampjaar (Disaster Year) in Holland; French English invasion
- 1696 English government debt crisis during the Nine Years' War against France
- 1705 English crisis during the War of the Spanish Succession against France
- 1720 Collapse of the South Sea Bubble in England and Mississippi Bubble in France
- 1761 English government debt crisis over the Seven Years' War against France
- 1769 Collapse of the Bengal Bubble in East India Company stock
- 1772 Credit Crisis in London and the Americas colonies
- 1783 Economic depression in Britain and America after the Revolutionary War
- 1792 Boom and bust at the First Bank of the United States after Hamilton's redefining
- 1797 Land speculation bubble burst; Bank run in England on fear of French invasion
- 1802 Boom and bust after the Peace of Amiens between Britain and France
- 1807 Jefferson's Embargo Act; restriction of trade with Britain
- 1812 Outbreak of the War of 1812 against Britain
- 1819 Land bubble burst; bank failures; Tightening by the Second Bank of the U.S.
- 1825 Emerging market (Latin America) bubble burst in London
- 1837 Collapse of bubbles in canals, cotton and bank; run on banks
- 1847 Collapse of railway boom in London (following Bank Charter Act)
- 1857 Global market panic; railway bubble; failure of Ohio Life Co
- 1856 Failure of Overend Gurney and Co. in London; banking crisis
- 1869 Black Friday in NY; collapse of Gould and Fisk gold speculation
- 1873 Railroad bubble; Jay Cooke failure; end of silver coinage
- 1877 Great Railroad Strike; deflation and wage cuts following the Panic of 1873
- 1884 Tightening by NYC national banks; bank failures in NY
- 1893 Railroad bubble burst; bank failures; run on gold reserves; Sherman Silver Act
- 1896 Run on silver reserves; commodity price declines; National Bank of Illinois failure
- 1901 Closing of Northern Pacific Railway stock
- 1907 Bankers' Panic; concern of United Copper Co. failure of Knickerbocker Trust Co
- 1910 Enforcement of Sherman Anti-trust Act; breakup of Standard Oil Co
- 1913 Drain of gold reserves to Europe in lead-up to WWI
- 1921 Depression of 1920-31; demobilization, monetary tightening; severe deflation
- 1929 Wall Street Crash/Black Tuesday; collapse of 1920's boom
- 1932 Great depression tough; widespread bank failures
- 1938 Monetary and fiscal tightening following New Deal; Roosevelt Recession
- 1942 Response to Japanese/German successes in WWII
- 1948 Monetary tightening by the Federal Reserve; recession of 1949
- 1953 Monetary tightening to combat post-Korean War inflation in 1952
- 1957 Eisenhower Recession; monetary tightening to combat inflation
- 1962 Kennedy Slide/Flash Crash; Cuban Missile Crisis
- 1969 Nixon Recession; monetary and fiscal tightening to combat inflation and deficit
- 1974 Oil crisis (OPEC embargo); Rising inflation and unemployment; stagflation
- 1979 Energy crisis (Iranian Revolution); monetary tightening under Paul Volcker
- 1982 Continued Fed tightening on energy crisis; Defaults by Mexico, Brazil, Argentina
- 1984 Continental Illinois bank failure and seizure by the FDIC
- 1987 Black Monday; global market crash; collapse of speculative boom
- 1990 Gulf War; spike in oil price; recession of 1990-92
- 1994 Tequila Crisis; Mexico peso devaluation; Federal Reserve rate hikes
- 1998 Asia crisis (begin 1997); Russia default; LTCM failure
- 2001 Collapse of dotcom bubble; 9/11 attacks; corporate accounting scandals
- 2008 Collapse of housing bubble; Global Financial Crisis; Lehman, AIG etc. failures
- 2011 US debt ceiling crisis and credit rating downgrade; Eurozone sovereign debt crisis
- 2015 End of the Federal Reserve's zero interest rate policy (QE ended 2014)

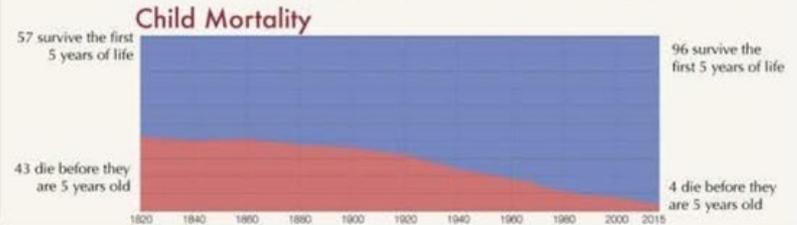
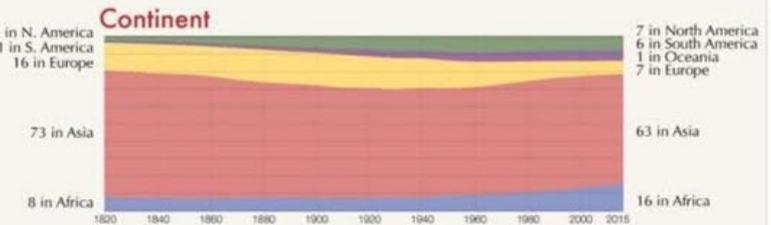
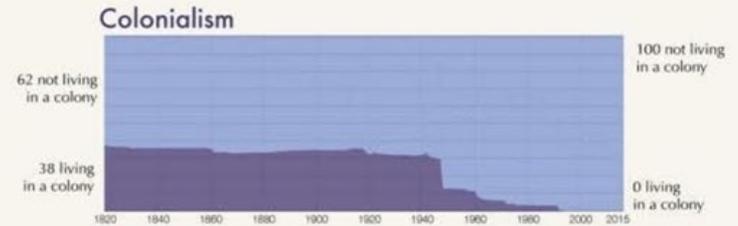
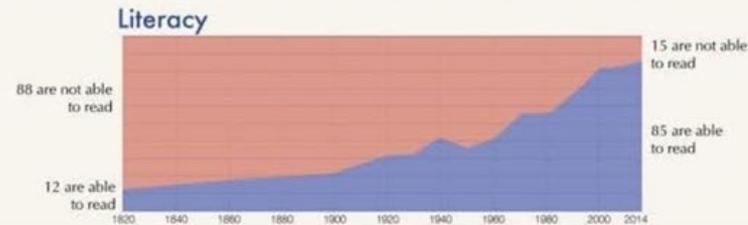
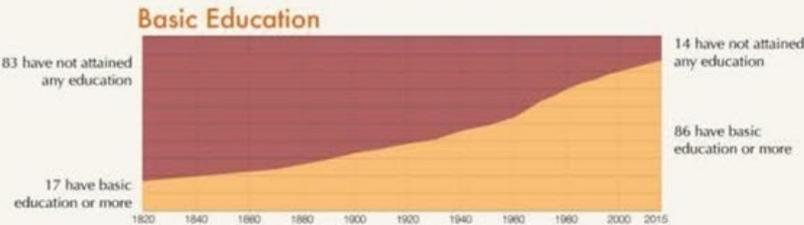
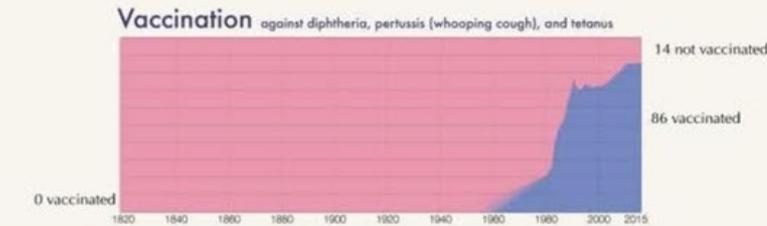




World History

The World as 100 People over the last two centuries

Our World in Data





Markets Over Only 80 Years

History of U.S. Bear & Bull Markets

First Trust

Daily Returns Since 1942

This chart shows daily historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets since 1942. We believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

- The average **Bull Market** period lasted 4.3 years with an average cumulative total return of 150.0%.
- The average **Bear Market** period lasted 11.1 months with an average cumulative loss of -31.7%.



BULL

From the lowest close reached after the market has fallen 20% or more, to the next market high.



BEAR

When the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.





Explaining Accounting

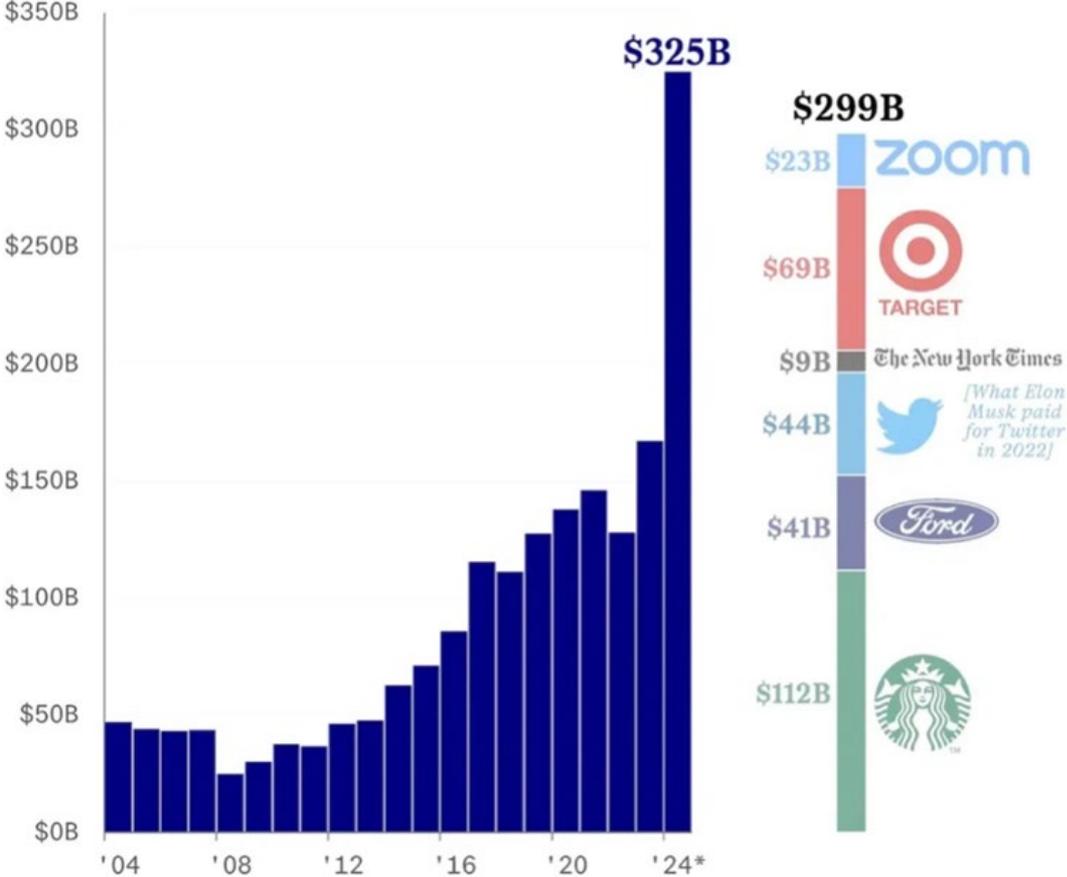




Markets Today

Berkshire's \$325B Cash Pile In Context

Berkshire Hathaway, Cash + Cash Equivalents Vs. Selected Company Valuations [\$B]

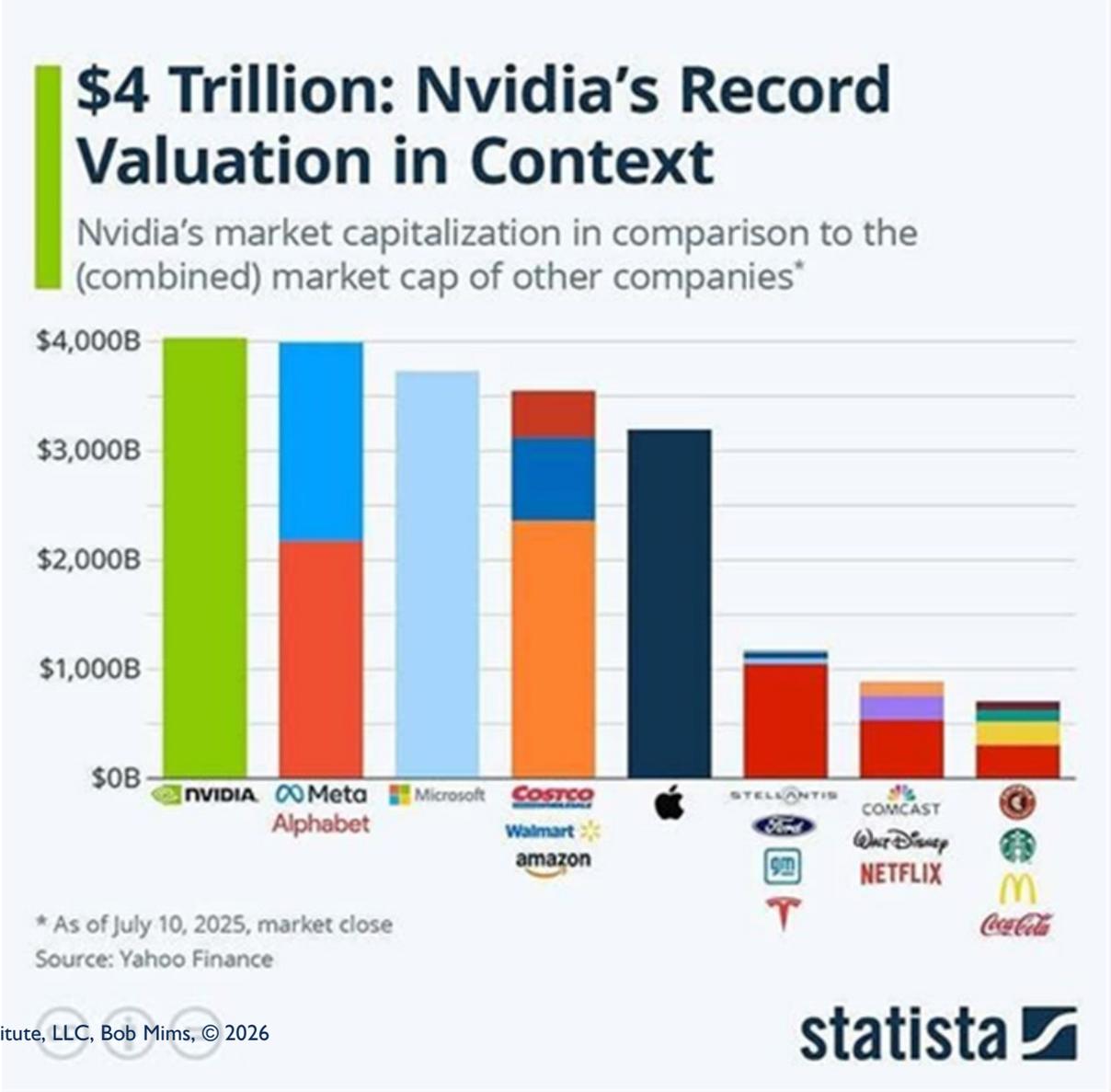


CHARTR

Source: FactSet, Berkshire Hathaway | *2024 is as of September-end



Markets Today





My Personal Portfolio Returns

2025: ● -5%
2024: ● +121%
2023: ● +155%
2022: ● -64%
2021: ● +60%
2020: ● +303%
2019: ● +92%
2018: ● -74%
2017: ● +1,369%
2016: ● +124%
2015: ● +35%
2014: ● -58%
2013: ● +5,428%
2012: ● +186%
2011: ● +1,473%



...If Only I had Only Bitcoin

Bitcoin performance

2025:		-5%
2024:		+121%
2023:		+155%
2022:		-64%
2021:		+60%
2020:		+303%
2019:		+92%
2018:		-74%
2017:		+1,369%
2016:		+124%
2015:		+35%
2014:		-58%
2013:		+5,428%
2012:		+186%
2011:		+1,473%



Polling Question #1

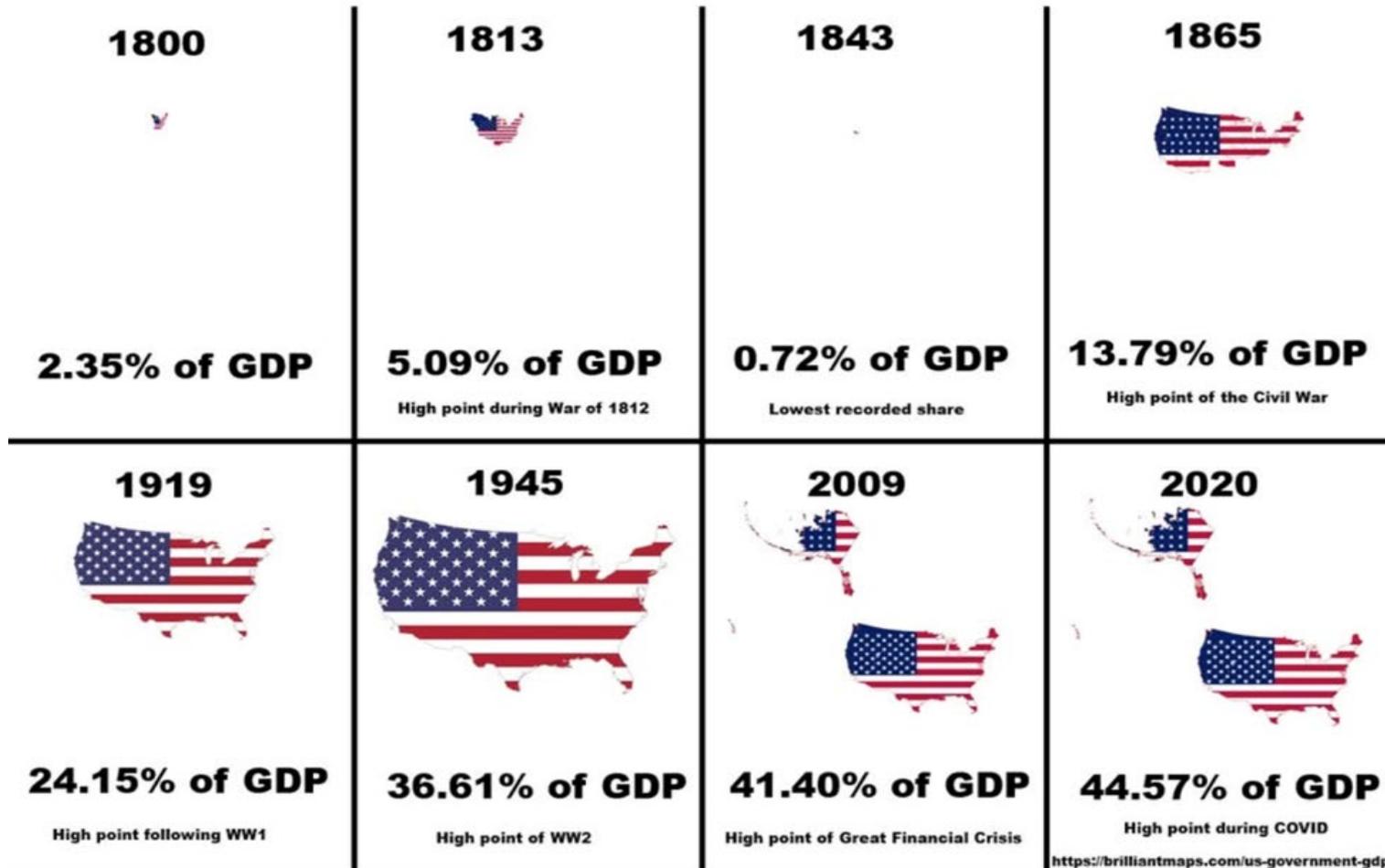
Knowledge of Bitcoin/Crypto?

- a) 0-3 – not much,
- b) 4-5 – average,
- c) I hold bitcoin as an investment,
- d) Give me Cardano and hedge with ETH,
- e) 10 out of 10, or
- f) Other.



Government Spending Half of GDP

US Government Expenditure As % of GDP



<https://brilliantmaps.com/us-government-gdp/>



A Look at Federal Deficits

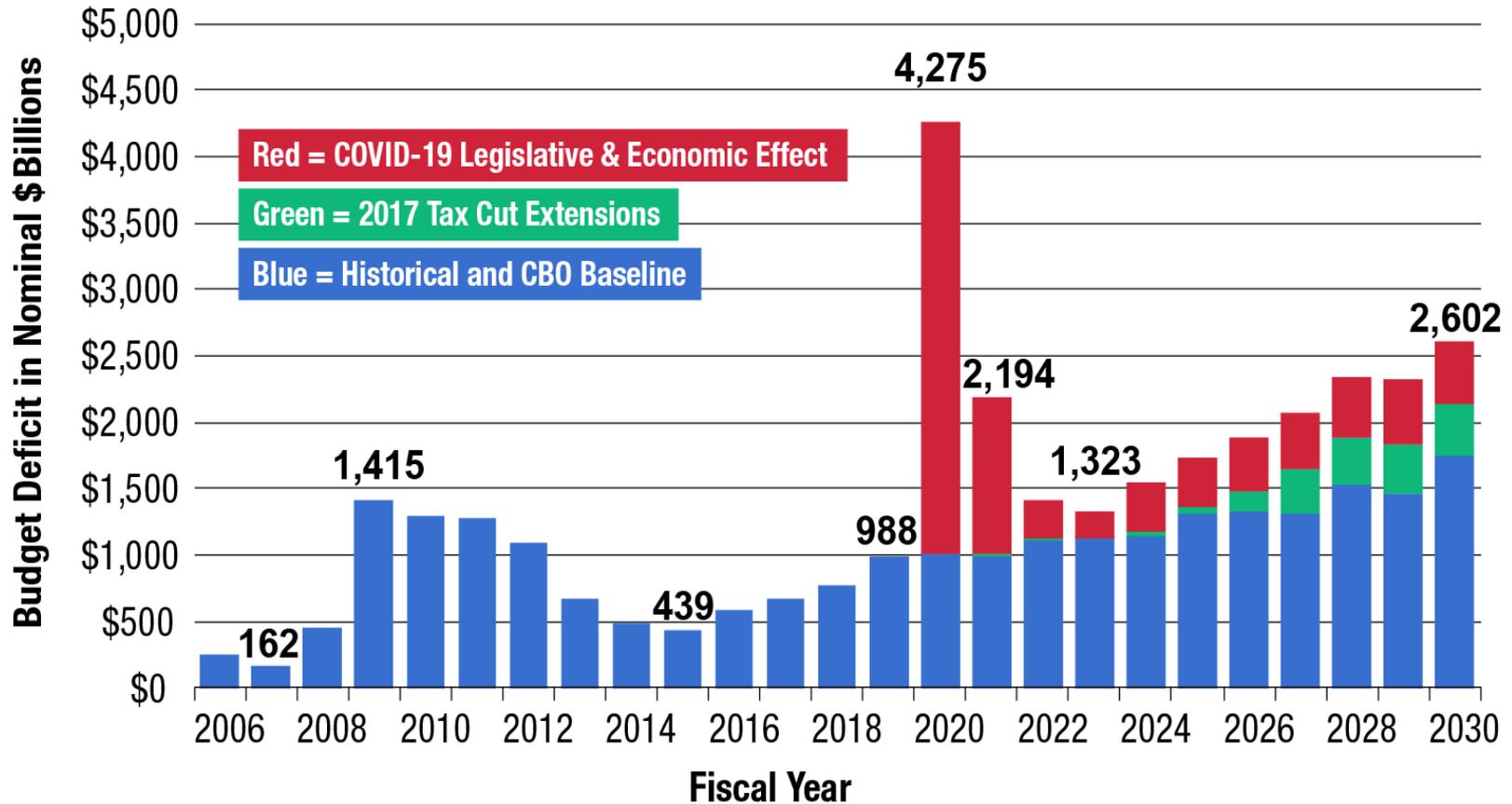


Chart: Manhattan Institute / Source: Estimated using Jan. 2020 CBO baseline and historical data, CBO bill scores, and author estimates of economic costs as of April 2020.

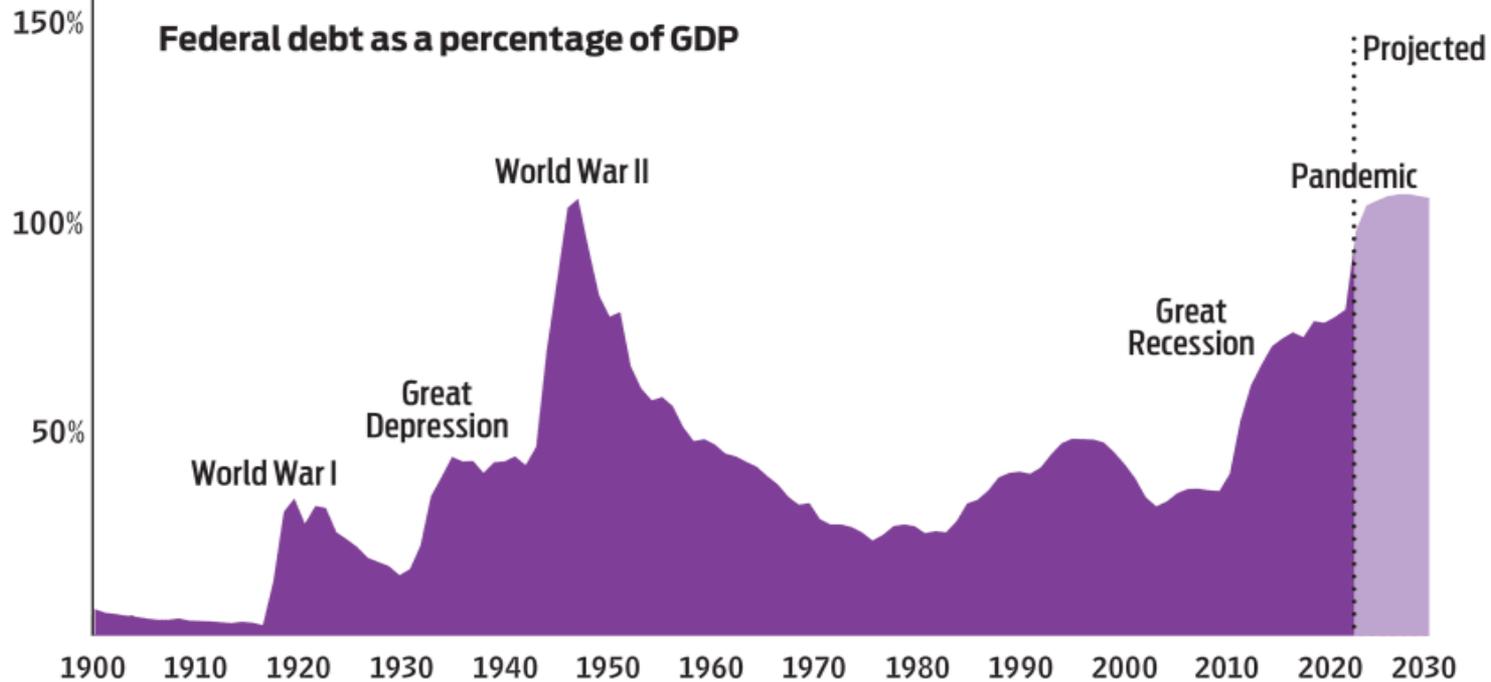
By Brian Riedl, Manhattan Institute (@Brian_Riedl)



Federal Debt as % of GDP

Uncle Sam's Borrowing Spree

Federal debt held by the public exceeded 100% of gross domestic product in 2020, the highest level since World War II.



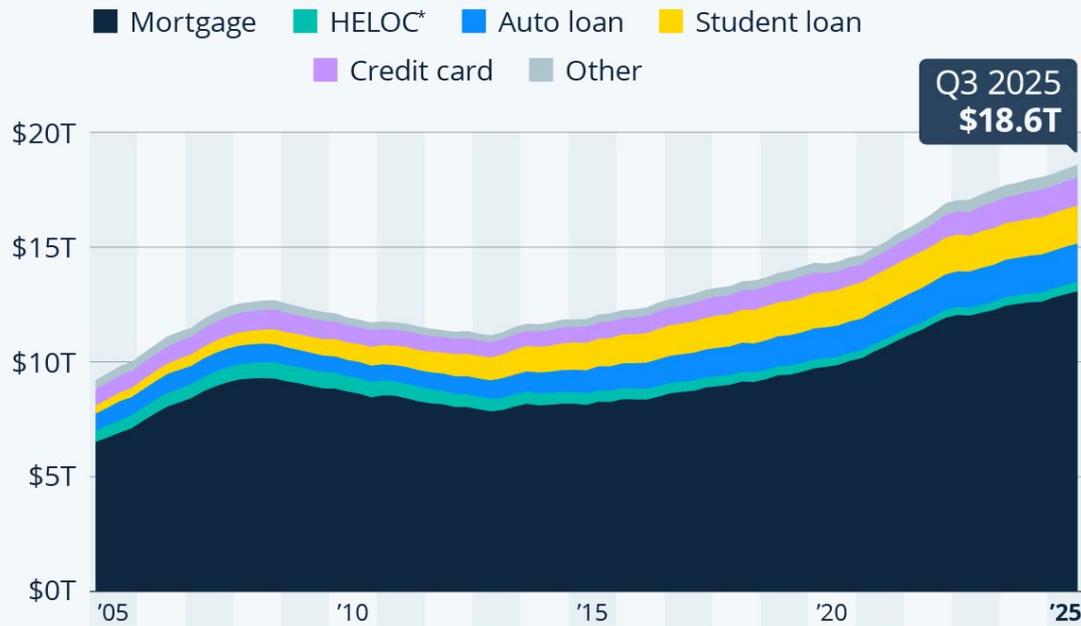
SOURCE: CONGRESSIONAL BUDGET OFFICE



Personal Debt Rising

U.S. Household Debt: A Rising Tide

Total household debt balance in the U.S., by category



* Home Equity Line of Credit

Source: New York Fed Consumer Credit Panel/Equifax



Thankful For Accountants





Fear of 2025 Recession

Fears Of A Recession In 2025 Have Receded

US Recession in 2025? [Implied % chance, daily]*



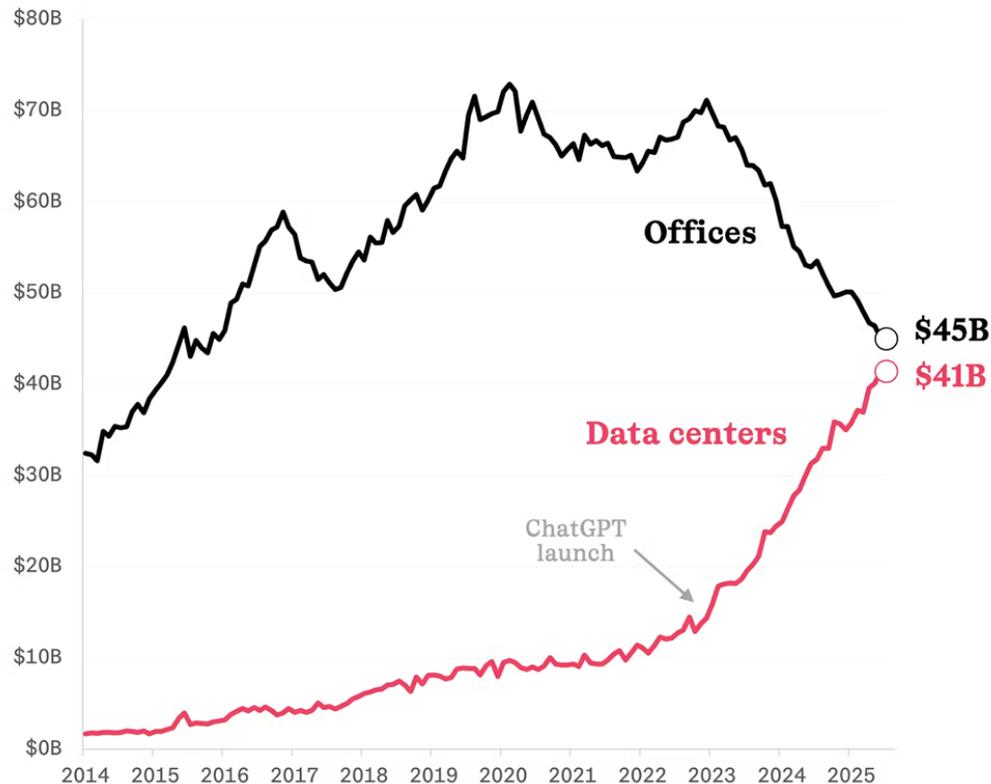
CHART



Data Centers are New Offices

The Old Economy And The New: Data Center Spending Set To Exceed Office Construction

Private Construction Spending [\$Billions, seasonally adjusted annual rate, monthly*]

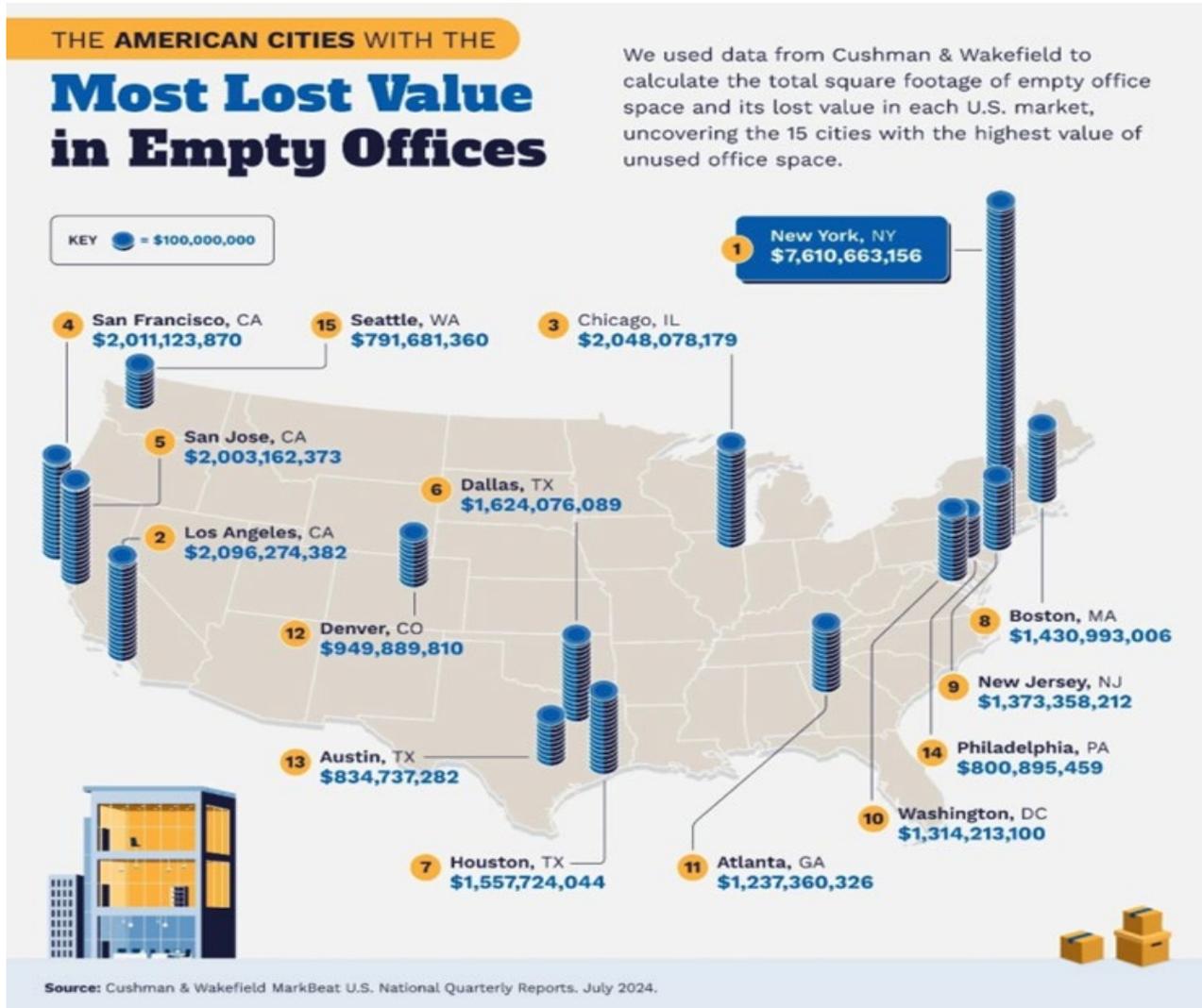


CHARTR

Source: US Census Bureau | *Jan 2014 - Aug 2025



Why is This Important?





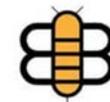
Consumer Fear and Power



**Family Just One Accidentally
Opened Hotel Water Bottle
Away From Bankruptcy**



**Art Of The Deal: Man Negotiates
Mechanic Down From \$75 Oil
Change To \$2,000 Full Brakes
And Rotors Replacement**





Economies

ECONOMIC POWER SHIFT

INDIA AND CHINA



2040:
E7 economies
twice as big
as G7



2030:

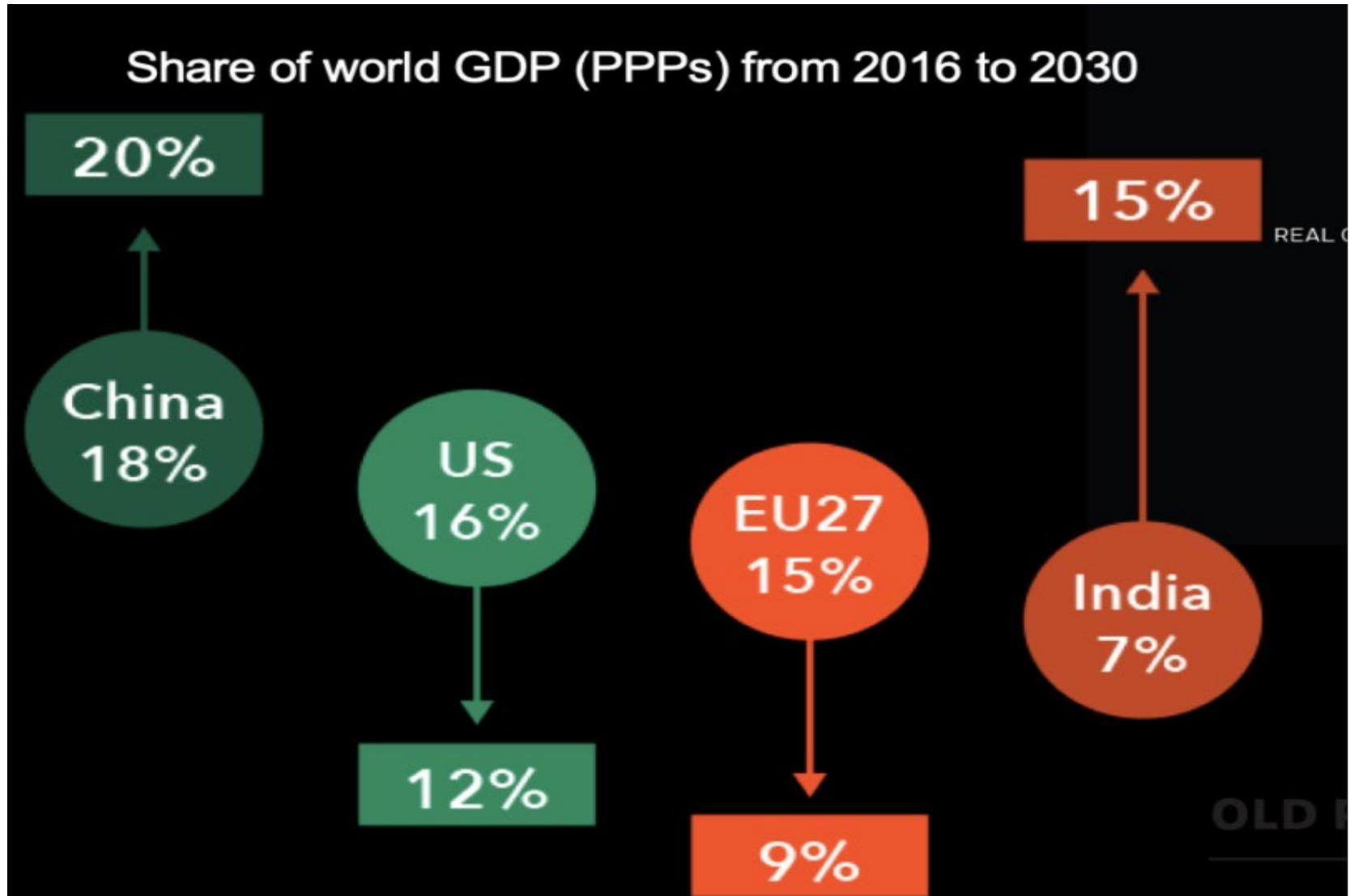
5 BILLION
will be
middle class

$\frac{2}{3}$
will live in
Asia





Economic Power Shift





Value Risk



How We Look at Value



Marcello's auction label on verso dated 1945
The Holy Family"
M-17. Continental School (19th century). "Portrait of the
Head of Christ". Oil on panel. Framed. 28" x 17 1/2".
Poor condition. 35
-22 (G-59). School of Teniers (17th century). "Portrait of the
on panel. Framed. 16" x 12". 750



How We Look at Value



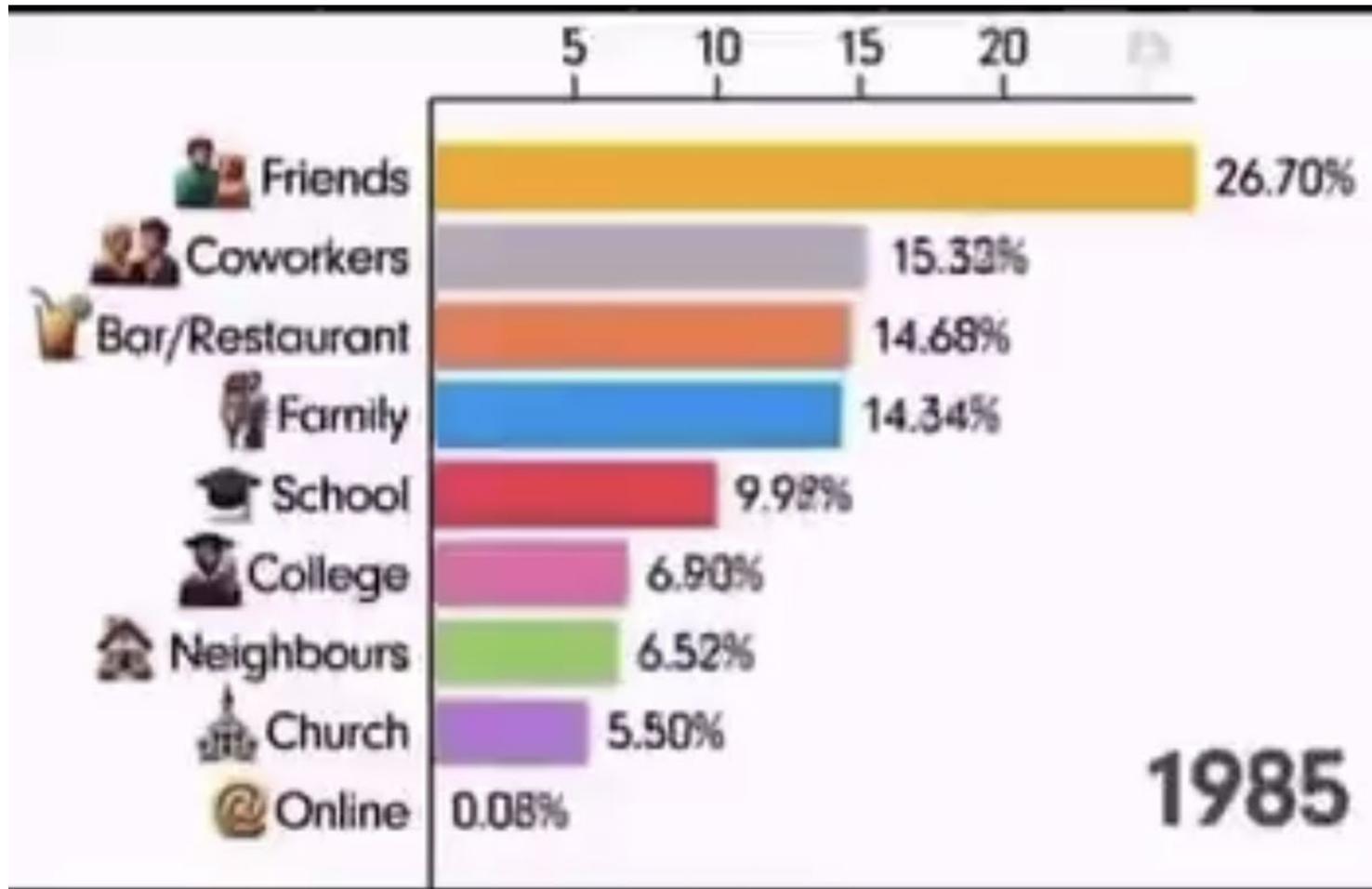


What Did We Learn From This?

- Sometimes we should hold onto things
- Know your art
- DaVinci would have hated LSU
- DaVinci would have loved Ole Miss or Tennessee
- None of the \$450M will ever be used by LSU NIL deals

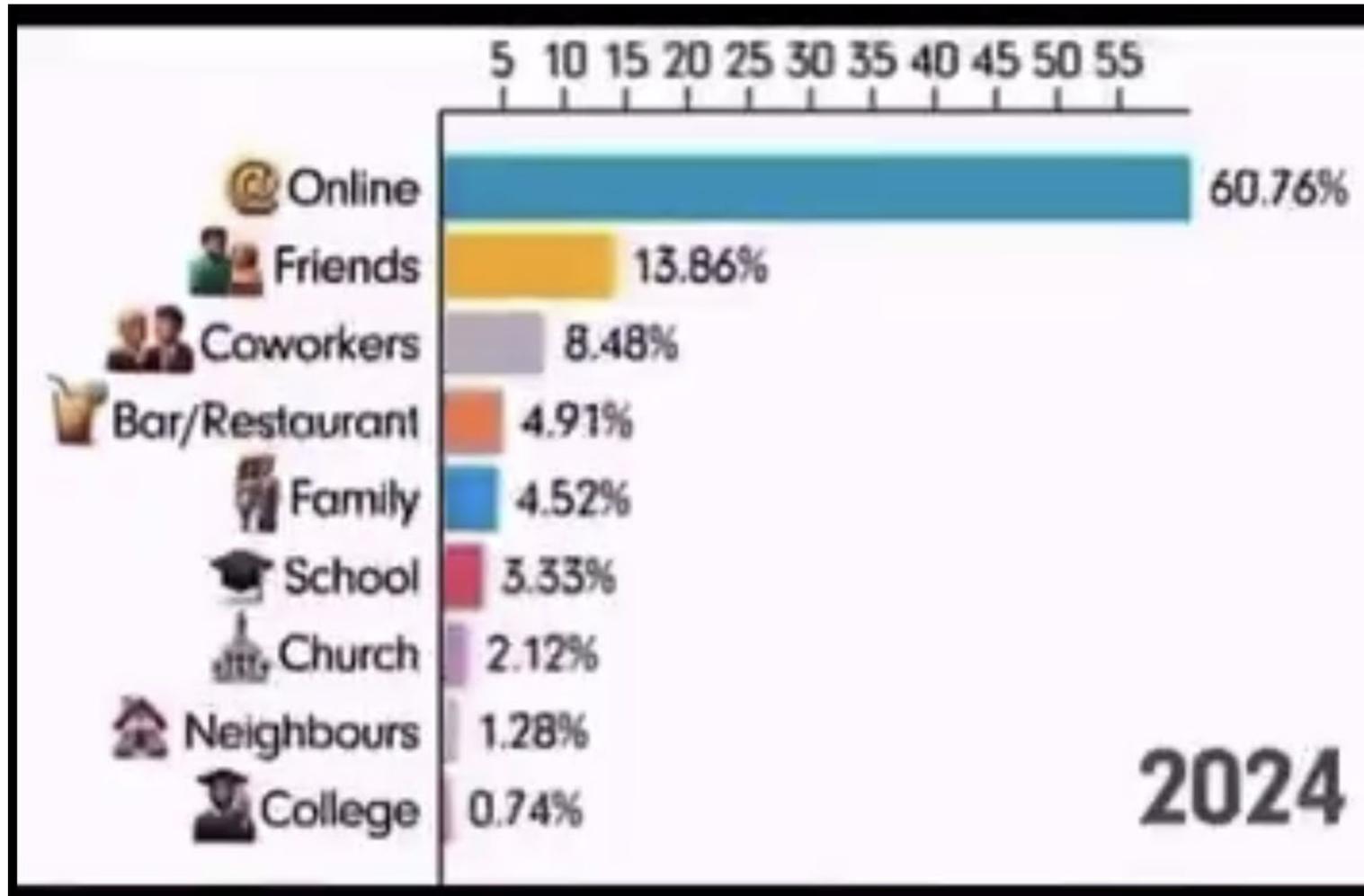


Time is Important-1985



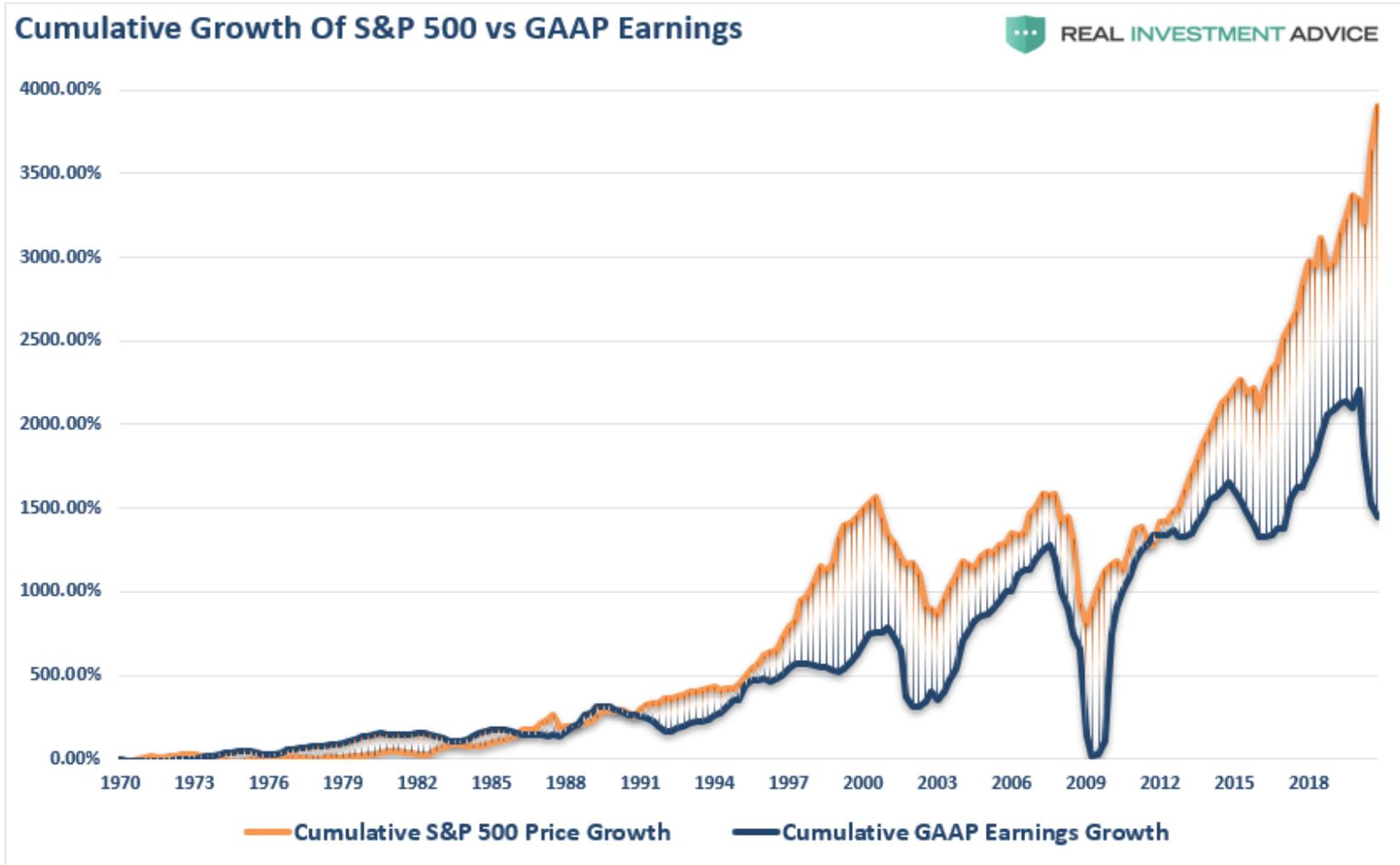


Time is Important-2026





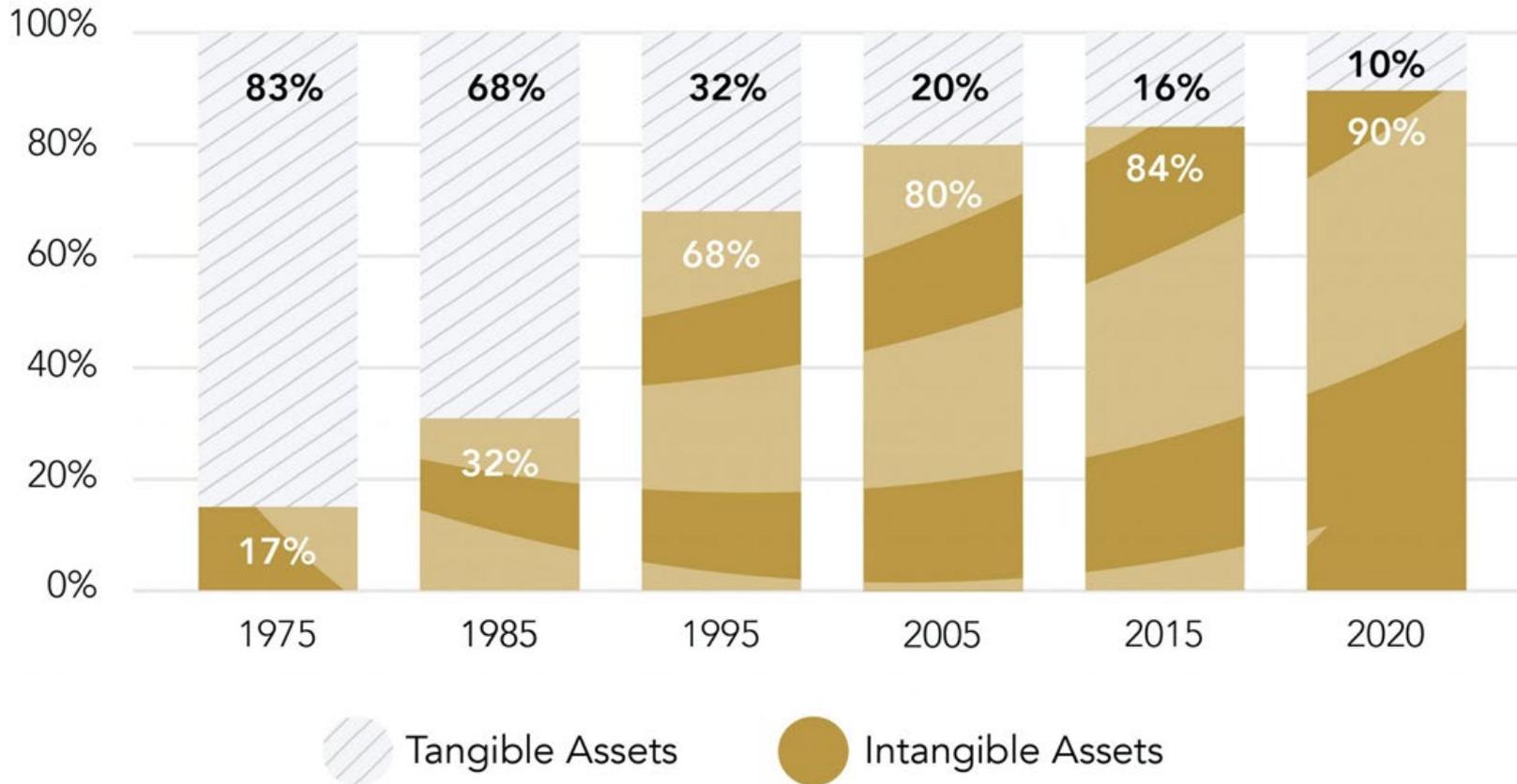
Correlation of Earnings to Growth





This Is Just Plain Crazy

COMPONENTS of S&P 500 MARKET VALUE





Importance of Brand Value

Like i was saying, the circus is just one of my careers. The real money comes from frosted flakes





Brand Value and Financial Impact



Brand Recognition



91% of customers would buy from an authentic brand



Customer Loyalty



23% revenue increase for companies with a consistent brand



Credibility and Trust



82% of investors want to invest in companies with strong brands



Customer Experience



3x Customers who have an emotional connection with a brand have a 3x higher lifetime value



Brand Value and Financial Impact

General Branding Statistics

77%



of B2B marketers say building a strong brand is **key to their company's growth.**

1/3



of customers **have a brand in mind** when they go shopping.

59%



of customers prefer to buy products from **familiar brands.**

82%



of **investors** want the companies they invest in to have a **strong brand.**

77%



of customers refer to certain products by a **brand name.**

75%



of companies say brand awareness is a **top priority.**

Leeline



Brand Value and Financial Impact

Evolving Brand Touchpoints Preferences by Digital Natives

84%

OF CONSUMERS

claim that experience is as important as products and services



71%

OF CUSTOMERS

expect brands to communicate in real-time



40%

OF CUSTOMERS

won't do business if a company can't use their preferred channel

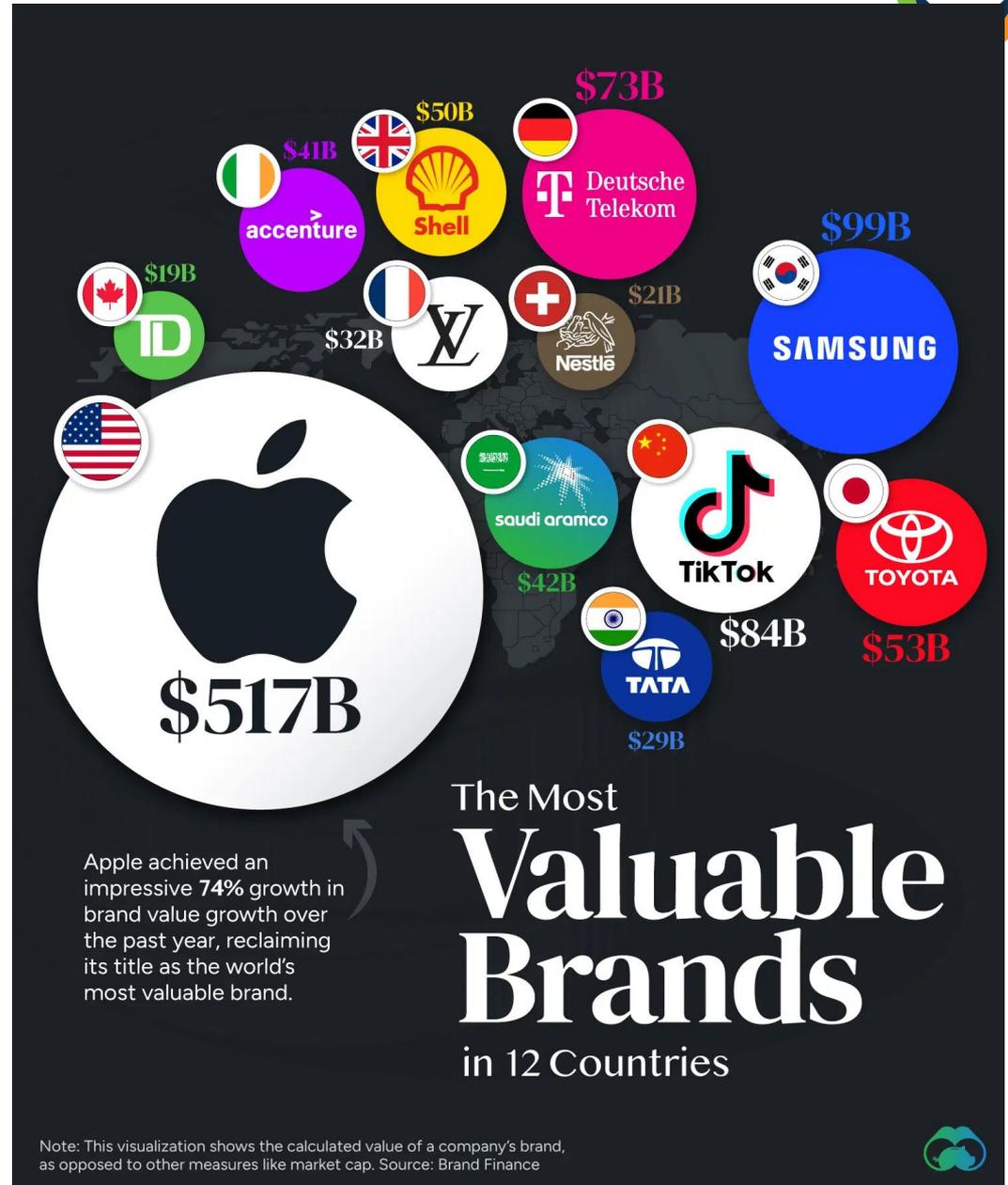


Source: Salesforce

 **FinancesOnline**
REVIEWS FOR BUSINESS

Brand Value

\$500B+ is a lot





Polling Question #2

Favorite Brand?

- a) Car brand
- b) Soda brand
- c) Currency brand
- d) Handbag brand
- e) Streaming channel brand
- f) Fast food brand
- g) Other



Brand Value

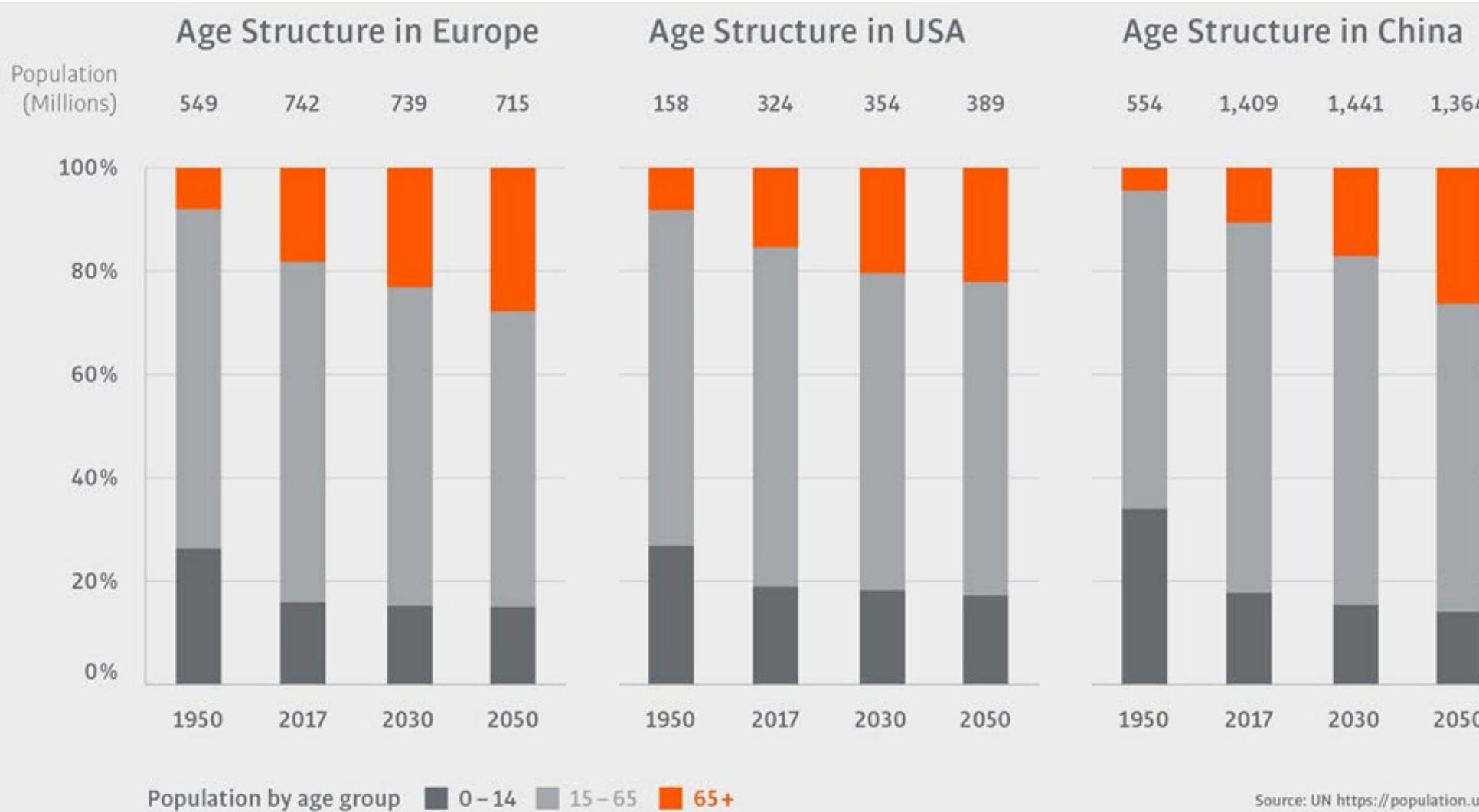




Demographic Risks



Mega Trends-Demographics

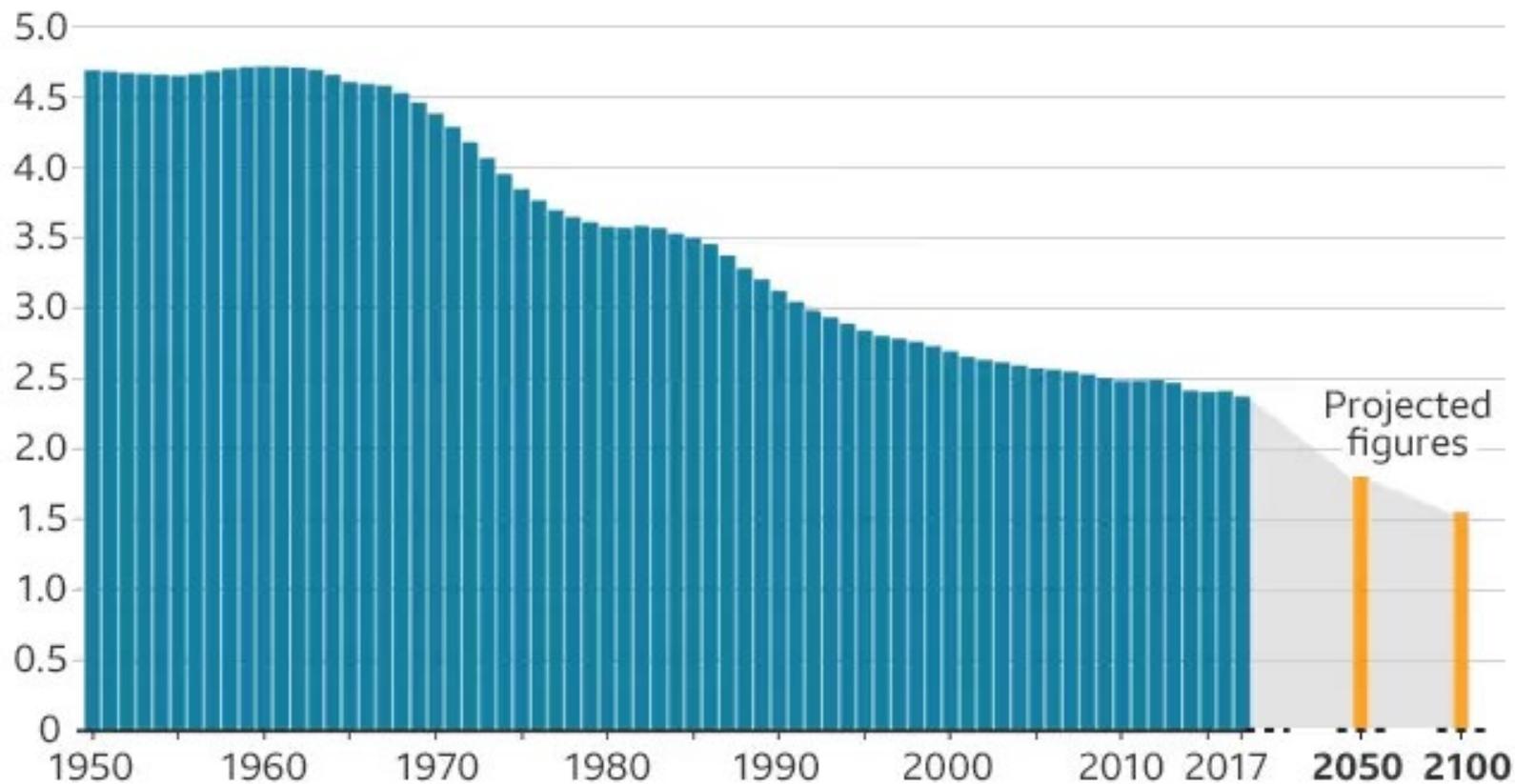




Mega Trends-World Demographics

Women are having fewer children

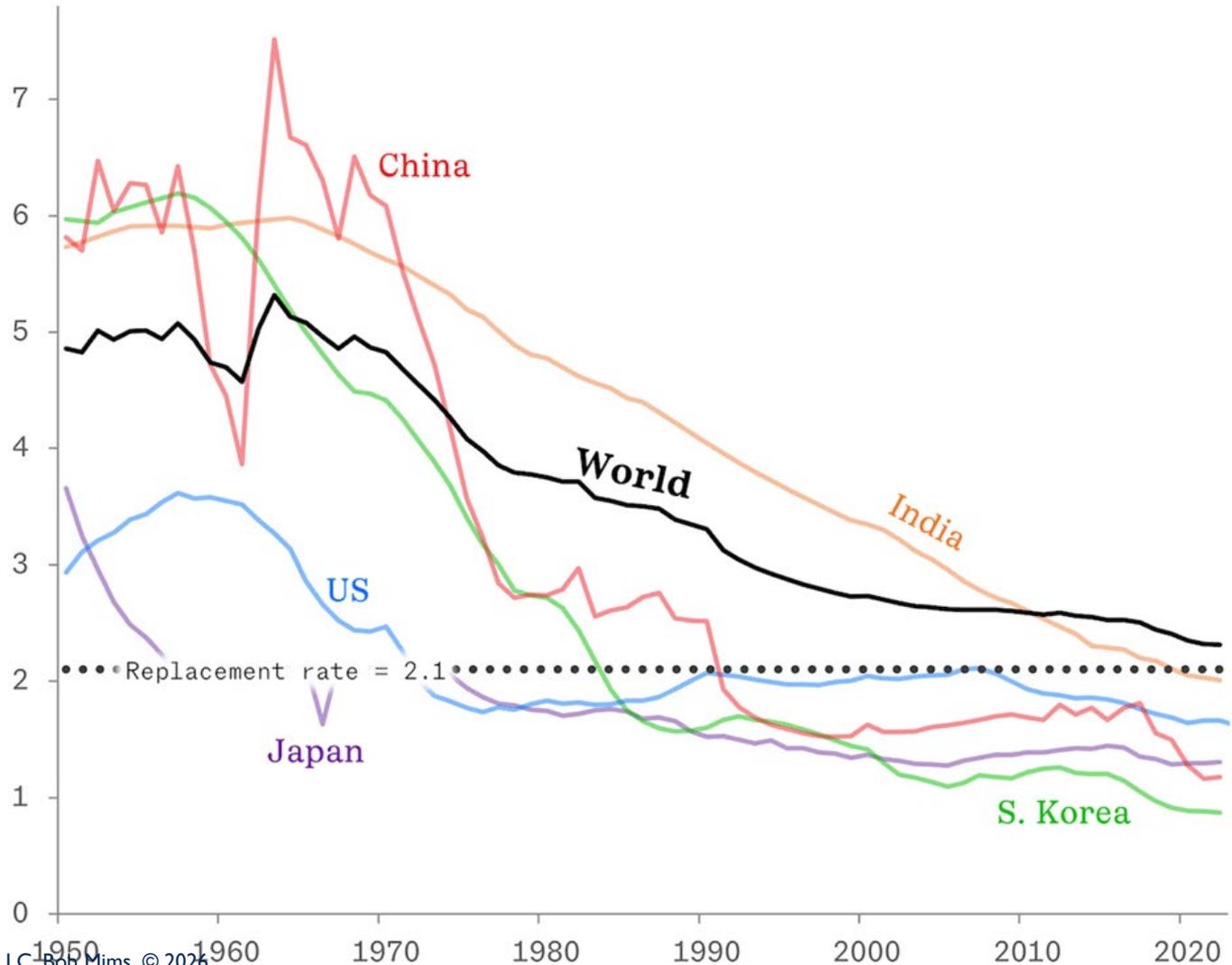
Global fertility rate (livebirths per woman)





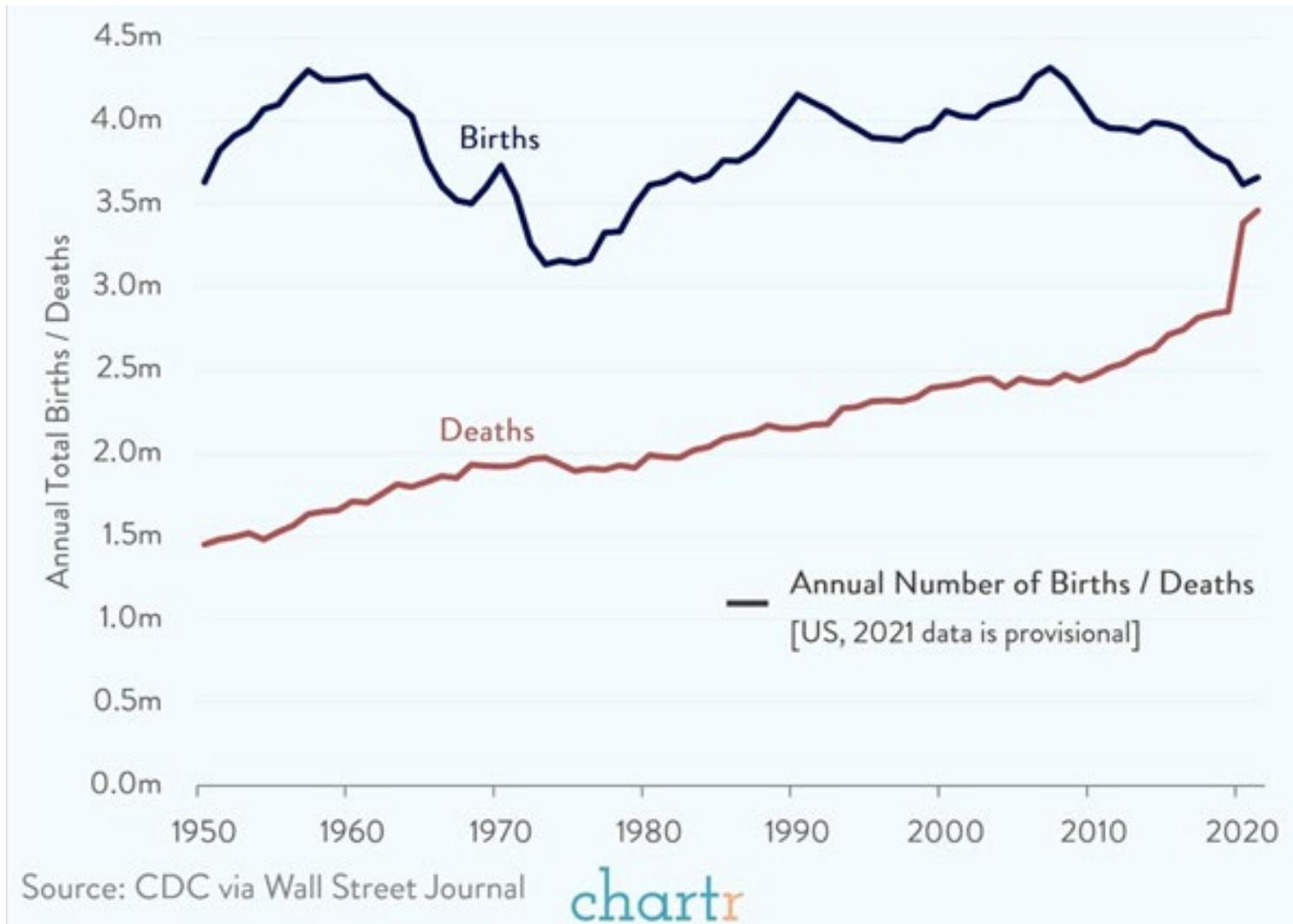
Mega Trends-World Demographics

Total Fertility Rate [Births per woman, selected regions 2022 data]





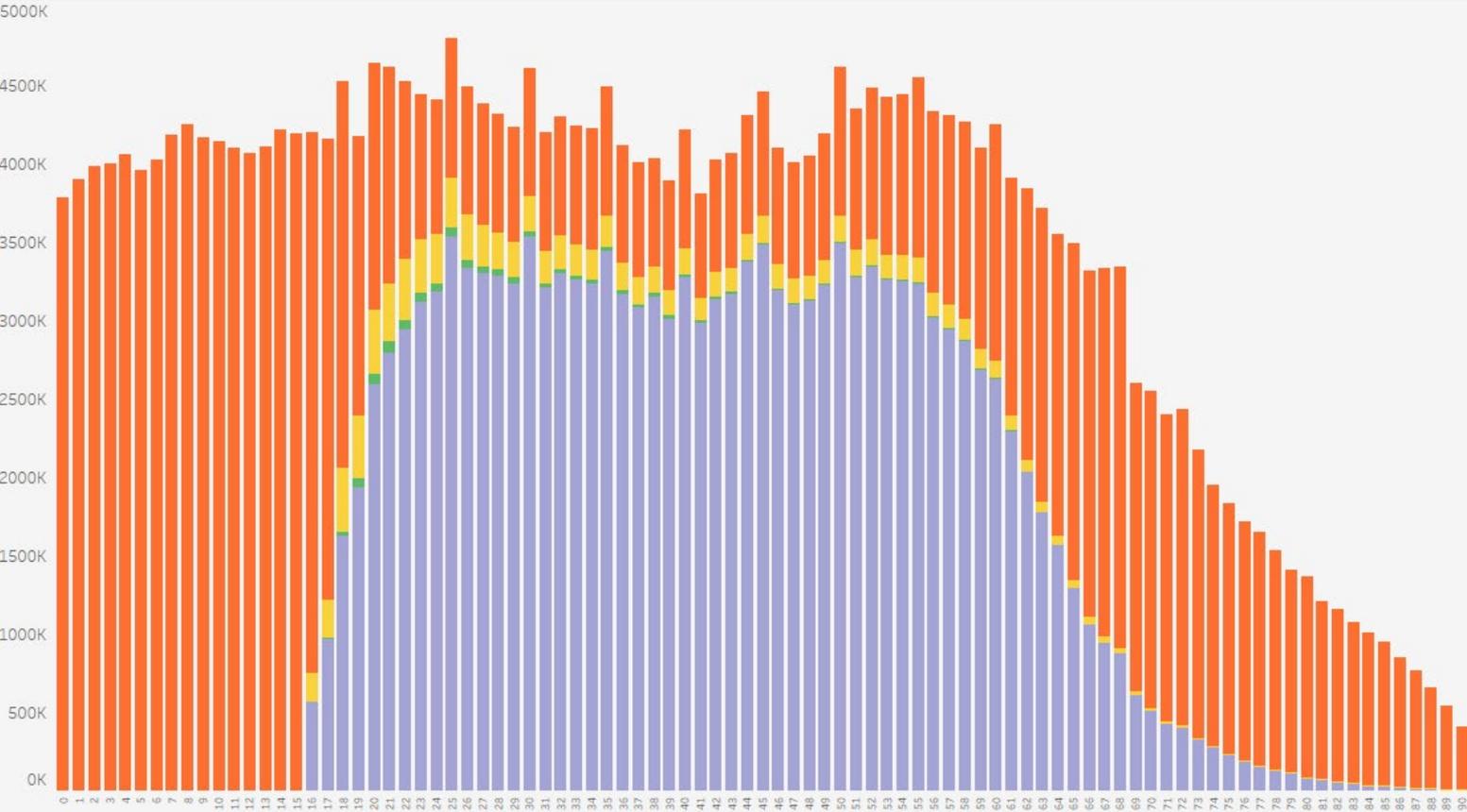
U.S. Birth Rate and Death Rate





Workforce and Age

What is the Employment Status of Americans? Visualized by Age



Legend

- Not in Labor Force
- Unemployed
- Employed-Civilian

Sex

All

Marital Status

All

Division

All

Educational Attainment

All

or %

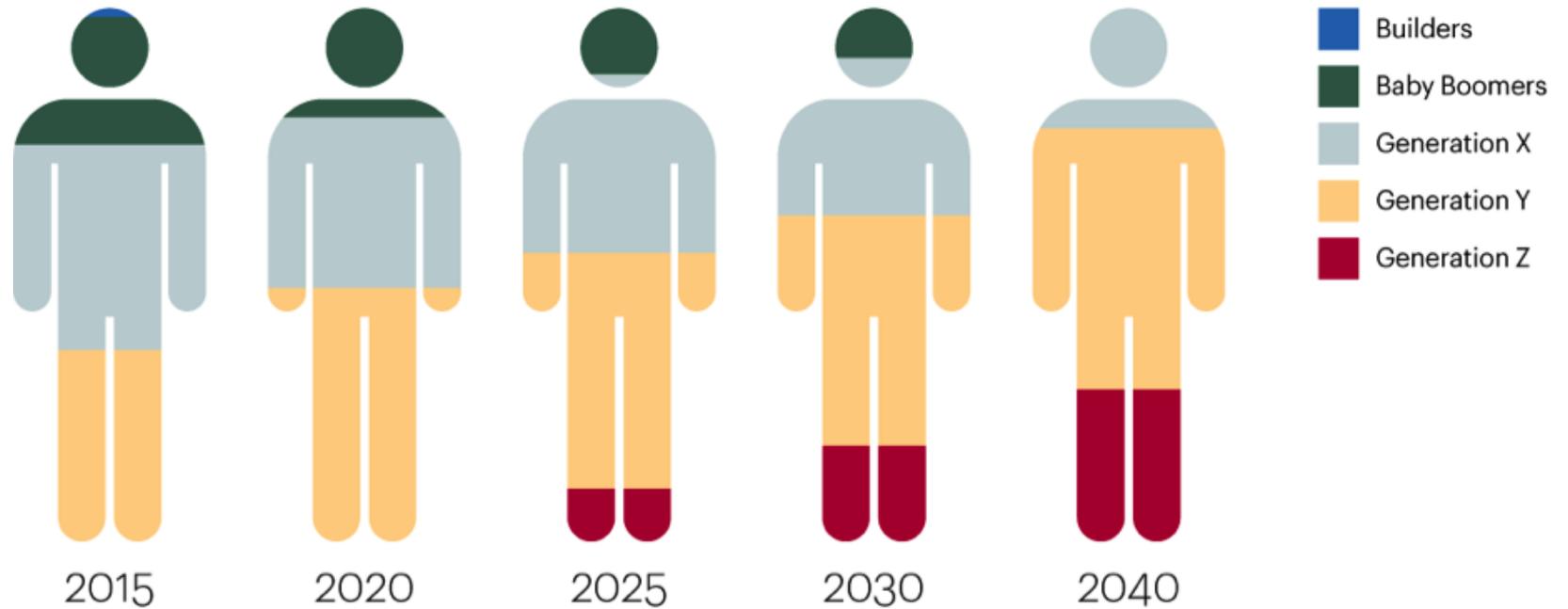
Population Estimate

Overflow

Data



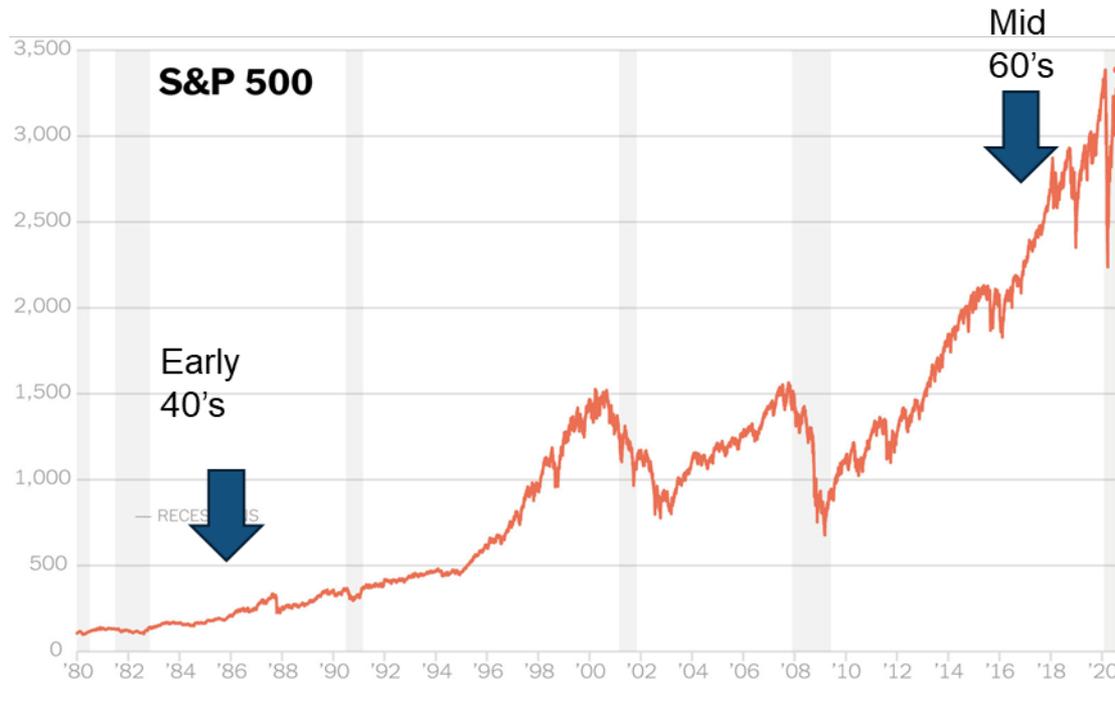
Projected Workforce



Source: U.S. Census Bureau



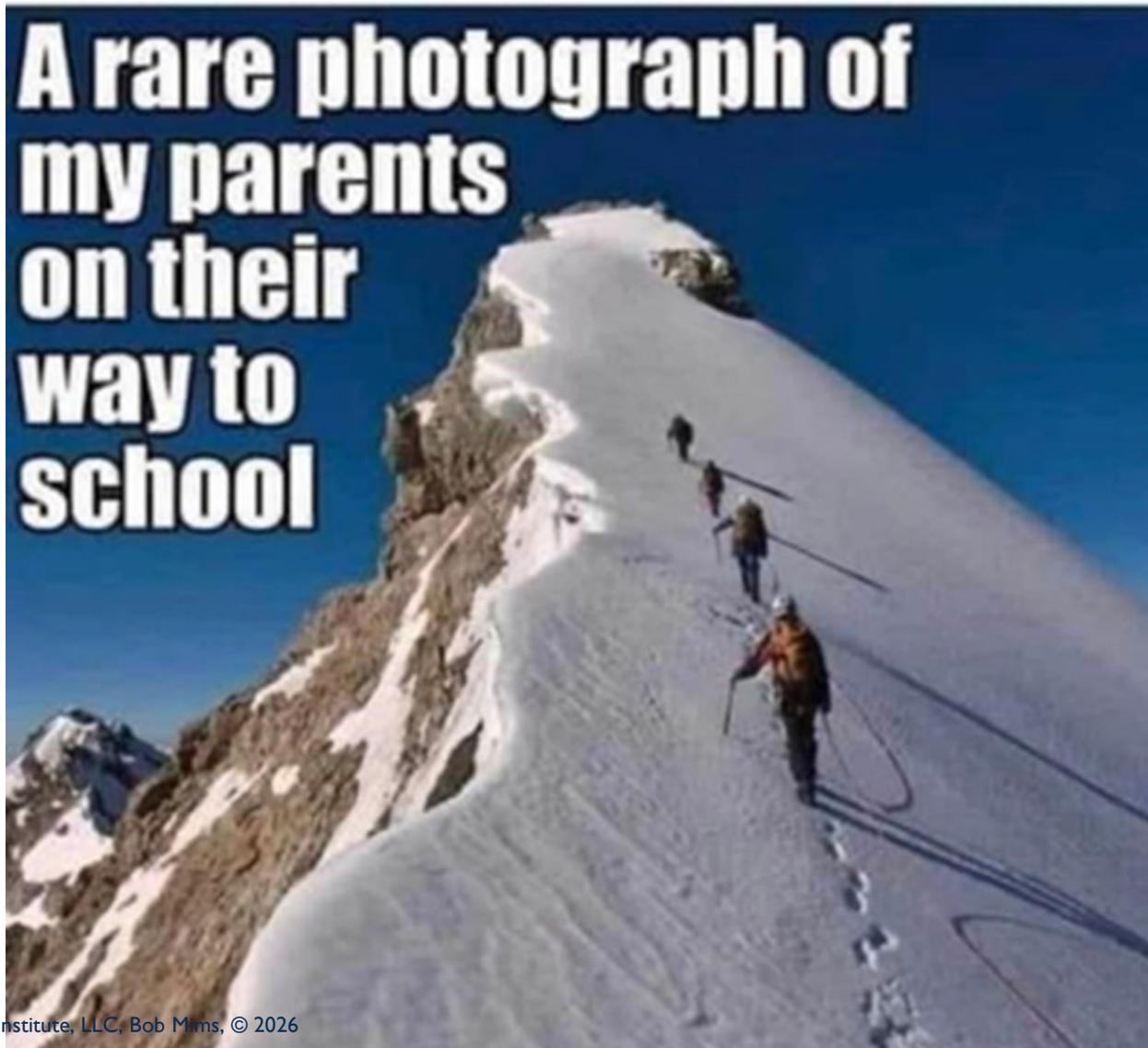
Boomers



- Parents died when they were 72
- Defined Benefit Pension Plan era
- Held C suite positions longer
- They like money



Boomers





Polling Question #3

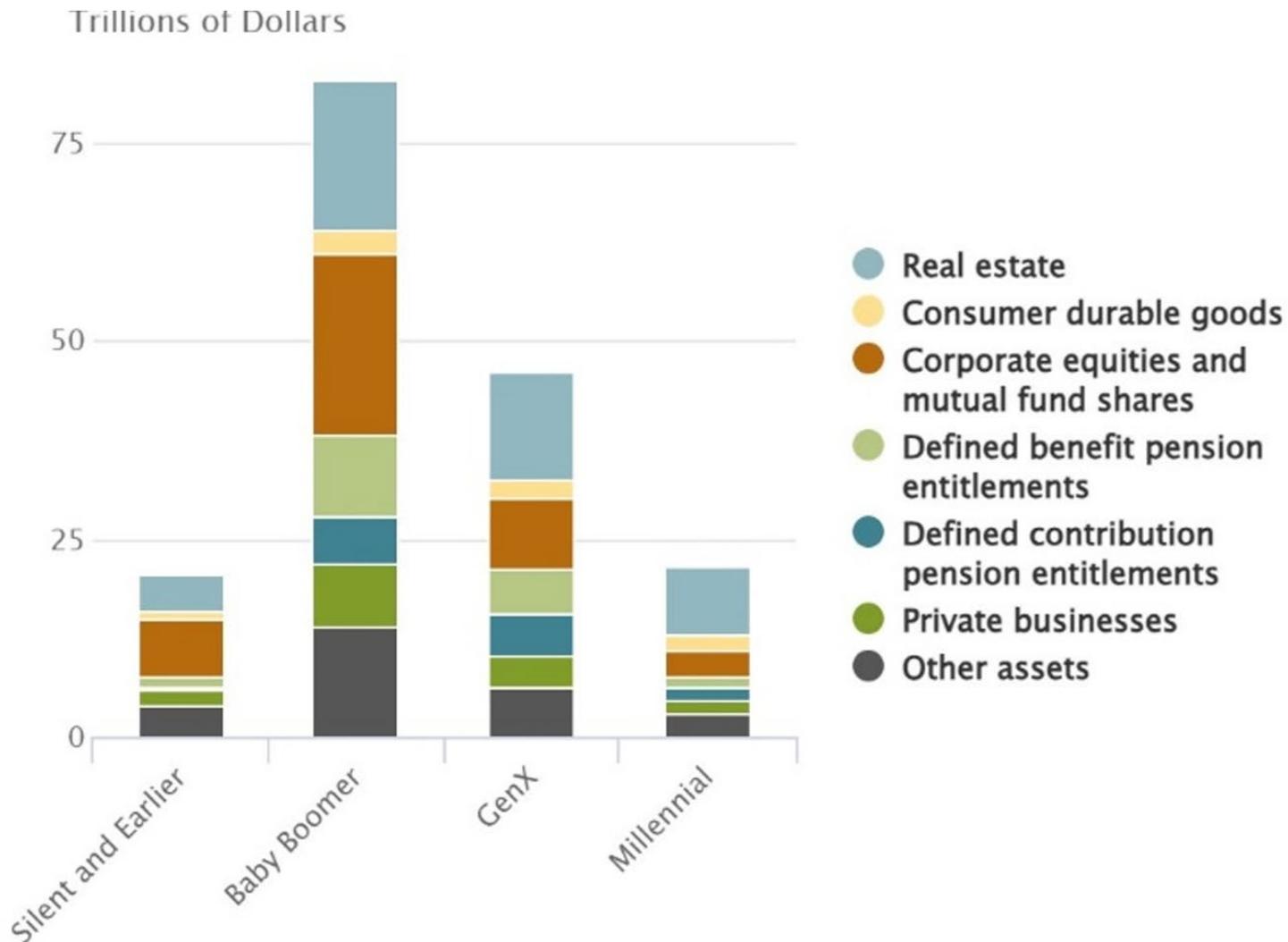
Your Demographics?

When you passed the CPA exam?

- a) I took it online on the beach,
- b) I took just one part at a time,
- c) 22 hours, hard chair, proctor looking over me, pencil no calculator, four cavities,
- d) I had to know much more information/FASB material, or
- e) Other.

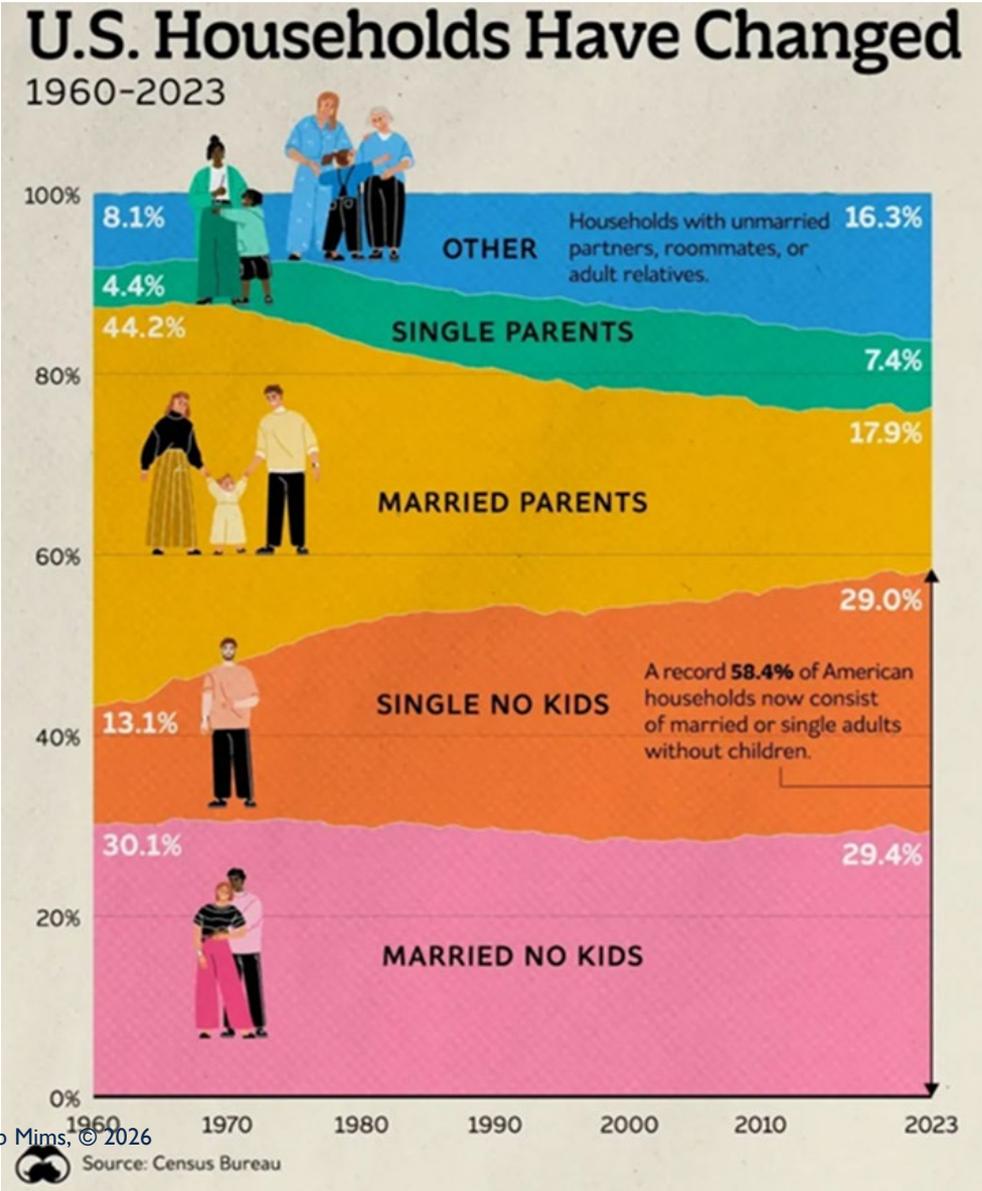


Largest Wealth Transfer of All Time



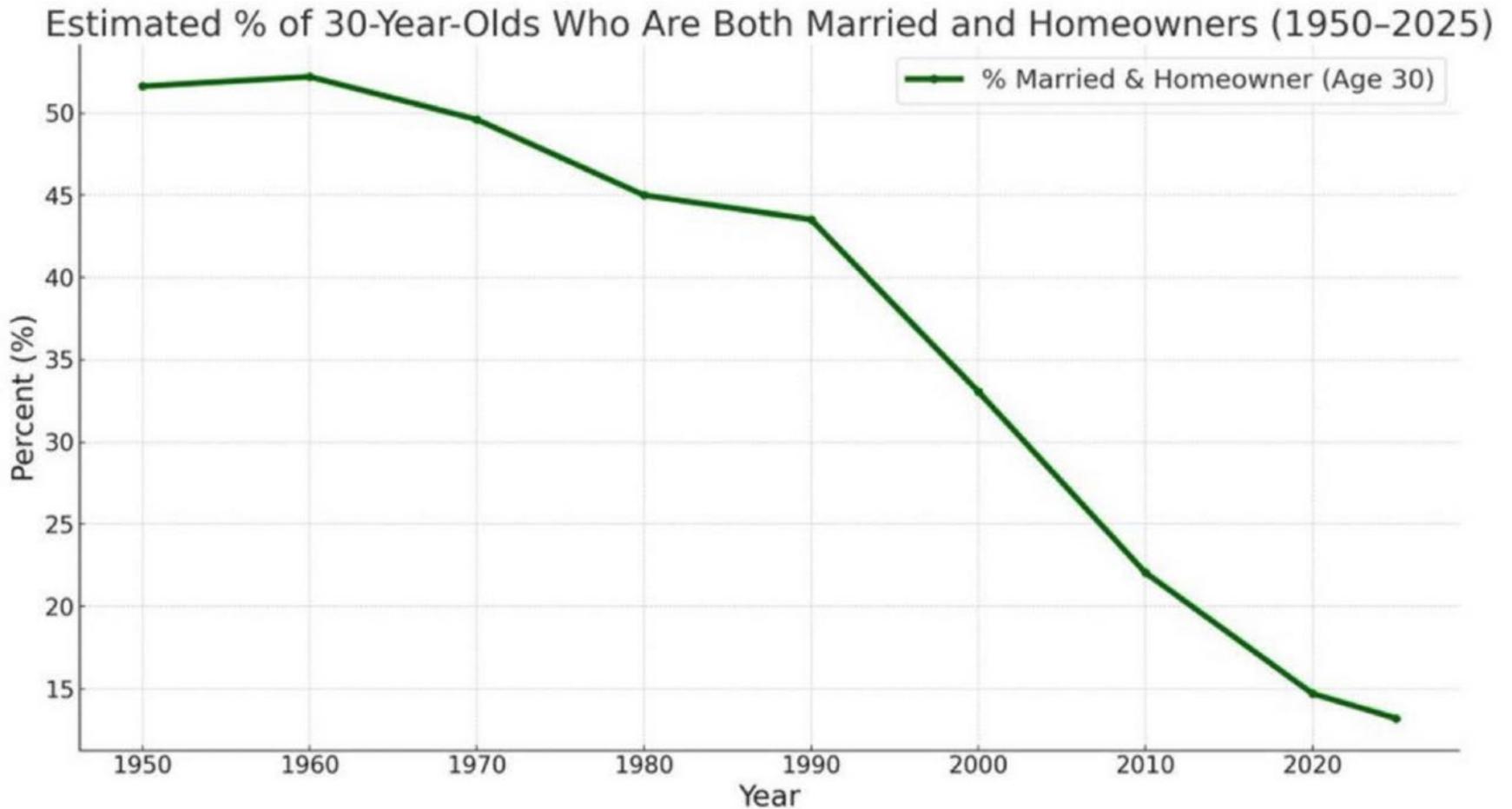


Change Over Time





New Paradigm





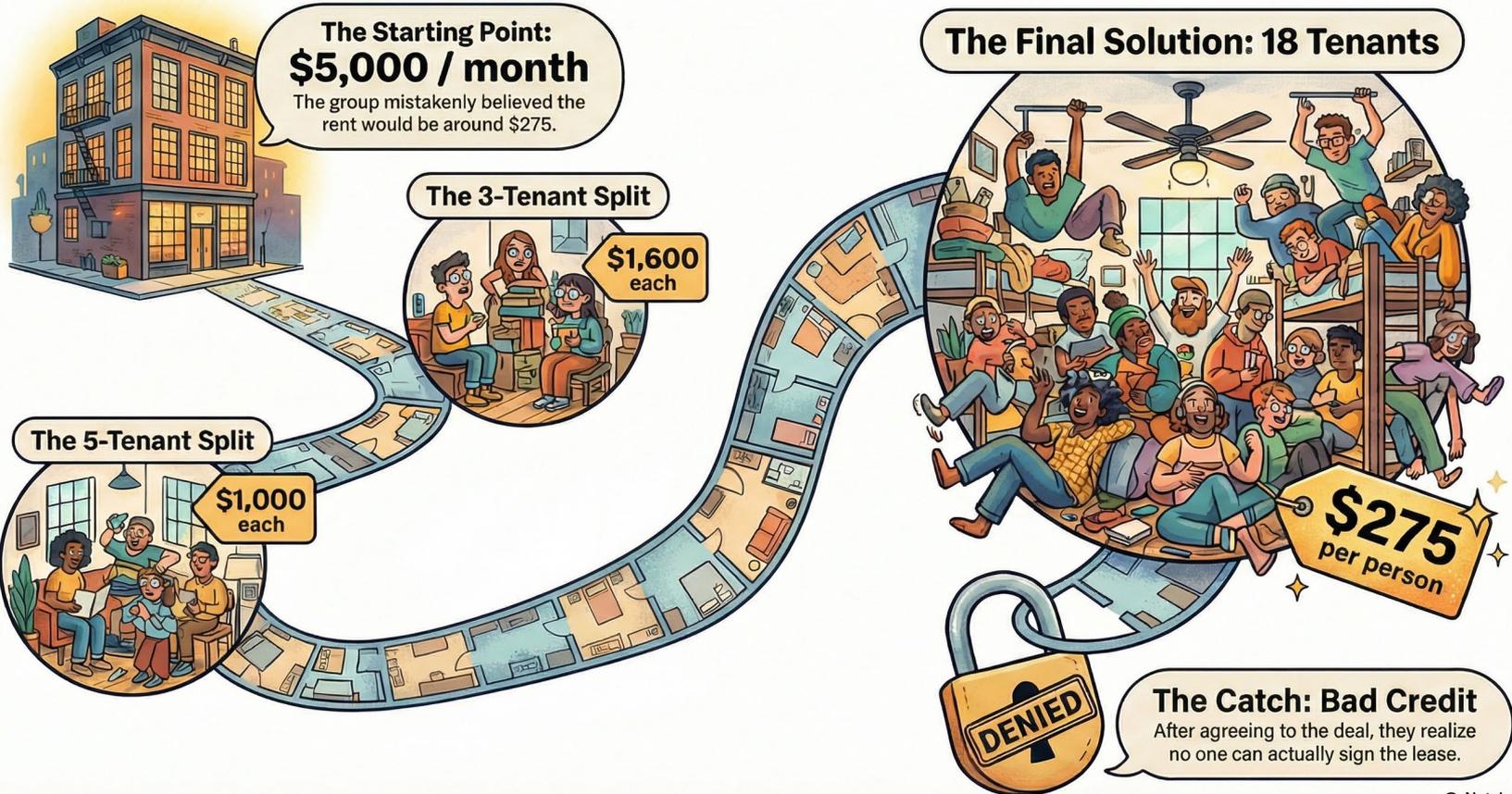
Living Space Negotiation





Negotiating Rent

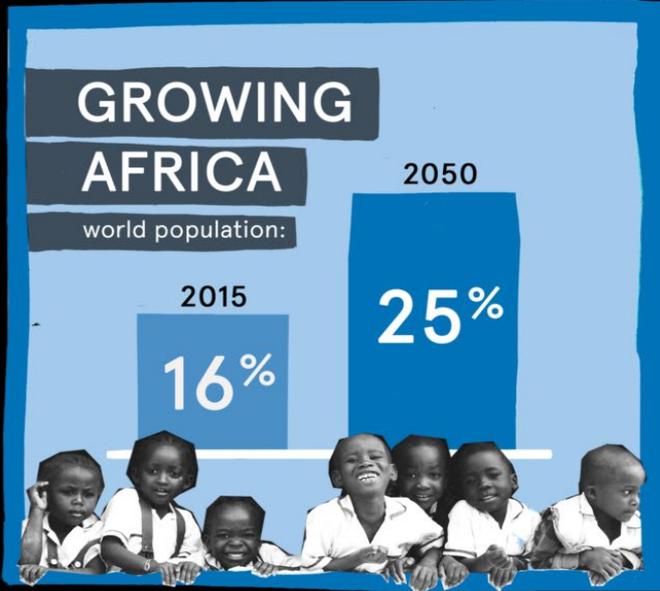
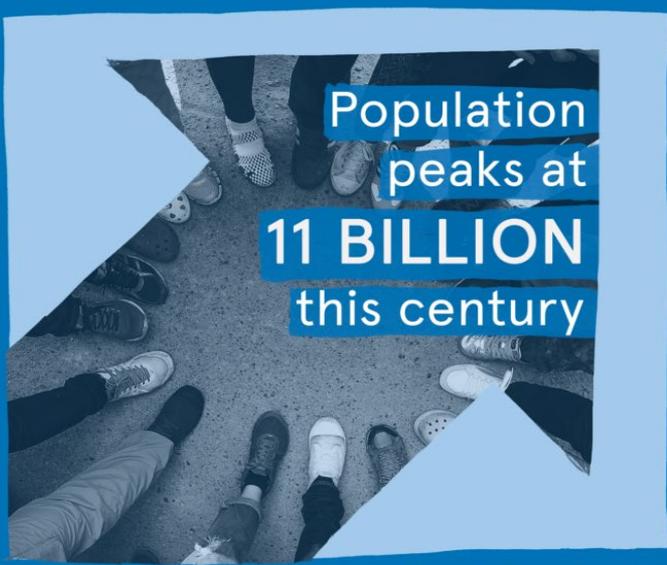
The Art of the (Absurd) Loft Deal





Demographics

DEMOGRAPHIC CHANGE



2020



4 working people for every 1 retired

2050



2 working people for every 4 retired



Consumer Risks



Consumers Still Rule





Know Your Customer

I still can't believe Aldi sells these for 25 cents. I've got 8 of them now and don't really even have a use for them, it was just too good of a deal to pass up.





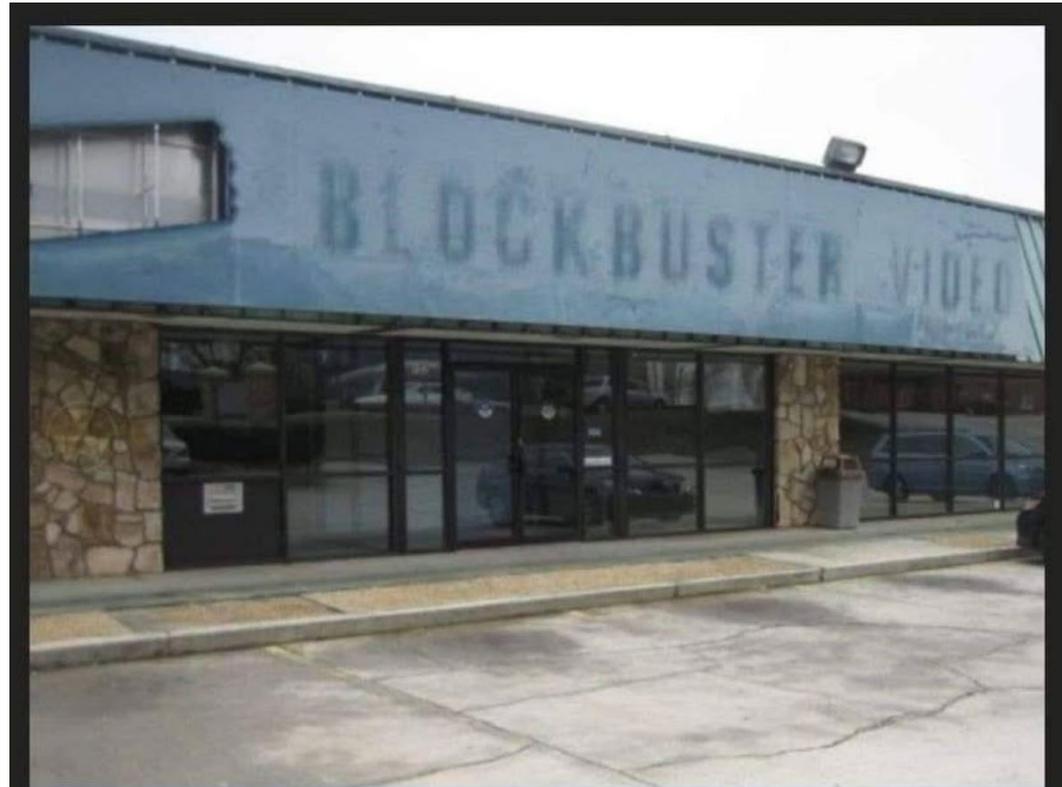
Know Your Customer

He is a customer.





Customers Change Behavior



The earth is littered with the ruins of empires that believed they were eternal



Care For Your Customer

**Me yelling "REPRESENTATIVE!!!"
to the automated customer service**





Customer Service





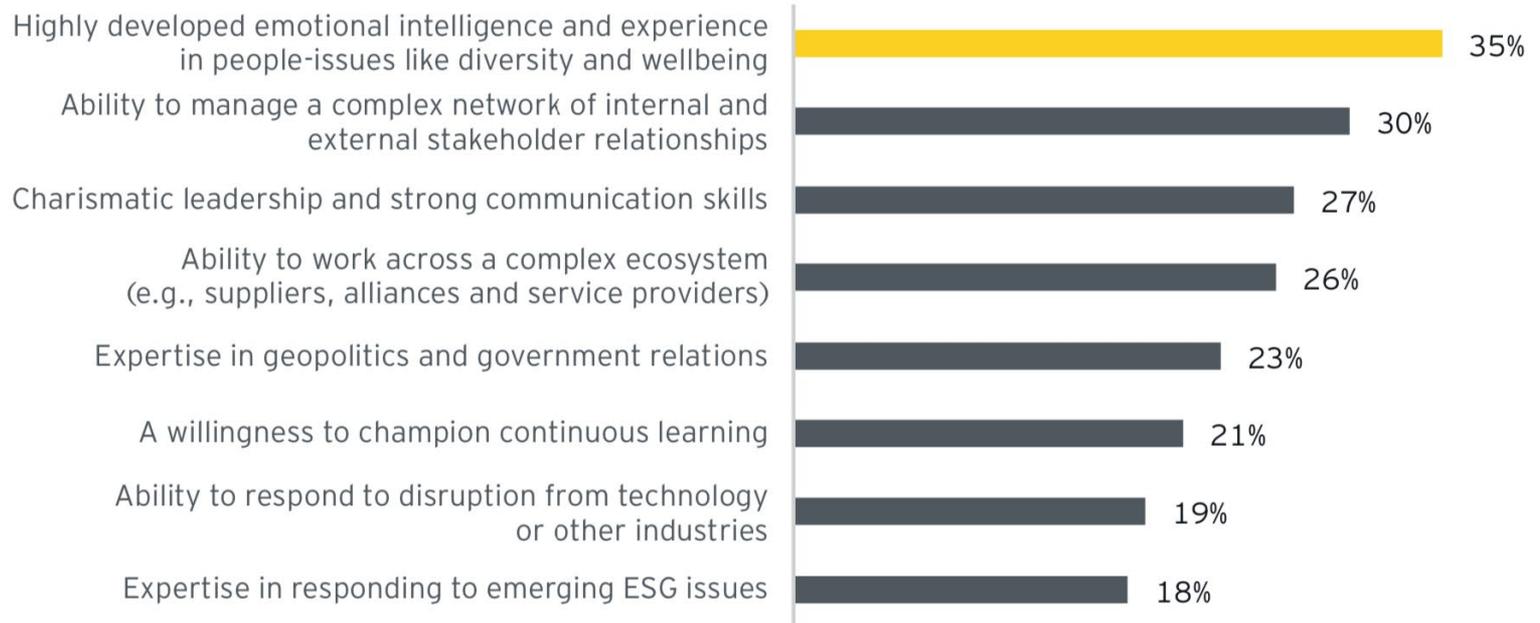
Customer Service Matters





Figure 7. The importance of emotional intelligence for the future CFO

Question: Looking ahead five years, which skills or attributes will be most important for the successful CFO of the future? (Group CFOs only)





Polling Question #4

Favorite Acronym Function?

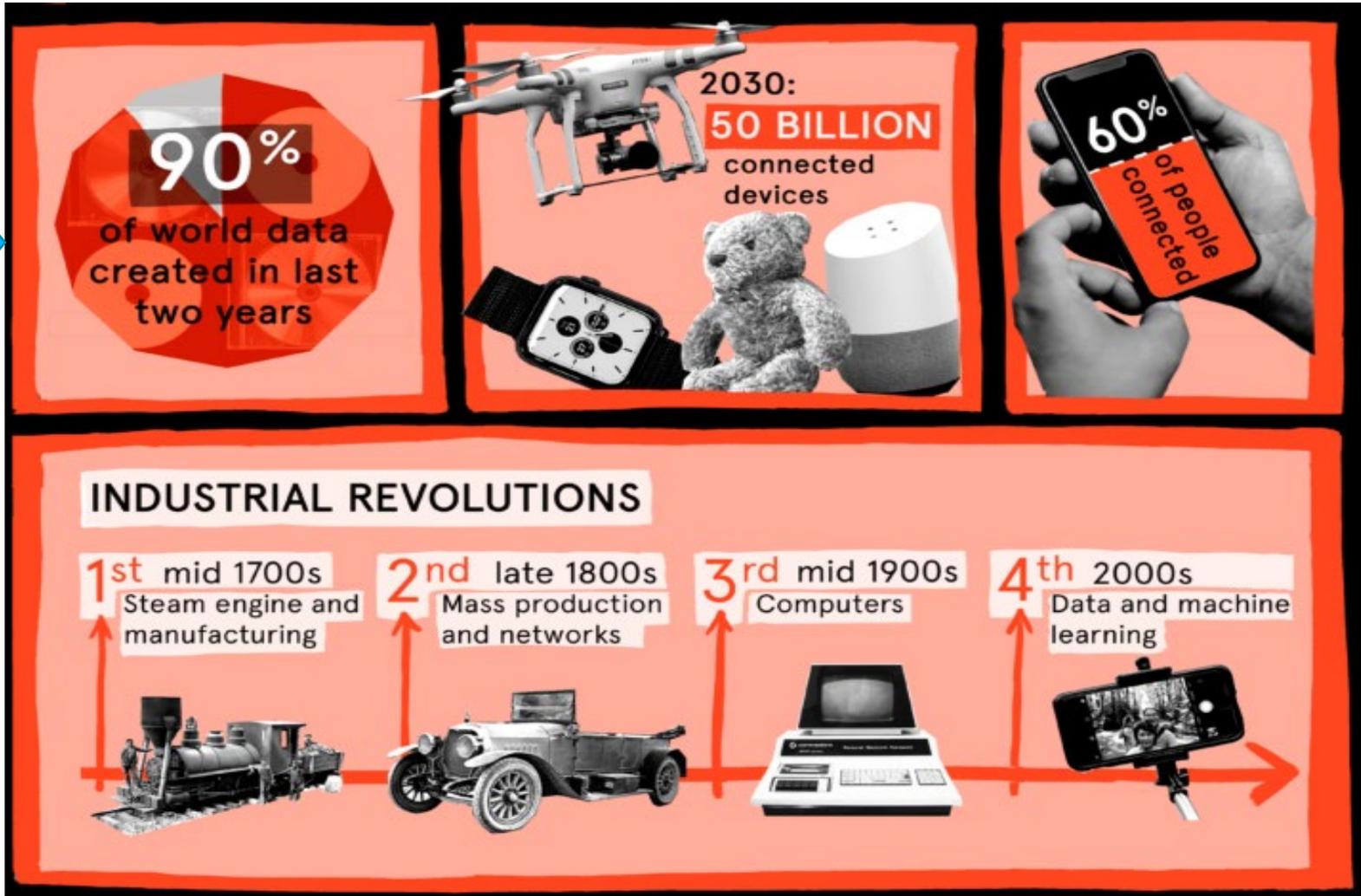
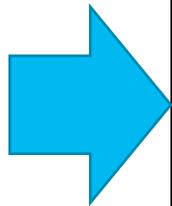
- a) EQ or EI,
- b) IT,
- c) AI,
- d) GAAP,
- e) ESG,
- f) AI or,
- g) Other.



Big Data Risk



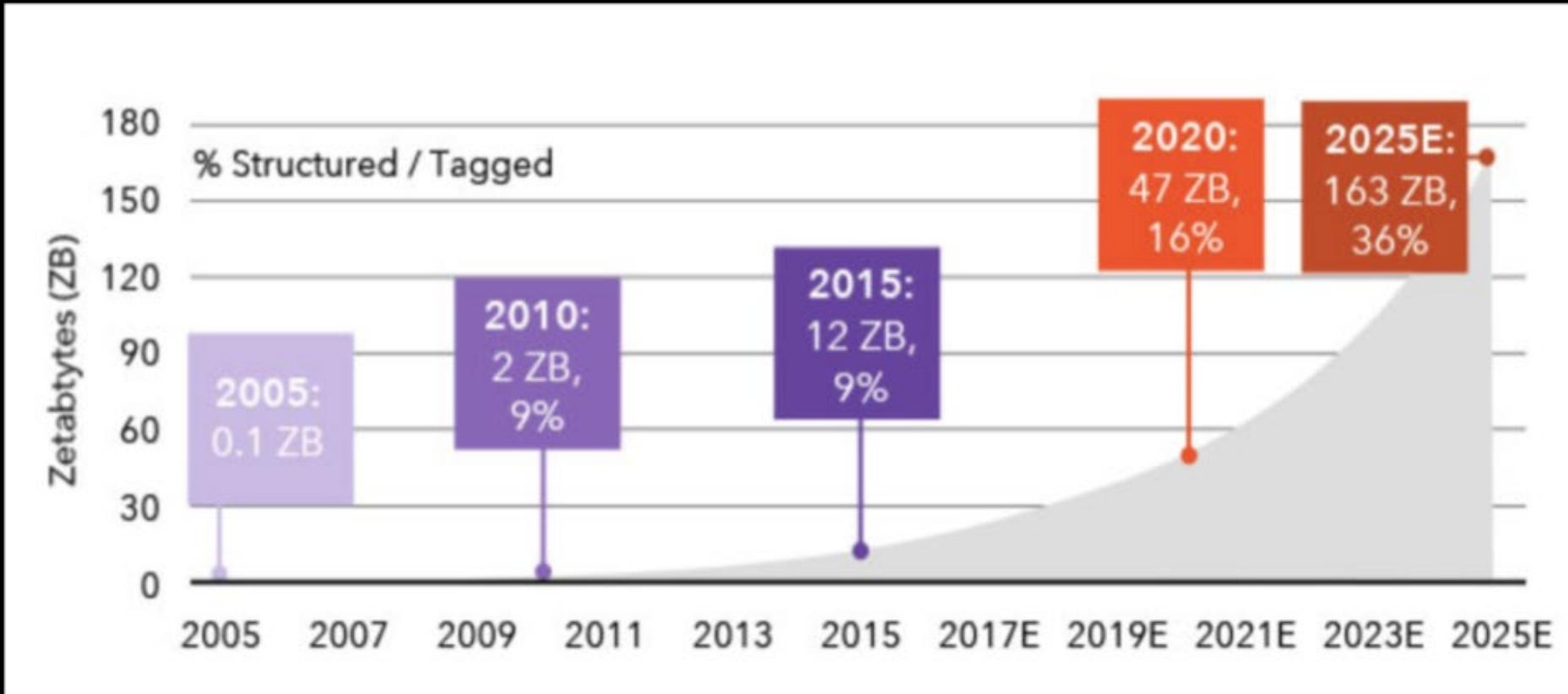
Technology Evolution





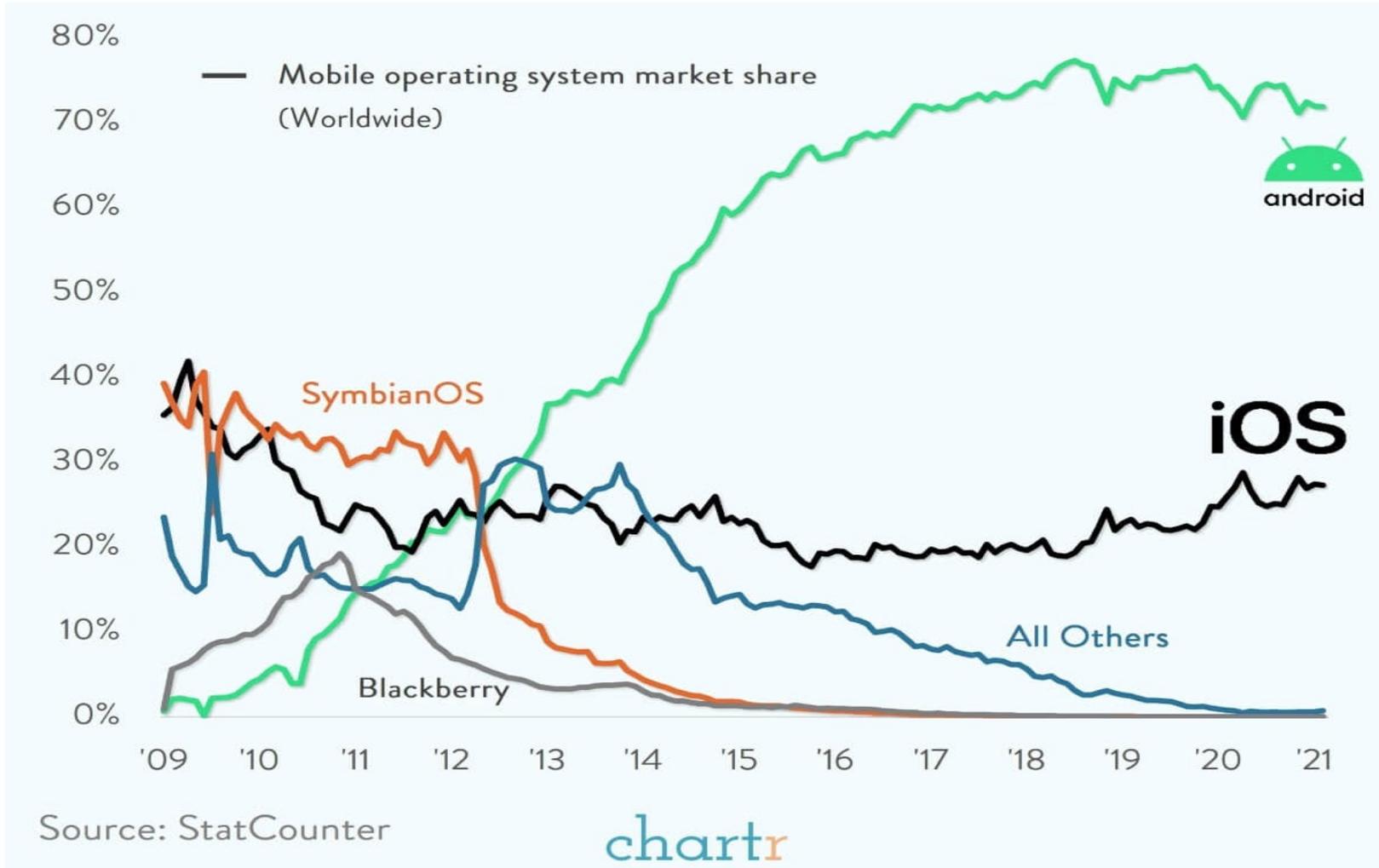
Growth of Data in the World

Growth of global data (1ZB is a trillion GB)





Blackberry's Strategic Flaw

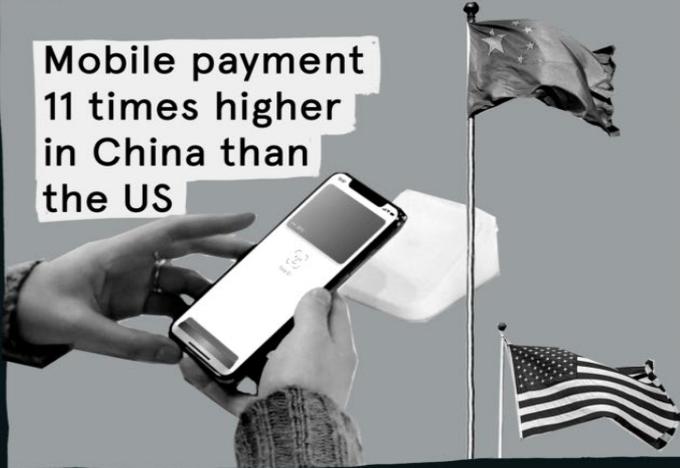




Individual Trends

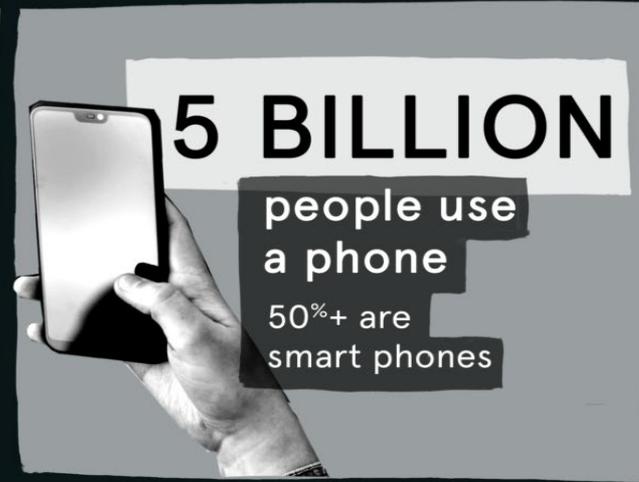
AMPLIFIED INDIVIDUALS

Mobile payment
11 times higher
in China than
the US



5 BILLION

people use
a phone
50%+ are
smart phones



Augmented



Anywhere



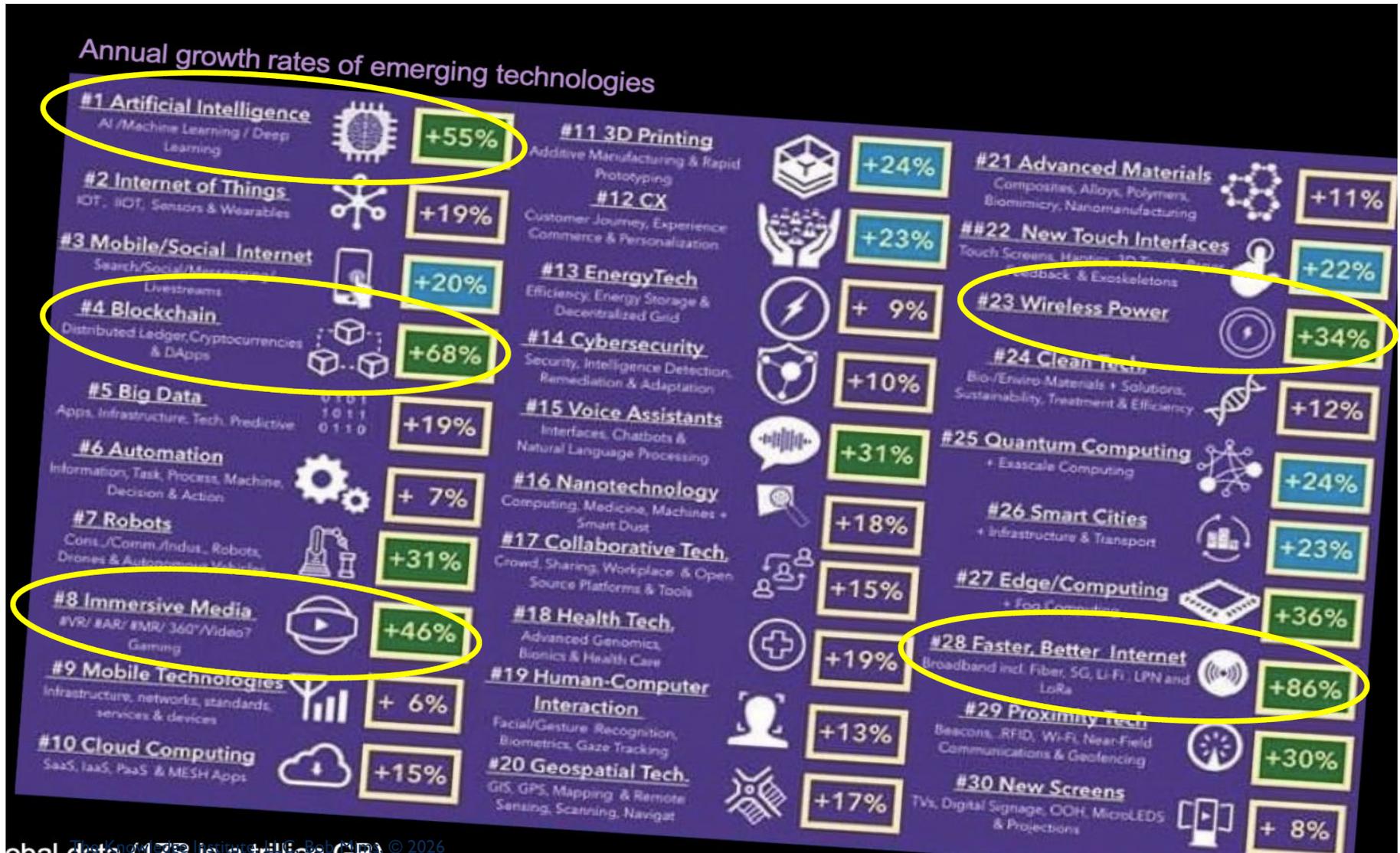
Personalised



Predictive



Direction We Are Headed





Direction We Are Headed

Staff and employees are not trained on AI.

- No rules
- No tools
- No policies
- *“Go figure it out.”*

Results

- Shadow AI
- Confidentiality
- Employees do not feel trusted



People Risks



What's Next? Don't Be in a Silo



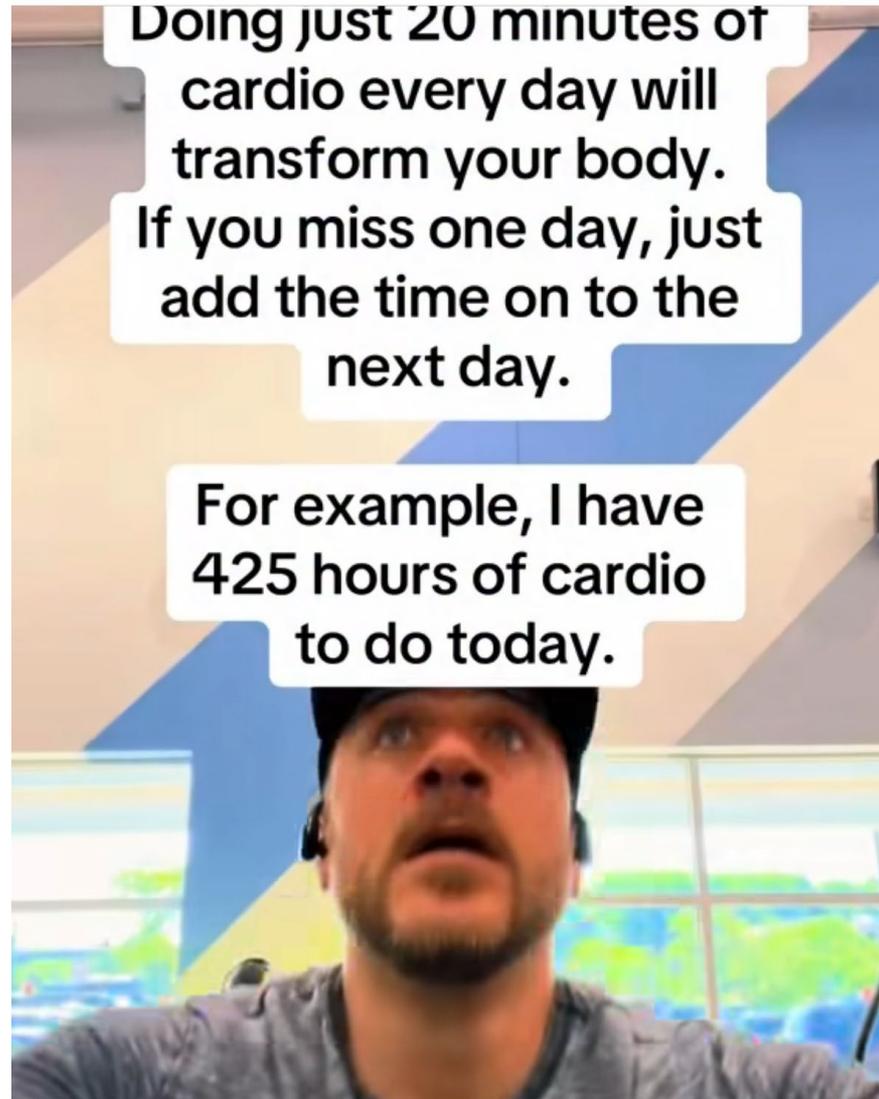


Resolution-Plan Better





Resolution-Do Your Plan





Resolution-Be Smarterer

SMU really didn't think this one through 😂





Resolution-Set Boundaries

refrigerate eggs activists are finally taking a stand





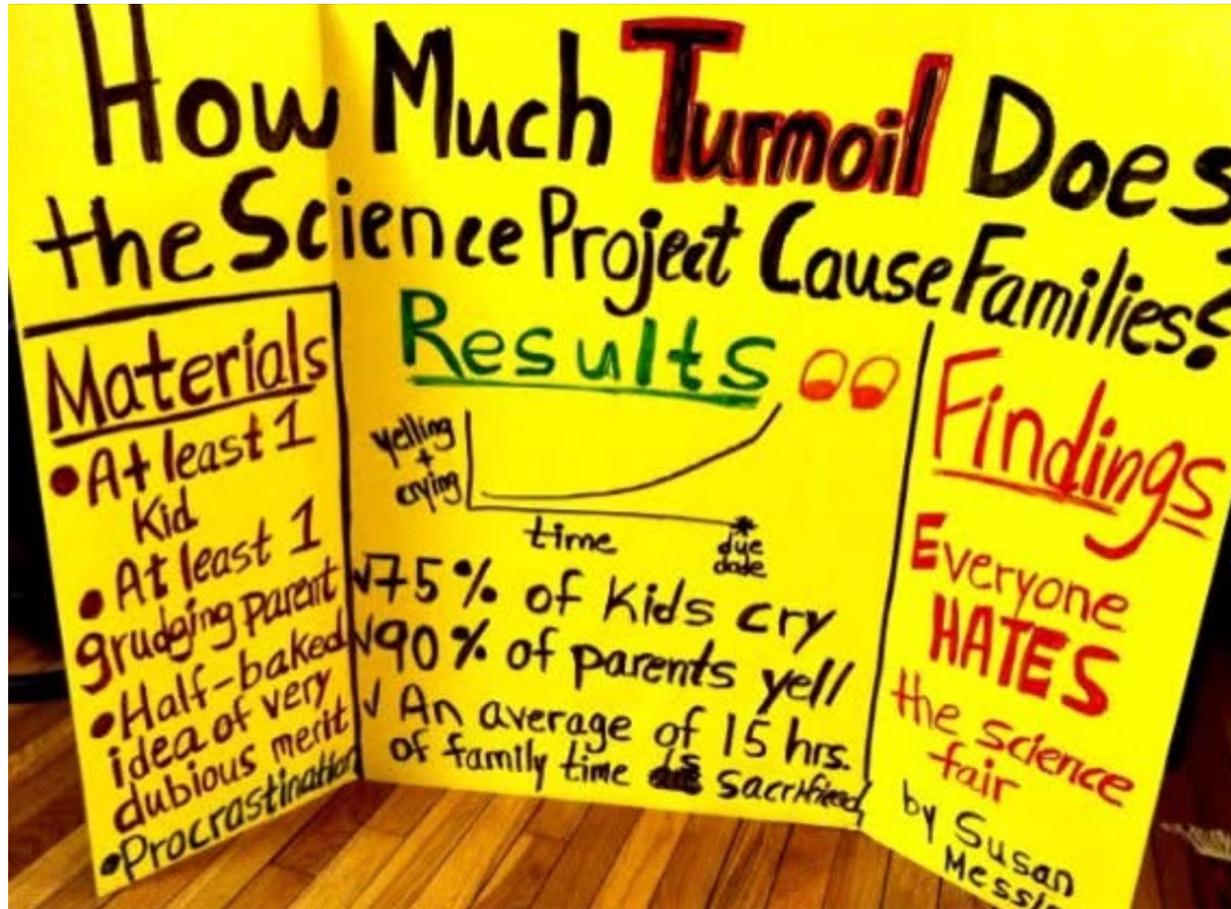
Resolution-Have Fun

**Next time you get
a call from an
unknown number,
answer it by
whispering...
"It's done, but
there's blood
everywhere!"**





Resolution-Stop Dumb Tasks





Resolution-Know Yourself

**Apparently the serving size for
chips is 10 chips.
Listen, I eat 10 chips while
deciding if I even want chips.**



Resolution-Work Hard

**My boss arrived at work
in a brand-new Lamborghini.
I said, "Wow, that's an
amazing car!" He replied,
"If you work hard, put all your
hours in, and strive for excellence,
I'll get another one next year."**



Paying Bonus Idea



Resolution-Clear Communication



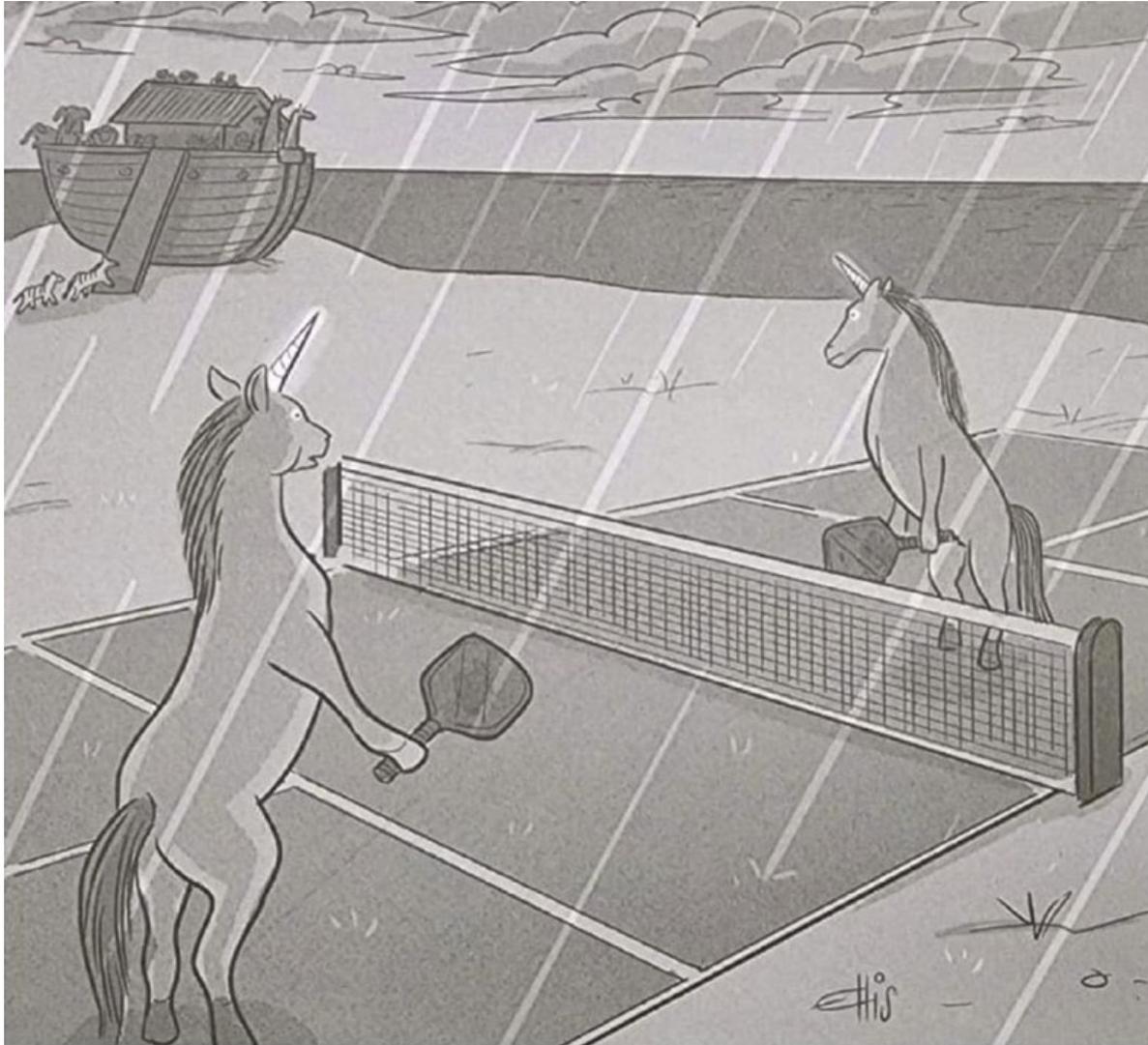


Resolution-Professional Skepticism

**It's 6 months
since I joined the gym
and no progress.
I'm going there in
person tomorrow, to
find out whats really
going on...**



Resolution-Avoid Big Risk



“One more game, then we’ll get on the ark.”



Resolution-Build Relationships

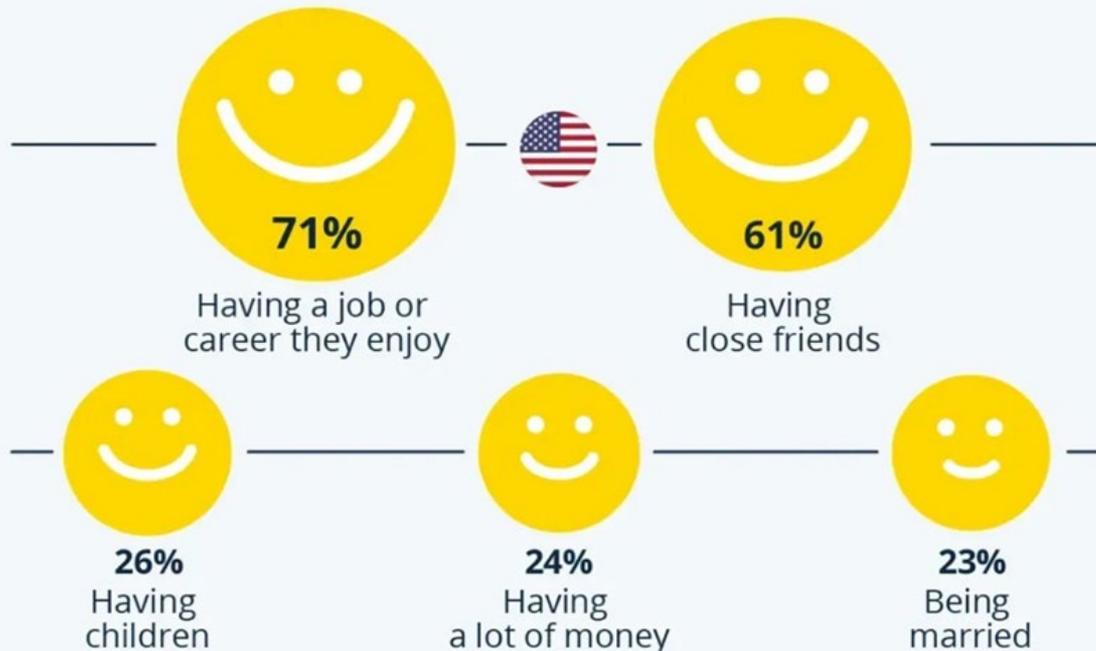




What's Next? What Should We Do?

The Key to Happiness?

Share of U.S. respondents who say each of the following is extremely/very important for a fulfilling life

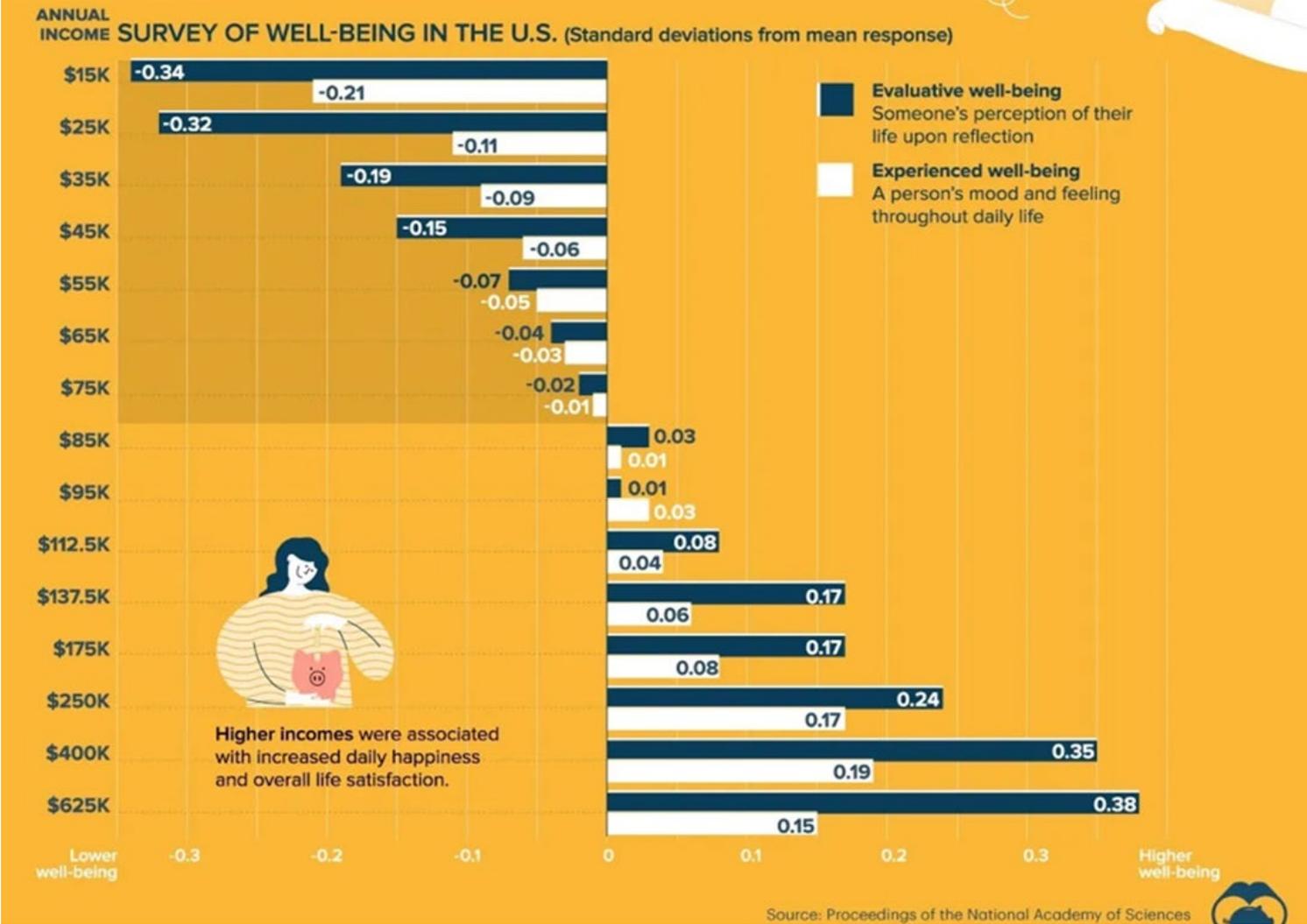


5,073 U.S. respondents (18+ y/o) surveyed Apr. 10-16, 2023
Source: Pew Research Center





Money Helps With Happiness





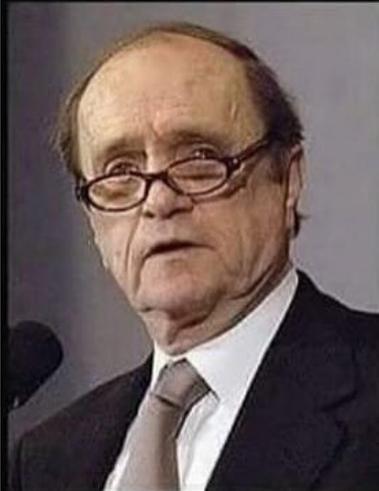
So, What Do We Do?

- Our world is always changing
- We should learn from history, but history may not be the future
- Be a continuous learner
 - Expand your expertise
 - Do not be left behind





Be Funny and Enjoy Laughter



I don't like country music, but I don't mean to denigrate those who do. And for the people who like country music, denigrate means 'put down'.

(Bob Newhart)

izquotes.com



Present Well

**NETFLIX
IS A JOKE**

**“ HOW ABOUT WE
DO IT LIKE A
REGULAR NORMAL
BUSINESS? ”**





Give Things Away

- bmimscpa@gmail.com





Polling Question #5

Favorite Doctor show?

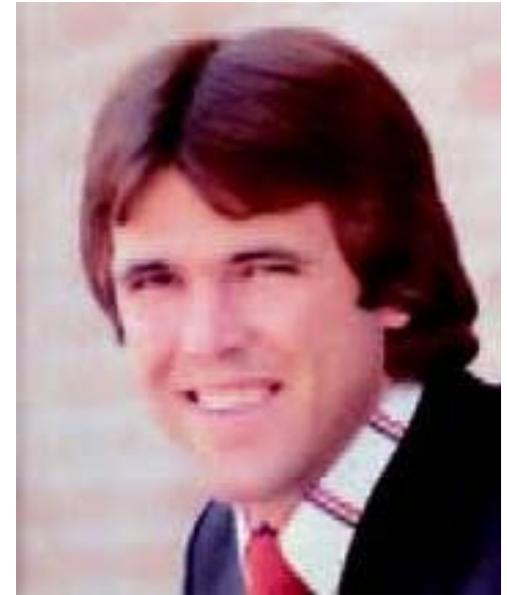
- a) House
- b) ER
- c) The Pitt
- d) Doogie Houser
- e) Chicago Hope
- f) Gray's Anatomy
- g) Other



Making the Story Relevant

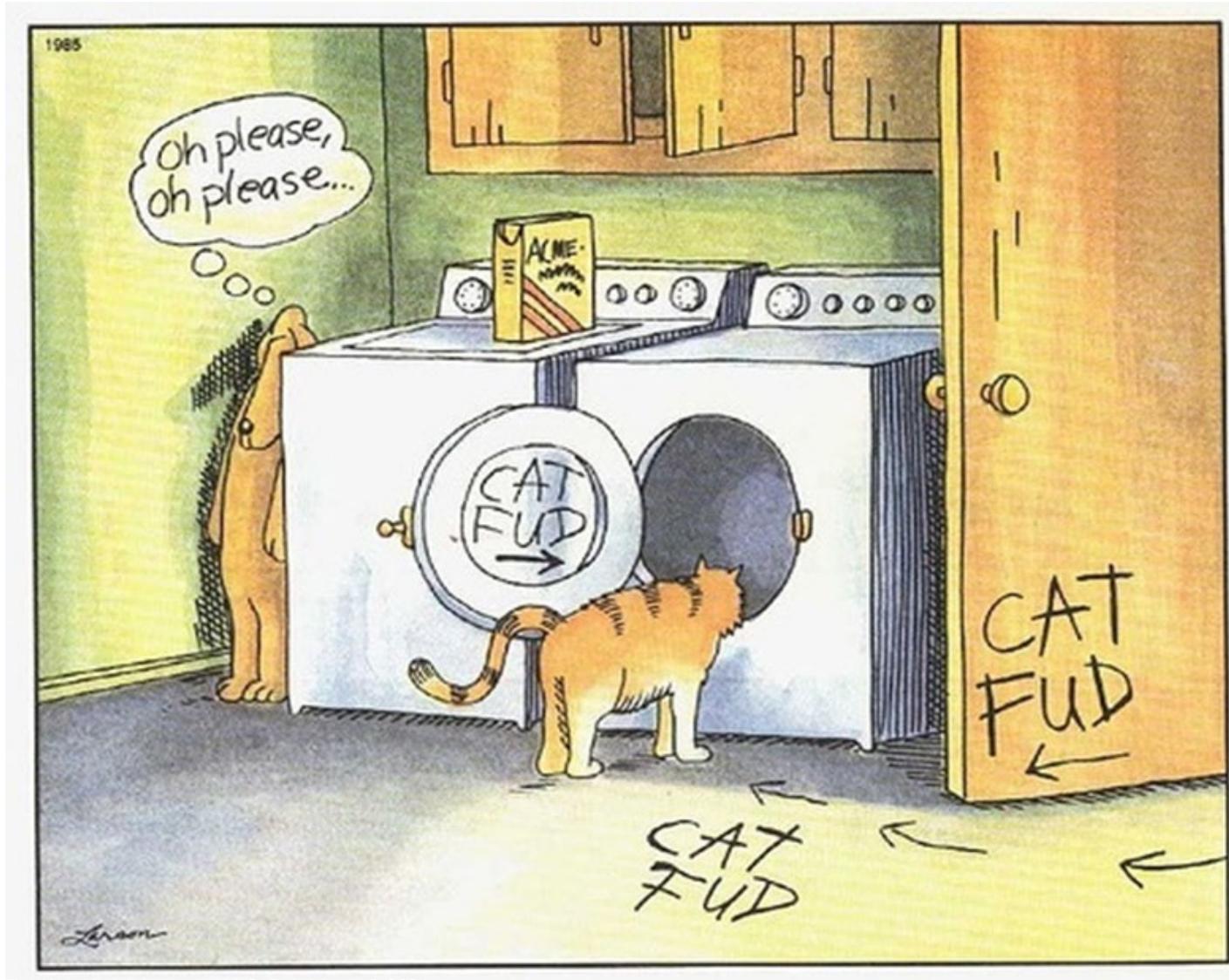


Norris Weese





Make Good Decisions



Thank You!

Please share your thoughts and comments.

Bob Mims

bmimscpa@gmail.com

TheKnowledgeInstitute.com

You can also connect with us on LinkedIn, or call us at 704-942-0413



**THE
KNOWLEDGE
INSTITUTE**