ACCOMPANY

WEALTH PARTNERS

September 13, 2024

Hi everyone and Happy Friday!

Here is the first of my monthly notes to you, and of course I chose the historically worst stock market performance month of the year to start! Most of us can easily recall the events of October 1929 and October 1987, but September has historically been the worst month for stock market performance, and this year at least so far this is holding true!

Before I get more into the markets though, as usual I wanted to share some personal anecdotes. I must admit it is harder to pick just one theme to discuss each month since so many come to my mind all the time, but I will do my best.

Since my last note Kate and I have visited Milwaukee Wisconsin to visit clients as we have many in that area who have been referred to us over the years. We ended up driving out, visiting Cleveland and the Rock and Roll Hall of Fame on the way out, and then stopping at Notre Dame to see my graduate alma mater for the first time in 30 years. It was quite an interesting and insightful trip, as I had not visited the Midwest in a very long time. I must say I was quite pleasantly surprised with the feeling of both Cleveland and Milwaukee, quite different than east coast cities. People were certainly moving at a slower, calmer pace, and both downtowns seemed quite lively and full of all types of people going about their days. What was particularly interesting to me as a lifelong Baltimore area resident was seeing construction cranes right downtown in each city. Sherwin Williams is building its new corporate headquarters in Cleveland and two new high rise residential towers are going up near Lake Michigan in Milwaukee. I tend to be a bit doom and gloom about the future of our cities, but maybe it is because my perspective is from the east coast, where many cities are seeing companies and people moving out of downtowns. So, I am taking this as a positive sign!!

The second thing I noticed, particularly in Milwaukee, was that everything seemed a bit less expensive than here at home. Gas prices were shockingly low compared to Maryland, and both hotel and food costs seemed much more reasonable as well. This got me thinking about the huge differences in lifestyle we can experience by where we choose to live, and how that helps shape our financial lives as well. Kate always like to incorporate a bucketing strategy when building financial plans, starting with identifying our client's needs versus their wants. It is obvious and it is quite simple to realize that location has a huge impact on needs, and therefore a similarly significant impact on what is left over for wants.

In this regard, location can mean many things. While I would speculate that it is cheaper to live in the Milwaukee area versus here in Maryland, where and how we choose to live locally can also have a big impact. Every client's wants and needs are different, but it would certainly be nice to have your needs as low as possible so you can enjoy your wants, wouldn't it?

When working on retirement plans, we consider the most successful to be those where our client's needs are fully covered by investment income, so that we do not depend on asset sales at all. When clients can live comfortably on income, the ups and downs of the market become much more palatable with the knowledge that they can rely on that cash flow even when prices are down. And as important, it is critical to not have to raise money through sales of principal when the markets are down, as that can create an unstoppable downward spiral of diminishing assets and income that no one wants. Remembering back to the components of our retirement equation, there are only two things we can control – how much we spend and how we allocate assets. My personal message today is to think about your own needs if you haven't done so already. If you want, we can send you a form that lists most needs, so you don't have to start from scratch. Consider ways to reduce or control those needs whether now or in the longer term, so we can have realistic discussions about ensuring your own financial and retirement success.

Next in this month's note we did want to draw your attention to our new and improved web site. We have been working with a consultant on improving our practice and the delivery of our advice and services to you, and while we have always thought of our web site as a static source of information to potential clients she impressed upon us the need to use it as a reference source for our current clients as well. Besides better professional photos of us (LOL), Kate has been working hard to incorporate what we hope are meaningful and thought-provoking insights into financial life management. This includes topics such as behavioral finance, market commentary and insights, as well as our prior Friday notes. Please take a look and let us know what you think (not about the pictures though!!).

Ok, on to the markets. As I mentioned at the beginning of this note, September is off to a tough start after what turned out to be a decent August. We are holding on to decent gains in the stock and bond market for the year to date, but as we enter this topsy-turvy election season, I suspect we will see more volatility going forward. I am doing my best to hold on to the gains we have made, incorporating alternative non-stock market correlated investments as well as principal-protected securities, and so far, that is working nicely, which I am obviously very happy about.

Likewise, while exposure to the technology sector is key to maintaining exposure to growth companies, I have maintained broad diversification in my clients' stock portfolios, and plan to continue to do so. Beyond the election, we are starting to see real signs of slower economic growth between employment numbers and lower earnings expectations going forward. Regardless of whether we enter an "official" recession or not, market interest rates have come down a bit and it is widely expected that the Federal Reserve will start cutting its rate soon. As with the stock market, I feel that my clients' bond and fixed income portfolios are well-positioned, making some principal gains in addition to nice interest payments. To be clear, I am not particularly expecting a return to rates as low as we had during Covid, but I do expect them to continue to decline a bit from here.

Last, I wanted to point out that I have intentionally ignored any impact of the election in my comments and in my investment strategy. As I have mentioned many times before, the markets don't particularly care about which party is in control of the presidency, using history as a guide. And while we can certainly have our own opinion about which party's platforms are better for our investment portfolios, given the razor thin majorities of each party in the House and Senate, I believe there is no easy path to making either Trump's or Harris' economic policies a reality. Please, please, please, if you have specific concerns about the impact of the election on your financial lives, reach out with an email, text, or phone call. We are more than happy to address them with you!!

Ok, that is it for this month. Hope you enjoyed reading this note and remember we are here for anything you may need!!

Have a great weekend everyone!

Chris and Kate