

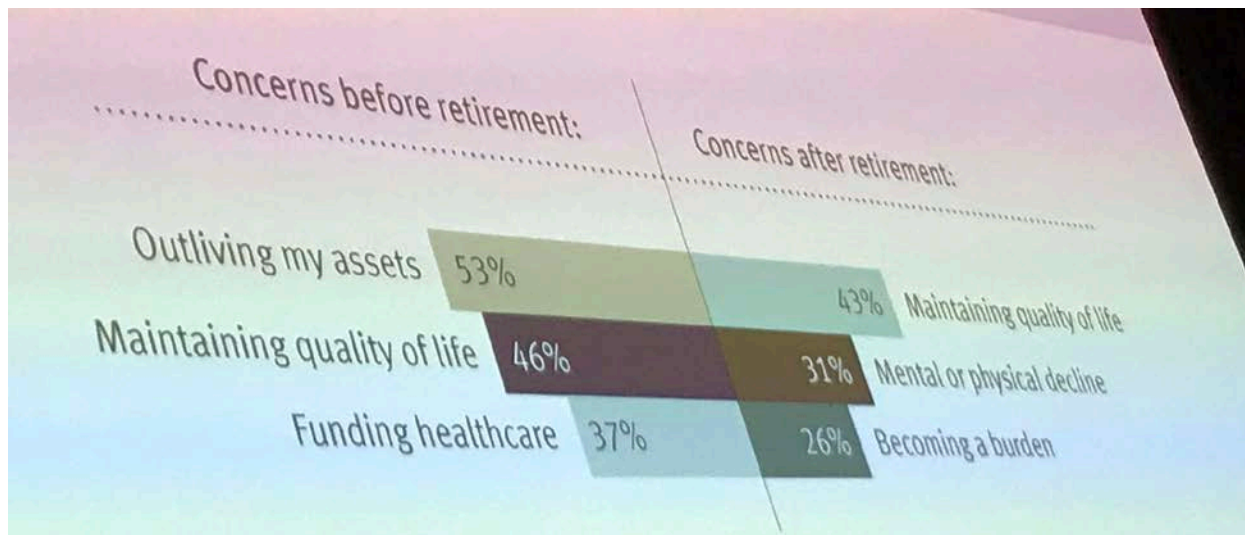


## Wealth Care LLC December 2019 Commentary

### Investment Thoughts

In the initial financial planning process and then during our follow up, we work to discover your goals and issues of importance. The slide below is from a large survey of individuals expressing *their* concerns (in rank of importance) both before and after retirement.

We find that the process of changing concerns is a continuum for most people, and the focus of one's financial planning should recognize that. We are including (and always have) topics of health maintenance and improvement in our commentaries as a reflection of this change as we (gracefully) age.



### Trade and the Markets

Global markets peaked in early 2018 and then slowly declined into the end of that year. Overall, markets recovered in 2019 with some real new gains just in recent weeks. What caused this prolonged flat period for both stocks and bonds? Some feel that it is trade uncertainty-reflected in a drop of economic activity in both the US, Europe and China. The US is renegotiating several large trade agreements (the most prominent being with China), and this “friction” makes

[www.WealthCareLLC.com](http://www.WealthCareLLC.com) | F. 815.301.3777

Steven Podnos MD, MBA, CFP® P. 321.543.1099 E. [Steven@wealthcarellc.com](mailto:Steven@wealthcarellc.com) • Rachel Podnos J.D., CFP® P. 321-505-7592 E.

[Rachel@wealthcarellc.com](mailto:Rachel@wealthcarellc.com)

Lauren Podnos, CFP® P. 321-537-7502 E. [Lauren@wealthcarellc.com](mailto:Lauren@wealthcarellc.com)

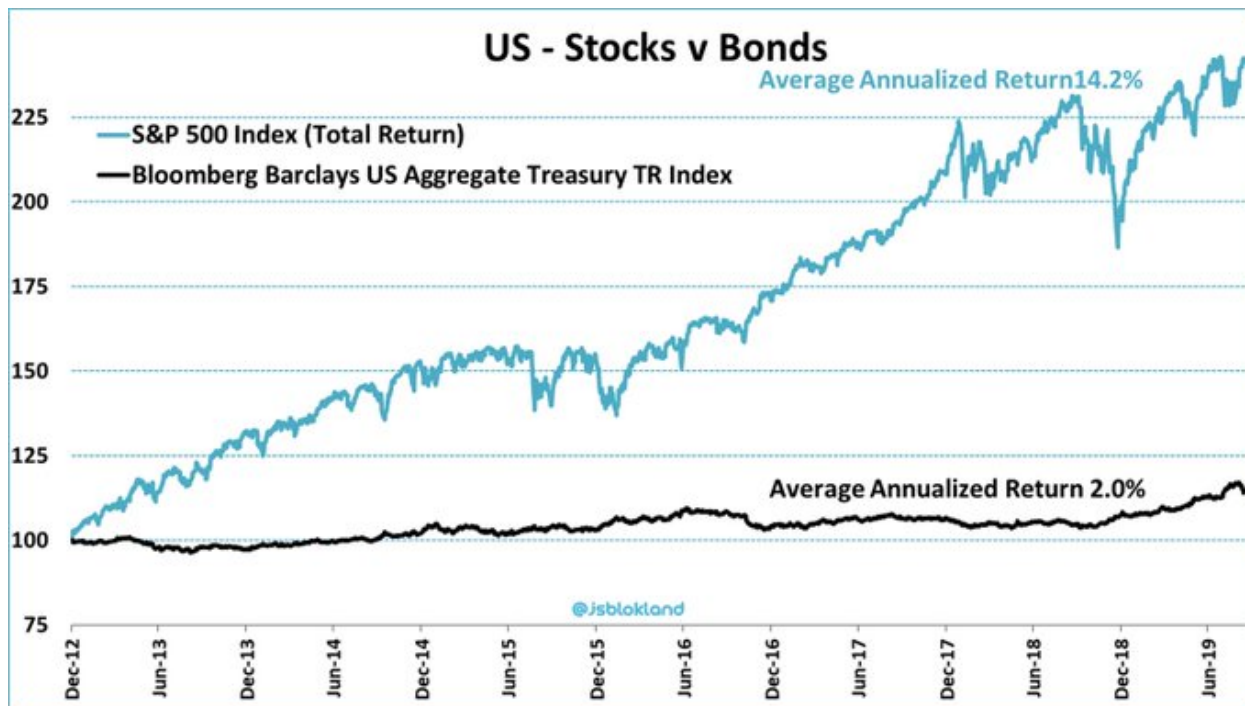


planning for corporations uncertain. They are unlikely to build new plants and increase employment during such periods of uncertainty. So, it is interesting that in recent weeks, we've seen global stock markets begin to go up again, while bond yields are dropping. That's paradoxical-it implies the stock markets see a trade deal coming, while the bond market sees future uncertainty and a continued drop in economic activity.

We think that the pressure of elections and our president's propensity to make "deals" favors a trade deal in coming months and a boost to global markets. Which markets will do best with trade deals-most likely foreign stock markets-as they have suffered the most with trade uncertainty. But, we'll see!

### Stocks Vs. Bonds

Here is yet another graphic display of the difference in returns since 2012 in US large cap stocks vs a general bond index. If you figure that inflation during this period is 2-3%, holding bonds at best kept up.





To be fair, we don't generally own bonds to make money-we hold them as a store of value for when the stock markets drop in price. This is a nice chart on how that looks over the last seventy years:



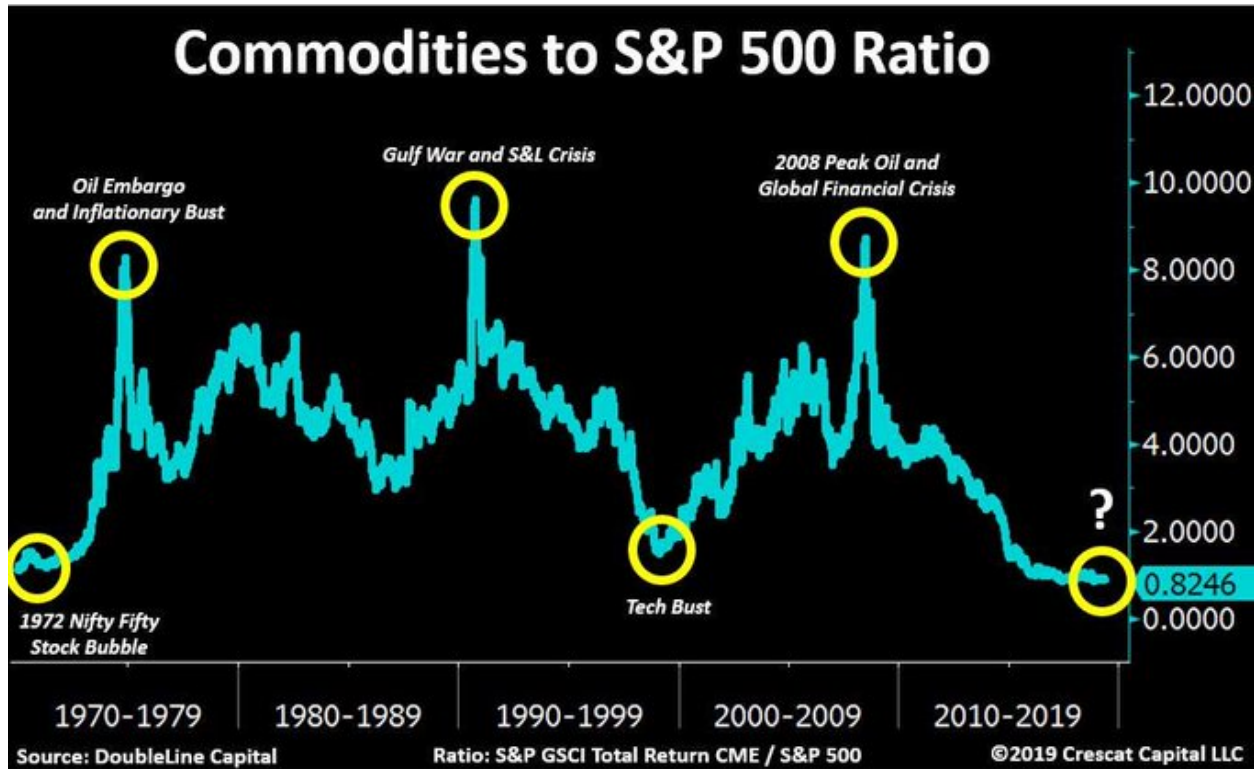
## STOCKS VS BONDS DURING BEAR MARKETS

DATE	S&P 500	5-YEAR TREASURIES
Jun 1948 - Jun 1949	-20.60%	2.10%
Jul 1957 - Oct 1957	-20.70%	1.40%
Dec 1961 - Jun 1962	-28.00%	2.60%
Dec 1968 - May 1970	-36.10%	2.00%
Jan 1973 - Sep 1974	-48.20%	4.90%
Dec 1980 - Aug 1982	-27.10%	28.80%
Apr 2000 - Sep 2002	-49.10%	32.70%
Oct 2007 - Feb 2009	-56.80%	11.20%
<b>AVERAGE</b>	<b>-35.80%</b>	<b>11.20%</b>





## What About Commodities?



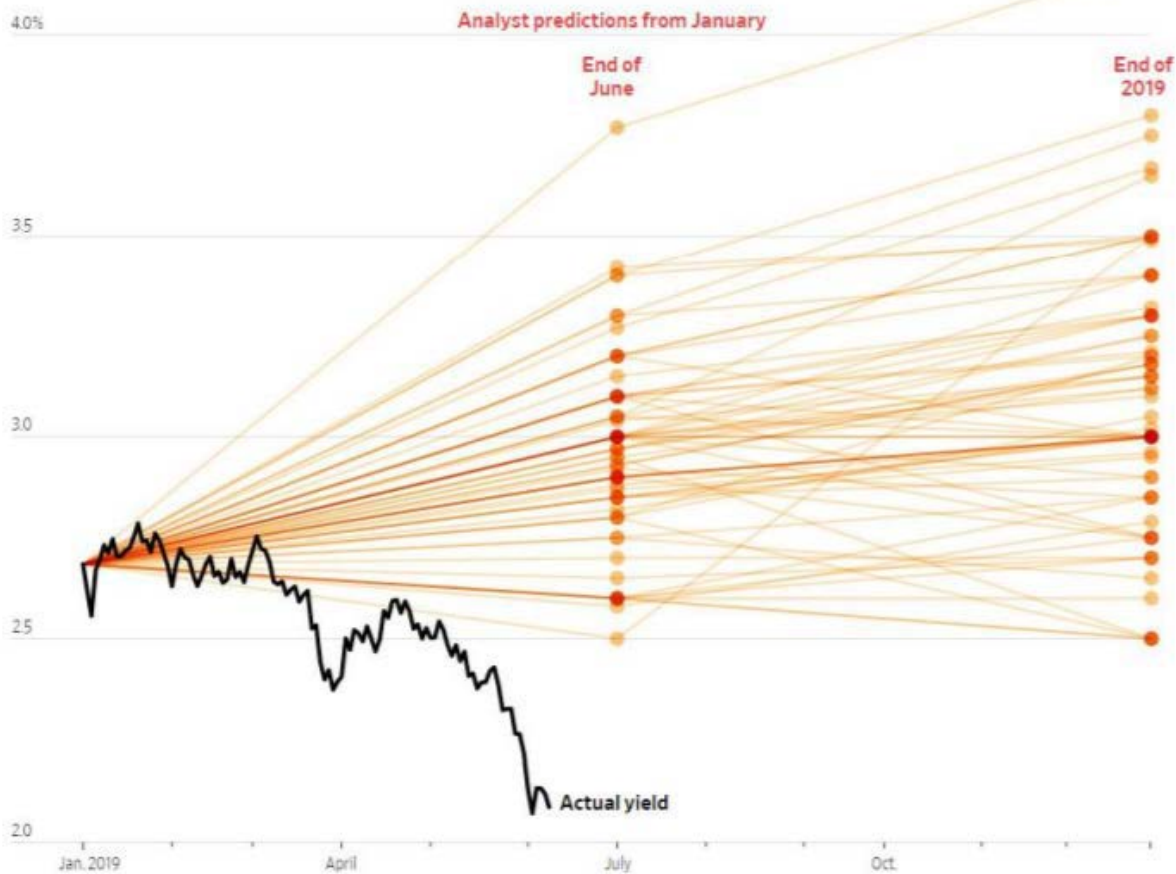
We are seeing a fifty-year low in commodity equity prices as compared to broad US markets. So, is that a good place to invest now? We don't think so—look how narrow and infrequent the bull markets in commodities are. The timing would be very difficult. Intriguing just the same.

## Ignore the Pundits (and the experts)

Look at this astonishingly bad set of predictions for 2019 interest rates by over twenty economists in the Wall Street journal. Not even one came close. Investing on their recommendations would have been costly.



Yield on the 10-year Treasury note



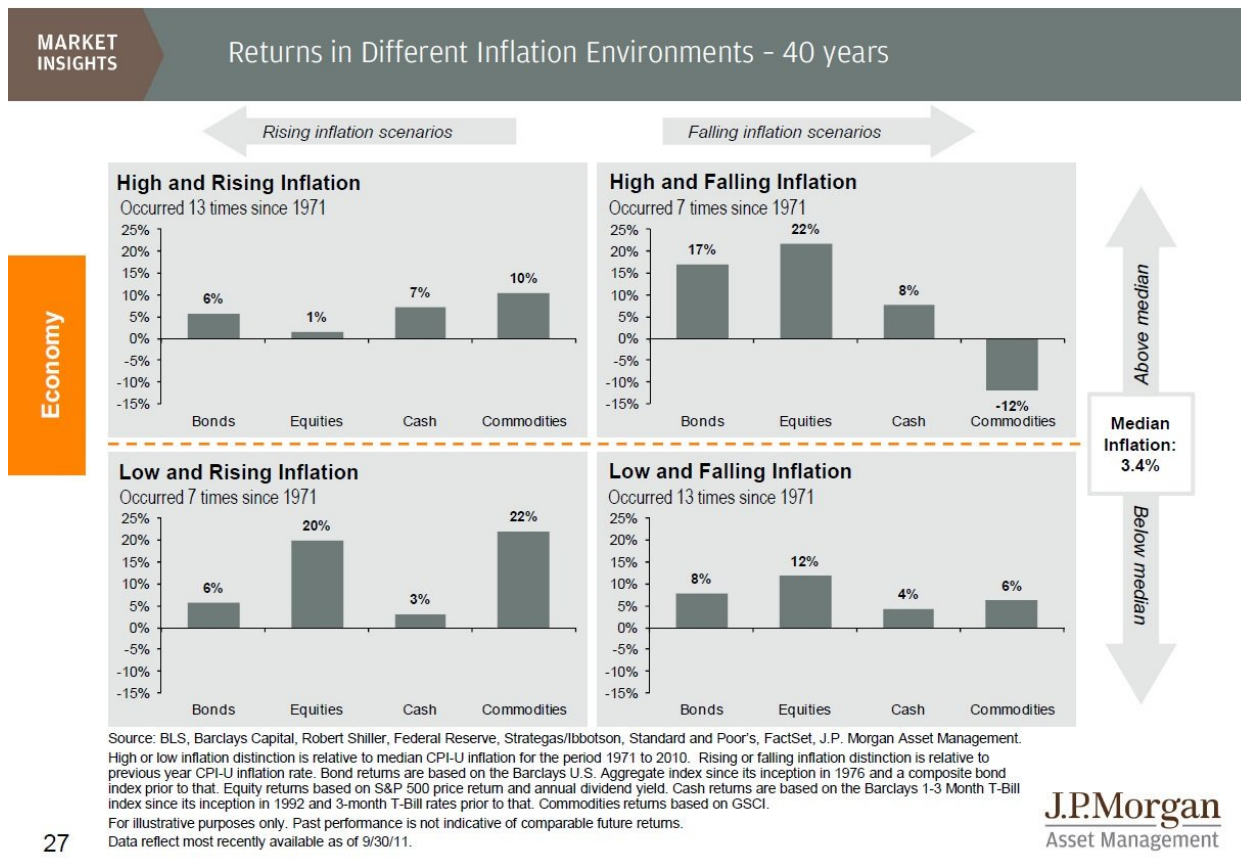
Sources: WSJ Survey of Economists (predictions); Tullett Prebon (actual)





What works best in different inflation and interest rate scenarios?

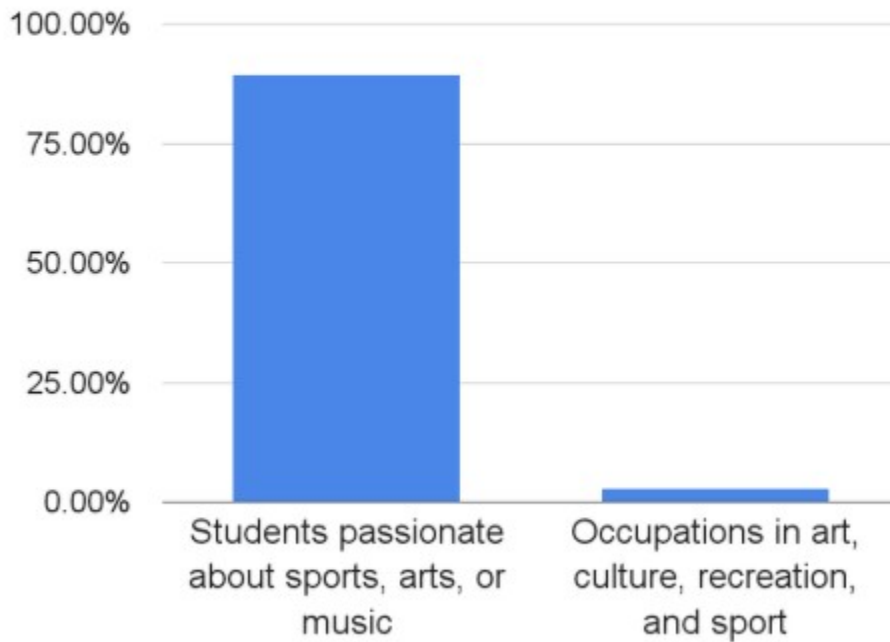
It is not surprising to see that a balanced portfolio of stocks and bonds generally do well in almost all combinations of interest rate changes and inflationary scenarios.






**Miscellaneous**

## Passions vs. Jobs

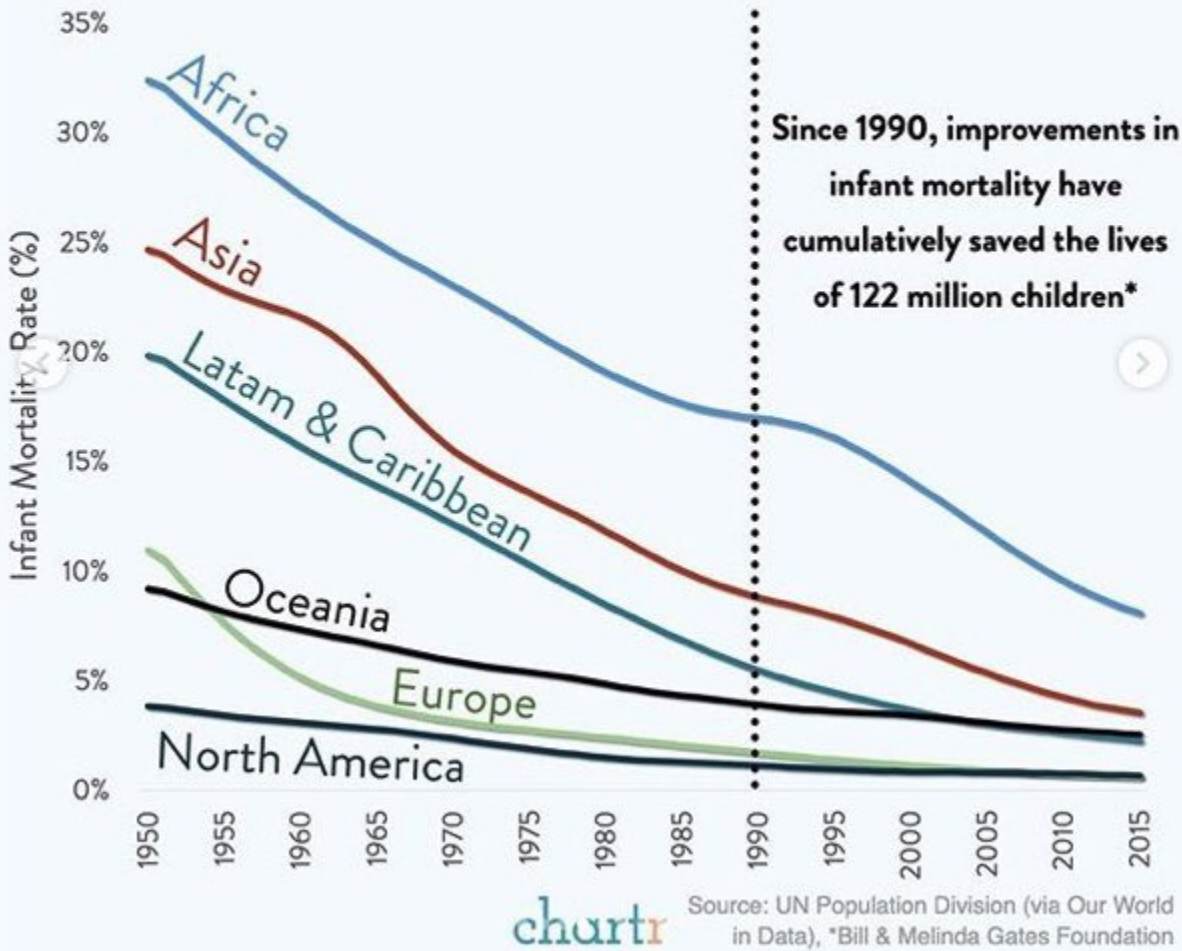


University of Montreal  and Canadian Census Data



Life Keeps Getting Better Globally

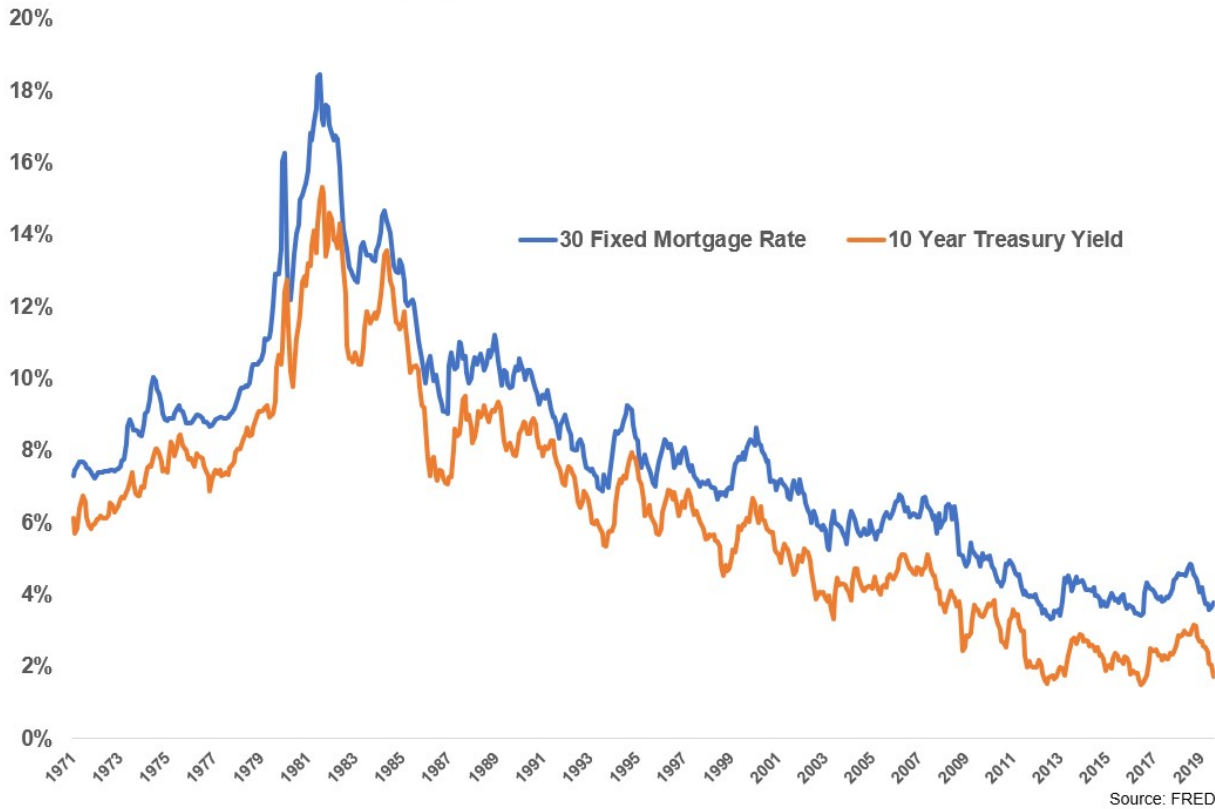
# Infant Mortality Rates Have More Than Halved In 30 Years







### Mortgage Rates vs. Treasury Yields



### Good News for Retirement Plans

For 2020, the allowable salary deferral for 401k and 403b plans increases to \$19,500. For those lucky to be 50 or older, the catch-up increases to \$6500 for a total allowable contribution of \$26,000. Total maximum contribution to a 401k including profit sharing increases to \$57,000. Allowable contributions to IRAs don't change (\$6000/\$7000).

### Random Notes

Diversification means you're rarely right—but never totally wrong- Jonathan Clements



Wealth, in fact, is what you don't see. It's the cars not purchased. The diamonds not bought. The renovations postponed, the clothes forgone and the first-class upgrade declined. It's assets in the bank that haven't yet been converted into the stuff you see." -Morgan Housel

Real financial planning is a process, not a product-Carl Richards

