

## **Wealth Care LLC April 2020 Commentary**

March 2020 was clearly the most eventful month in at least a decade. We've sent out eight specific emails this last four weeks titled "Markets and Coronavirus" to share our best thoughts and information. In addition, we've shared a number of articles from other sources. We've been asked if it is ok to share our emails, and it certainly is.

We have sent out specific information on how to best use the CARES Act stimulus, and will keep you informed on this, the markets and our health the best we can.

### **A Really Cool Chart!**

For finance nerds that is. But it reveals the likelihood of a positive return for each of the investment classes along the top over different periods of time. So, US large cap stocks have a 53% history of a positive return over any one day, but a 95% history of a positive return over any ten-year period. It's important to note that we feel investment losses as being worse (roughly twice as bad) as gains feel good. This means that the 43% history of a drop in prices on a daily basis will wear harder on us than the 53% history of a daily rise in prices. Just a reinforcement of why looking at your investment statements frequently is not good for your mood.

### Frequency of Positive Total Returns (%)

Investment Period	US Large Cap	EAFE Equity	Emerging Markets Equity	US Agg	Emerging Market Debt	Global High Yield	Bank Loans
1 day	53	53	55	56	55	60	73
1 week	57	53	55	56	55	60	73
1 month	63	59	60	71	63	66	78
1 year	79	66	69	91	74	83	91
5 years	89	82	86	100	100	99	97
10 years	95	99	100	100	100	100	100

### WCI conference

I participated in a panel discussion and gave two formal talks at the White Coat Investor's conference in Las Vegas (the week before they shut down). Five hundred physicians attended, with another 200 online. I thought the conference went very well and enjoyed participating. I picked up some great information on private equity investments in medicine and on physician contracting that I think will bring value to many in the Wealth Care LLC family.

### Good News

Not much this month, except that your fees will be lower!

## **The Ever Changing Kiddie Tax!**

The Kiddie tax is the income taxation of unearned income (not wages) for children under age 19. Children under 24 that are students and/or dependent financially on parents are also included in Kiddie tax rules. But the rules keep changing!

From 1986 until 2018, children up to age 24 (as above) could exclude up to about two thousand dollars in unearned income (dividends, interest, capital gains), and then have their income taxed at their parents' highest rate. In 2018, the income over the first roughly two thousand dollars was instead taxed at the same onerous rates as are trusts-with a bracket of 37% on income over roughly twelve thousand dollars. This resulted in unfairness in taxation of military survivor's benefits.

So, the new tax law gives families the option to use the old method for 2019, and in future years Kiddie unearned income will be taxed again at the parents' bracket if over \$2200/yr. Note that earned income is excluded in amounts up to the standard deduction (\$12,000 for an individual).

There are several ways to use tax advantaged gifts and salaries from family businesses to pay for your children's school and life expenses. Feel free to ask about this.

## **Market Downturns are Common**

## Market downturns happen frequently but don't last forever

Standard & Poor's 500 Composite Index (1950-2019)

Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency*	About three times per year	About once per year	About once every four years	About once every six years
Average length†	43 days	112 days	262 days	401 days
Last occurrence	August 2019	December 2018	December 2018	December 2018

\* Assumes 50% recovery of lost value.

† Measures market high to market low.

Sources: Capital Group, Standard & Poor's.

## Miscellaneous

### Health as Wealth

As the world wrestles with Covid-19, an emphasis on health has never been so prominent. Now as much as ever, it is apparent that our overall wealth is directly correlated to our physical health. Fortunately, we live in a time period where scientific knowledge regarding aging, diet, and exercise is advancing faster than at any other point in history. In the interest of longevity and prosperity we will be adding regular commentary regarding comprehensive fitness.

1. Weight training can reverse parts of the aging process at the gene level. This study found 179 aging-associated genes that had their expression positively altered in older who subjects who underwent 26 weeks of weight training.

<https://www.unm.edu/~lkravitz/Article%20folder/ageresistUNM.html>

These changes were brought on by doing the exercises only two days per week. A little bit of resistance training can go a long way.

2. High protein diets during weight loss may attenuate loss of bone quantity. Science has already shown that high protein diets help retain more lean tissue during weight loss than low protein diets. A recent meta-analysis

shows that high protein diets have the potential to slow loss of bone density as well.

<https://www.ncbi.nlm.nih.gov/pubmed/31301138>

3. Despite being heavily studied, artificial sweeteners have always been somewhat of a punching bag in the nutrition community. Much of the stigma surrounding artificial sweeteners in recent years was due to the belief that they can cause insulin sensitivity similar to how sugar does. Two recent studies concluded that stevia and sucralose do not alter glucose levels to any significant degree.

<https://www.ncbi.nlm.nih.gov/pubmed/31258108>

<https://www.ncbi.nlm.nih.gov/pubmed/31842388>

## Online and Phone Security

One unfortunate side effect of our ever-increasing reliance on technology is being subjected to a wide variety of scams and spam. While email filters can do a decent job of keeping threats away, our phones are still constantly bombarded with malicious attempts to steal money or information. These spam calls often come from “spoofed” numbers, which means they could appear to be a familiar or local number, while really originating from another continent. So, how can you protect yourselves from these scammers?

- Do not answer calls from numbers you do not know.
- Do not respond to recordings or questions on any call you are not 100% certain is legitimate.
- Do not give out personal information to any person or institution who has initiated contact with you. Whether it appears to be your bank, insurance

company, or health club, always reach back out to them via what you know is an official line of contact before sharing anything.

- Utilize spam blocking apps (Hiya seems to work to a degree), and note that both ATT and Verizon have their own apps for this. ATT <https://www.att.com/help/robocalling.html>, Verizon <https://www.verizon.com/about/responsibility/robocalls>
- Register your number on the federal do not call list here- <https://www.donotcall.gov/register.html>

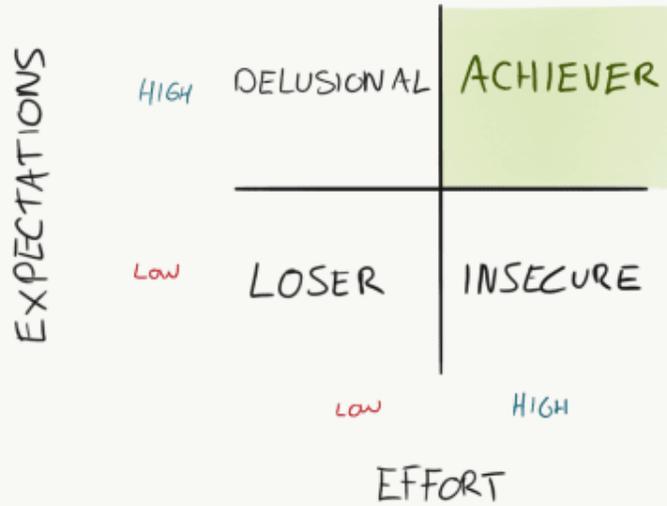
This list will only stop a portion of spam calls. Even if you register here, still practice the above listed precautions when dealing with any potentially suspicious call or email.

### **Random Thoughts**

"Enjoy the little things, for one day you may look back and realize they were the big things." - Robert Brault

Feeling gratitude and not expressing it is like wrapping a present and not giving it." - William Arthur Ward

"The big money is not in the buying and selling...but in the waiting." - Charlie Munger



DARIUS FOROUX

The stock market is the only market where things go on sale and all the customers run out of the store....anon.