



Wealth Care LLC Monthly Commentary-March 2018

Investment Thoughts

February brought us the most volatile markets in many years-first down, then back up to within 5% of all-time highs. It's a good reminder that we are "paid to tolerate volatility," and conversely investing in a fashion to avoid large swings in prices equals less long-term total returns as well. Look at the chart below for a beautiful illustration.

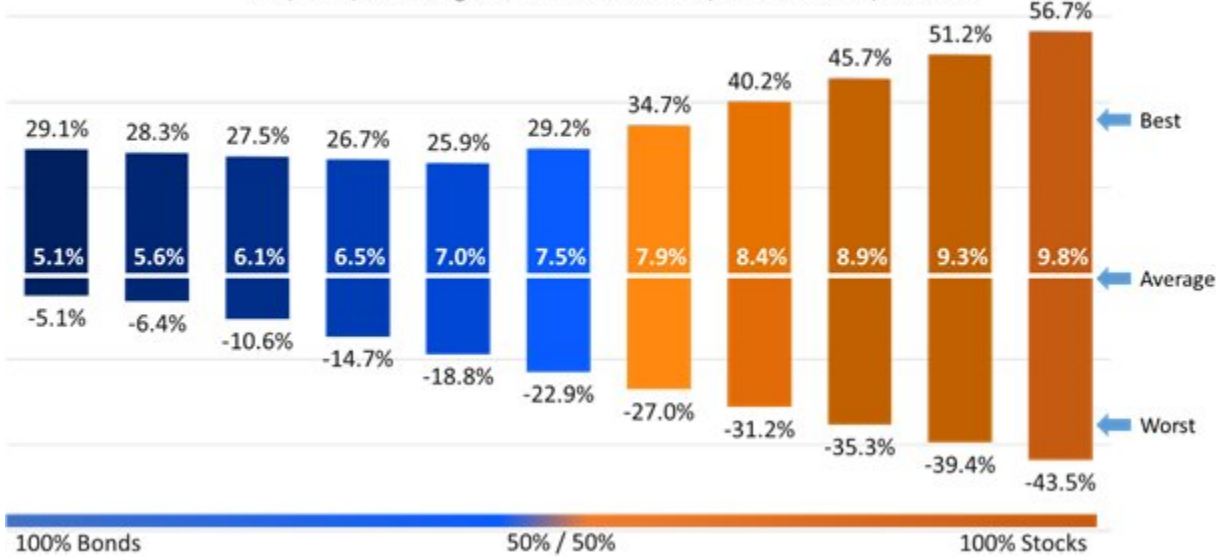
On the left is an all bond portfolio. You can see very low negative returns over the last ninety years (5.1% was the worst annual loss), but also about the lowest "best" annual return and the clearly lowest average annual return of any asset allocation (5.1% a year over ninety years). On the extreme right, an all-stock portfolio had amazing volatility, but almost double the average annual return at 9.8% for ninety years!

When you add in the fact that inflation over this time averages 3%, the "real" return of all bonds is 2.1% annualized, and that for stocks-6.8%. In terms of real after inflation gains, stocks more than triple bonds' return. Again, we get paid for tolerating the ups and downs in prices if we stay disciplined and patient.



The mixture of assets defines the spectrum of returns:

Best, worst, and average returns for various stock/bond allocations, 1926-2016



Can We “Get Out” Early in a Bear Market? (guess)

I came across a very interesting study looking back at stock market performance over the last ninety years. The study used a formula that sold a portfolio to cash if the market took a 10% drop in prices. It bought stocks back only when the 10% loss was regained, OR 12 months elapsed (figuring that was long enough to stay out). The results are striking:



Cumulative Excess Return (Log Scale)



Compared to investors that just stayed in the market through thick and thin, the “sell early in a crash” strategy (despite being in cash almost half of the time) had miserable returns. Just another great example of how trying to time the market makes us losers.

<http://svrn.co/blog/2017/5/14/waiting-for-the-market-to-crash-is-a-terrible-strategy>

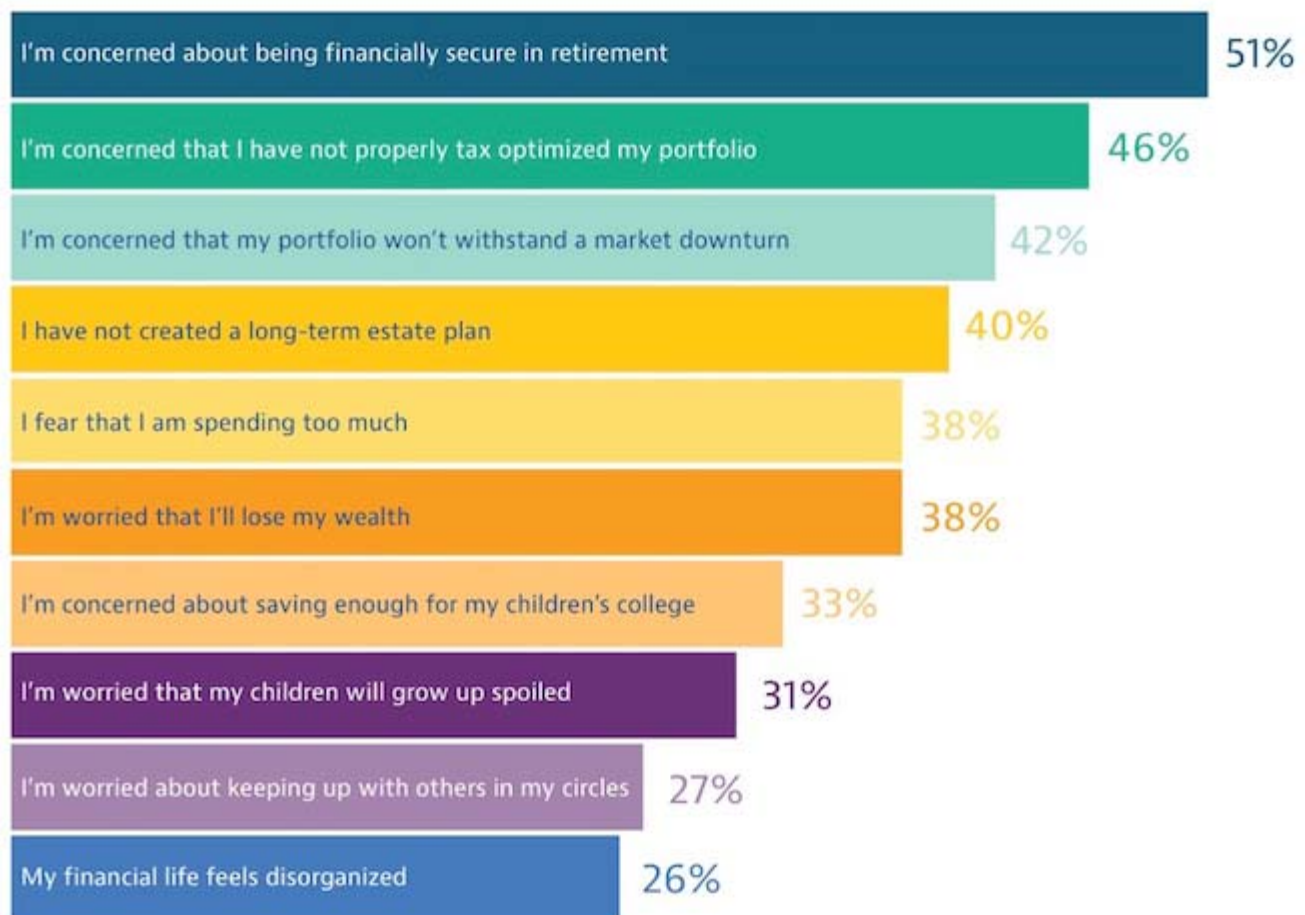
Miscellaneous



What's Keeping the Affluent Up at Night?

The financial lives of the mass affluent are filled with worries, with retirement planning, tax planning and long term portfolio health among the three top things the affluent are losing sleep over.

THE BIGGEST FINANCIAL CONCERNS OF AFFLUENT INVESTORS



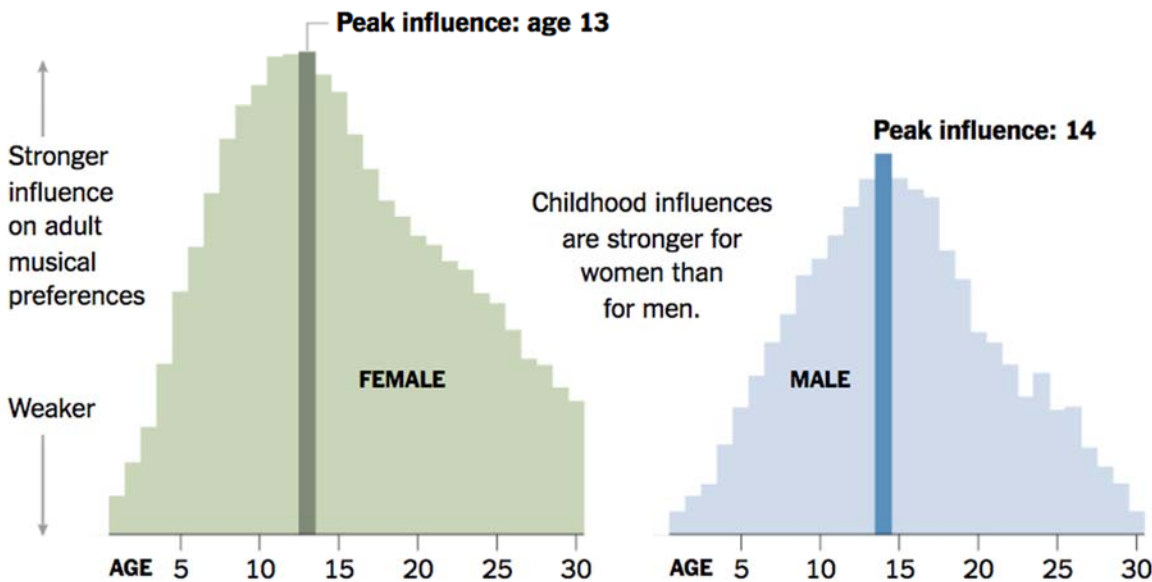
54% of affluent Americans said they have most of their net worth invested in stocks,

with cash (16%) and U.S. bonds (8%) a distant second and third. However, significantly more Millennials said most of their net worth is invested in cash (25% vs. 17% of Gen X, 8% of Baby Boomers and 6% of Silent), which is the exact opposite of traditional asset allocation models that call for reducing ownership in historically high-risk assets (such as stocks) and reallocating to historically low-risk assets (such as bonds and cash) as an investor ages and prepares for retirement. Personal Capital helps Americans put their money to work, with only 4% of dashboard users with \$500,000 or more in investable assets holding more than 50% in cash.



Music of a Lifetime

When do the strongest adult musical preferences set in? For women, it's age 13; for men, it's a bit later, 14.



By The New York Times | Source: analysis of Spotify data by Seth Stephens-Davidowitz

Useful shortcut for mailing stuff to friends without leaving home:

<http://www.paypal.com/shipnow> , select USPS, First class parcel, package/thick envelope. Print label, stick on package, drop in any mailbox. Usually under 3 bucks and avoid the Soviet-era lineups at the post office!

Random Notes

“Spend each day trying to be a little wiser than you were when you woke up. Discharge your duties faithfully and well. Slug it out one inch at a time, day by day. At the end of the day—if you live long enough—most people get what they deserve.”-Charlie Munger



Four Headlines You Won't See When the Market Drops (Wealth of Common Sense blog)

SAVERS CELEBRATE AS STOCKS GO ON SALE

DIVIDENDS YIELDS RISE ALONG WITH EXPECTED RETURNS AS STOCKS FALL

YOUNG INVESTORS REJOICE AS MARKETS CRASH, PROVIDING BETTER ENTRY POINTS AT LOWER PRICES

MARKETS FALL FOR REASONS NO ONE CAN BE SURE OF BECAUSE INVESTORS HAVE MUCH DIFFERENT GOALS, OPINIONS, STRATEGIES, TIME HORIZONS AND RISK PROFILES

Teach your kids about taxes: eat 30 percent of their ice cream.-anon

A Note from Rachel:

I highly recommend checking out Tim Urban's blog, Wait But Why. He is great at taking highly complex topics and distilling them into words and graphics that are easy to understand. His pieces on Elon Musk's various ventures are the best I've read. I also recommend these mind-blowing pieces about future of artificial intelligence. Enjoy!

<https://waitbutwhy.com/2015/01/artificial-intelligence-revolution-1.html>

<https://waitbutwhy.com/2015/01/artificial-intelligence-revolution-2.html>



Who Remembers These Interest Rates?

We've got great rates and lots of free gifts to go along with them. So open up a new account or add to your present one, and Union Dime will make this your lucky day.

\$10,000
Your choice when you deposit \$10,000 or more.

1. Regal 4-8 Cup Automatic Coffee Maker
2. Sunbeam Electric Clock
3. Bamboo-Style Wall Mirror
4. Multi-Position Chaise Lounge
5. 40 Pc. Stainless Racquetball Set (For Eight)
6. Spalding Racquetball Set
7. Tea Kettle Lamp
8. Cosco Folding Step Chair
9. 4-Piece Tray Table
10. Black and Decker Jigsaw

\$5,000
Your choice when you deposit \$5,000 or more.

11. GE (Easy Clean) Can Opener
12. Hamilton Beach 3-Speed Hand Mixer
13. Home Tool Kit
14. GE Steam/Dry Iron
15. Proctor-Silex 2-Slice Toaster
16. Sunbeam 20" Grandfather Clock
17. Credit Card Calculator
18. GE 1200 Watt Hair Dryer - No Asbestos
19. Spalding Tennis Set
20. GE AM/FM Portable Radio (Batteries Not Incl.)

\$1,000
Your choice when you deposit \$1,000 or more.

21. Travel Backgammon Set
22. St. Mary's Blanket 72" x 90"
23. Tote Bag with Umbrella
24. GE AM Portable Radio (Battery Not Incl.)
25. Rogers Stainless Carving Set
26. Eveready Lantern with Battery
27. Sunbeam Electric Alarm Clock
28. Burnes of Boston Photo/Bulletin Board
29. High Intensity Light
30. Folding Luggage Carrier

6-Month Time Deposit Account
16.555% Annual Percentage Yield on **15.700%** Annual Percentage Rate (minimum deposit \$10,000). Effective March 27 thru April 2, 1980.

The Annual Interest Rate is set for each week and remains constant for the 26 weeks of your term and is subject to change at renewal. At the end of 6 months you have a choice of renewing your 6-Month Time Deposit at the then available rate or converting to another type of account. The Annual Percentage Yield is the equivalent rate that your money would earn if your principal and interest were to remain on deposit for a full year. Federal regulations prohibit compounding of interest on this account.

Big Difference Time Deposit Account
Our Big Difference Time Account is for those who want the high Time Deposit Rate without depositing \$10,000. You just deposit \$5,000 or more and we'll lend you the Big Difference to open a \$10,000 Time Account. Call or stop by any of our conveniently located offices and ask for all the details.

2 1/2-Year Time Deposit Account
12.94% Annual Percentage Yield on **12.00%** Annual Interest Rate (minimum deposit \$1,000). Effective March 1 thru March 31, 1980.

And for latest Union Dime rates call (212) 221-5744 or (516) 627-1650.

Steven Podnos MD CFP® for Wealth Care LLC 3-1-2018