



## Wealth Care LLC Monthly Commentary-February 2018

### Investment Thoughts

January gave us a 5% increase in prices in one month (despite the two day downdraft early this week)! Round and round the market goes, when it stops no one knows (and I mean no one). More on this below, but it is crucial to remember that no one can time the market-and that means we don't know:

How much further the market will go up without a pause  
How much it might go down in the next year or two  
How much it will go up in the next year or two  
What the magnitude and timing of any change might be

What we do know (probably):

Ten years from now, money that we have invested in stocks will have kept up with inflation and given us at least a small "real return."

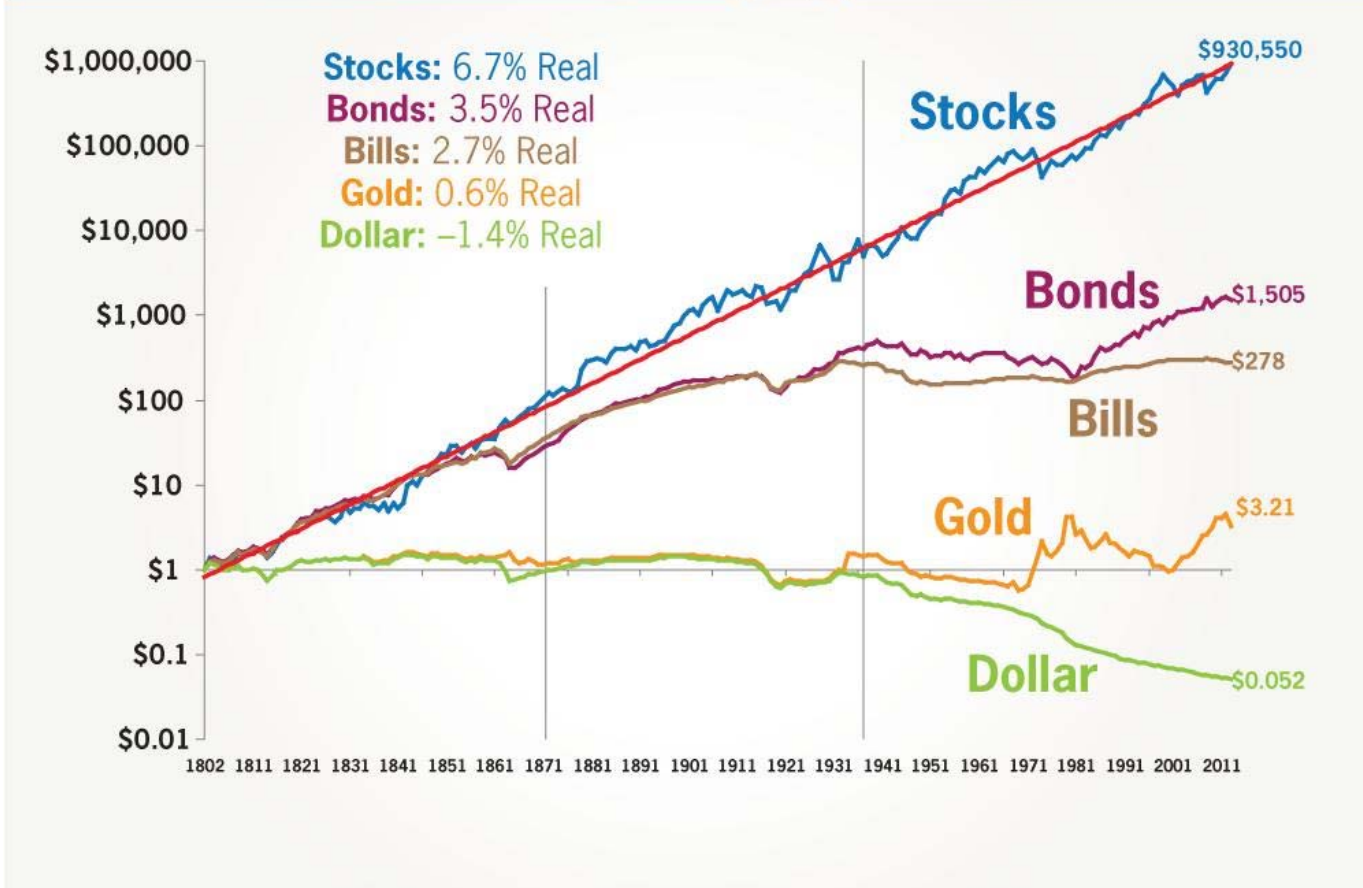
This is all we can know and understand. If this worries you, remember that's what you pay us for.



Understanding the Historical Return of Different Asset Classes-a 200 year retrospective!

**Total Real Return Indexes**  
January 1802 – December 2013

Past performance is not indicative of future results.



(From AAI)-“real returns are after inflation.



BUT, after looking at the chart above, realize that time is compressed on it. Two hundred years in a few inches. From author Ben Carlson:

*I used monthly total returns on stocks for these numbers and found that an investor would have been down from a prior peak over 70% of the time. The majority of your time invested in stocks could be spent thinking about how you coulda, shoulda, woulda sold at that previous high price (which of course gets taken out to the upside eventually).*

Here's the further breakdown by the size of the loss:

**S&P 500: 1927-2016**

Drawdowns	% of the Time
5% to 10%	12.8%
10% to 20%	13.1%
20% or Worse	23.1%

\*Monthly Total Returns

*Over the last 90 years or so the market have been in a bear market almost one-quarter of the time. Half the time you're down 5% or worse. It's difficult to appreciate this fact when looking at a long-term log scale stock chart that seems to only go up and to the right.*

*This is why stocks are constantly playing mind games with us. They generally go up but not every day, week, month or year.*

*No one can predict what the future returns will be in the market. No one knows what the future holds for economic growth. And we certainly can't predict how investors will decide to price corporate cash flows at any given point in time out into the future.*

*But predicting future risk is fairly easy — markets will continue to fluctuate and experience losses on a regular basis. As an investor in stocks you will spend a lot of time second-guessing yourself because your portfolio has fallen in value from a previously seen higher level.*



*In a sense risk is easier to predict than returns.*

*Market losses are the one constant that don't change over time — get used to it.*

Source:

[180 Years of Market Drawdowns](#)

Steve here again. The message is that it is *normal and expected* that sooner or later we will see lower prices and therefore lower portfolio values. But the *long term* nature of stocks is to go up (see chart above), and *no one knows when and how far prices will change*. Whatever money we all have in the stock market is there to capitalize on the long term returns over inflation.



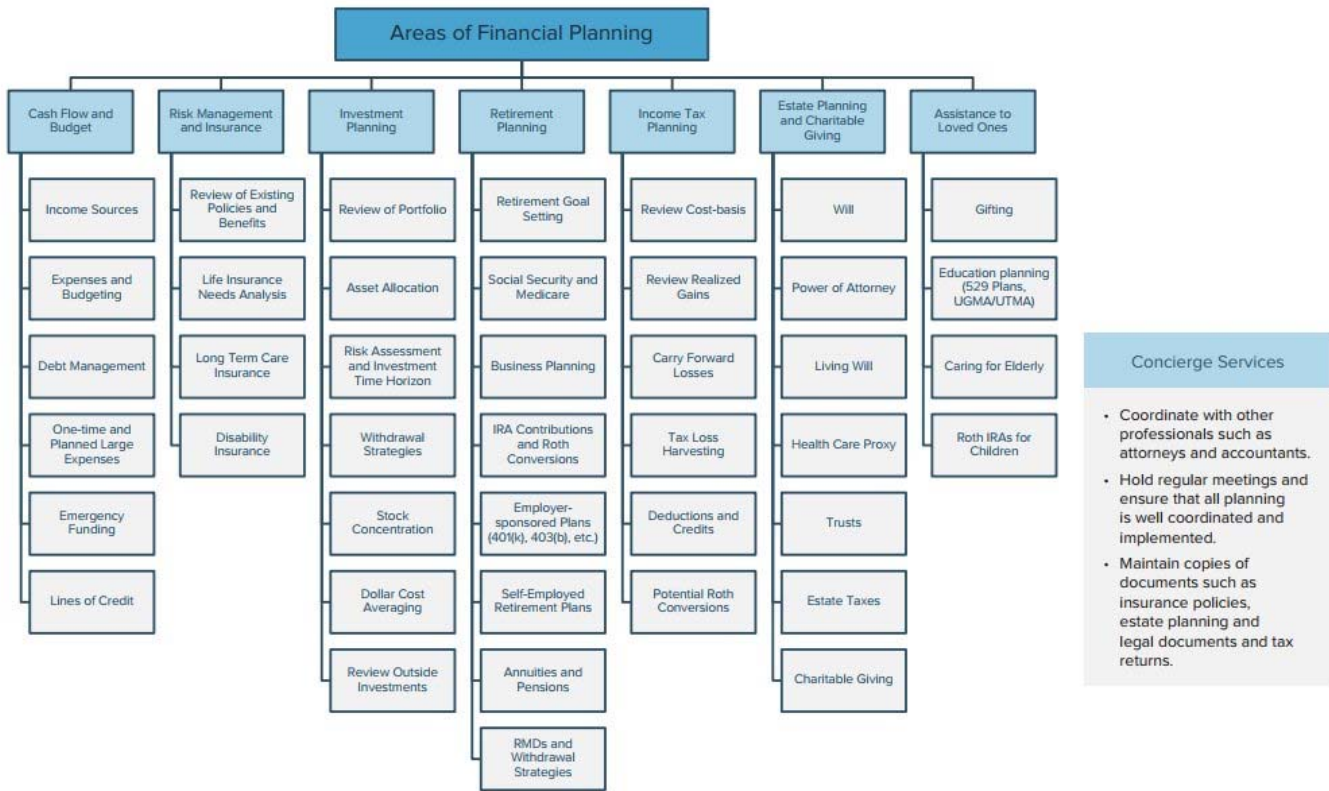
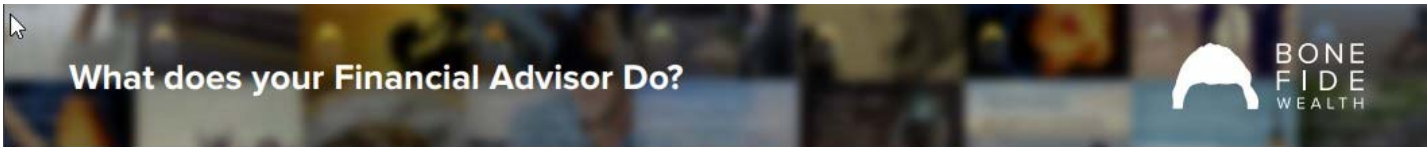
## **Annual Gift Exclusion Increases**

The IRS allows any individual the right to gift up to \$15,000 per year (up from \$14,000 in 2017) to any individual without any paperwork or taxes on either side. A couple can gift any individual twice that amount with a simple tax form (but no tax due). Gifts over this amount are supposed to be recorded with a gift tax return that keeps track of your life time giving in order to make an adjustment on what you are allowed to leave non spousal heirs at your death (currently 11 million dollars a person, but it changes every few years). If you have gift questions, please ask us about some “practical” implications.



## What Does A Financial Planner Do?

## Are you taking advantage of what Wealth Care LLC offers?



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 Securities and advisory services offered through Commonwealth Financial Network®, member FINRA/SIPC, a Registered Investment Adviser. Fixed Insurance products and services offered through CES Insurance Agency.

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## New Tax Law

Here are the new brackets-a little lower for most people.

TAX BRACKETS FOR INDIVIDUALS AND MARRIED FILING JOINTLY	
Individual	
Not over \$9,525	10% of the taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of the excess over \$9,525
Over \$38,700 but not over \$82,500	\$4,453.50 plus 22% of the excess over \$38,700
Over \$82,500 but not over \$157,500	\$14,089.50 plus 24% of the excess over \$82,500
Over \$157,500 but not over \$200,000	\$32,089.50 plus 32% of the excess over \$157,500
Over \$200,000 but not over \$500,000	\$45,689.50 plus 35% of the excess over \$200,000
Over \$500,000	\$150,689.50 plus 37% of the excess over \$500,000
Married Filing Jointly	
Not over \$19,050	10% of the taxable income
Over \$19,050 but not over \$77,400	\$1,905 plus 12% of the excess over \$19,050
Over \$77,400 but not over \$165,000	\$8,907 plus 22% of the excess over \$77,400
Over \$165,000 but not over \$315,000	\$28,179 plus 24% of the excess over \$165,000
Over \$315,000 but not over \$400,000	\$64,179 plus 32% of the excess over \$315,000
Over \$400,000 but not over \$600,000	\$91,379 plus 35% of the excess over \$400,000
Over \$600,000	\$161,379 plus 37% of the excess over \$600,000

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Source: Joint Explanatory Statement of the Committee of Conference regarding the Tax Cuts and Jobs Act (Dec. 16, 2017)

Taxes will be simpler for many families also, as they will elect the 24K standard deduction instead of itemizing the following on Schedule A:

- mortgage interest on up to 750K in debt (on mortgages after 12/31/2018)
- state and local income taxes/sales taxes/property taxes but all combined and limited to 10K
- medical expenses in excess of 7.5% of gross income and

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- charitable donations

Some of you may get a benefit from part of your income being taxed at lower corporate rates, and we are working on figuring out just who is to be lucky on that.

## Miscellaneous

I use this credit card (Chase Business Ink Preferred) for free cell phone insurance

[https://thepointsguy.com/guide/credit-cards-with-phone-protection/?utm\\_source=TWITTER&utm\\_medium=social&utm\\_term=Editorial&utm\\_campaign=TWITTER-100000094523895](https://thepointsguy.com/guide/credit-cards-with-phone-protection/?utm_source=TWITTER&utm_medium=social&utm_term=Editorial&utm_campaign=TWITTER-100000094523895)

## Good Advice

Make Yourself Useful:

I forget where I read this, but someone did a post about how the best career advice you could give a young kid starting out is for them to identify a senior person's pain point and offer to take that work away from them. Not only is it perhaps the single best piece of career advice I've ever heard, but it's applicable to everyone at pretty much every level, not just someone coming out of school.

Figure out what portion of daily drudgery people need to have out of their lives and offer to take it off their plate. This can be boiled down to "Make yourself useful," which is the first thing my wife says to me when I open my eyes on Saturday mornings.

I would venture to guess that some of the most successful people working in businesses owned by others began this way. "Tell me what you need done, I'll make it my daily mission to do it for you, freeing up your time for bigger things." Say that to your superior or to the boss herself and just watch what happens – for both of you.

-Josh Brown



## Spectacular film on lightning

<https://petapixel.com/2017/12/04/epic-4k-film-captures-beauty-lightning-1000fps/>

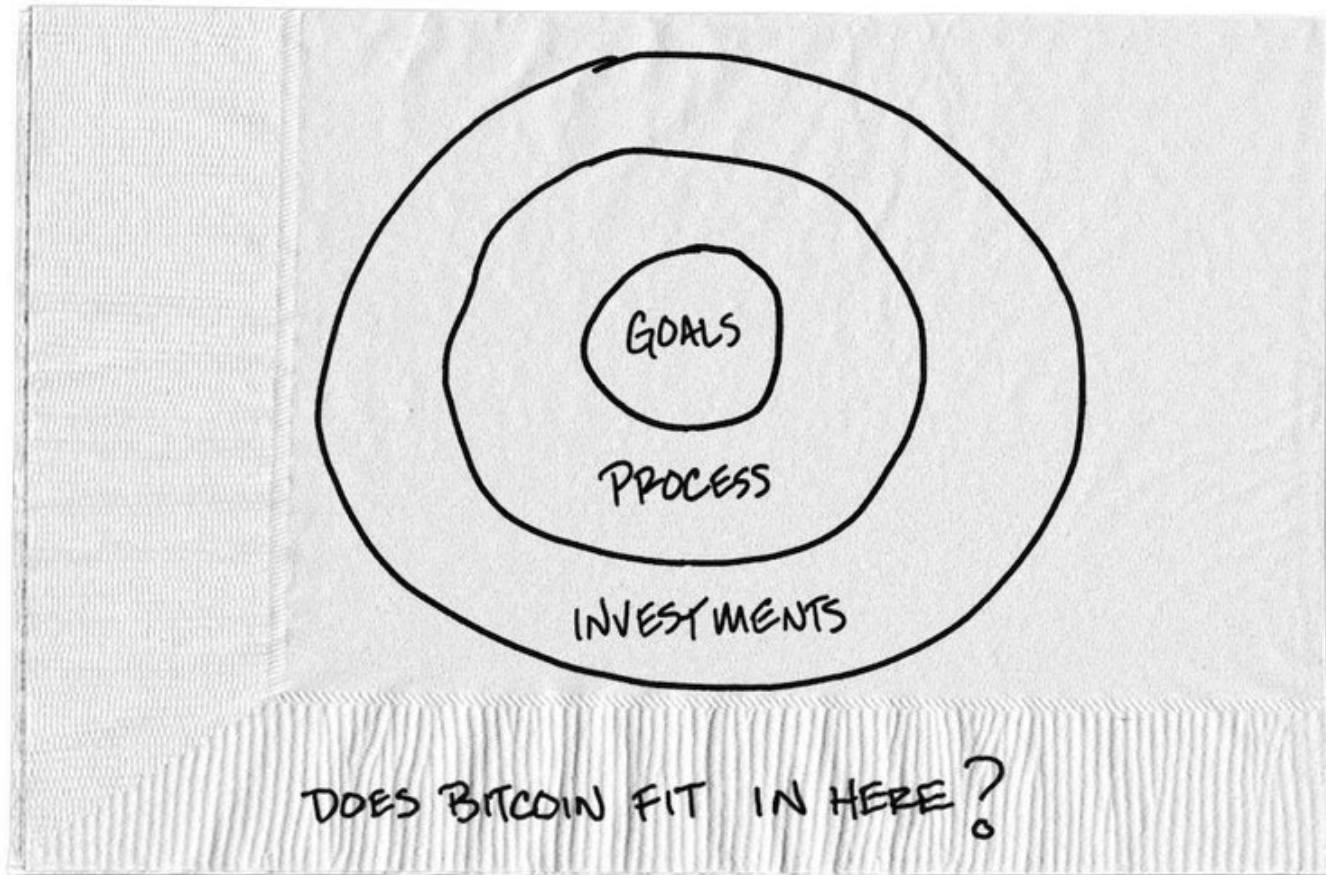
## Random Notes

“Knowing what you don’t know is more useful than being brilliant.” -Charlie Munger

“Diplomacy is the art of telling people to go to hell in such a way that they ask for directions.” - Winston Churchill

Picking superior investments is a crowded trade. Saving more is an easy win. -Jonathan Clements





-Carl Richards

**Steven Podnos MD CFP® for Wealth Care LLC 2-1-2018**