



Wealth Care LLC October 2020 Commentary

Investment Thoughts

The Election and Taxes

It is premature to act on possible election results as the outcome is unclear. It is also fact that markets usually do well in the first year of any Presidential election, regardless of the outcome. We are intensively reading and studying the best options for portfolios and taxes and will be ready with recommendations in November.



Returns During Republican and Democrat Unified Government Control

94 Years (1/1/1926 - 12/31/2019)

14.52%

Unified* Republican
(13 Years)



14.52%

Unified* Democrat
(34 Years)



S&P 500 Index Annual Average Return

*Unified government means that the Presidency, the House of Representatives and the Senate are all controlled by a single party.
| Source: DFA Return Program. | Past performance does not guarantee future results. Performance figures may contain both live and HYPOTHETICAL back-tested data. All data, including performance data, is provided for illustrative purposes only, it does not represent actual performance of any client portfolio or account and it should not be interpreted as an indication of such performance. The S&P 500 Index is an unmanaged float-adjusted market capitalization-weighted index composed of the 500 most widely held, publicly traded companies, whose assets and/or revenues are based in the US. The inclusion of information within charts and graphs relating to the S&P 500 Index is for informational purposes and shown as a comparison to other indexes, index portfolios or funds and as a general indicator of performance of large companies in the U.S. You cannot make an investment directly into an index. © 2020 Index Fund Advisors, Inc. (IFA.com)

How is the “Market” Doing?

We have five popular indexes that track the US stock market prices.

The **DOW 30** industrial index tracks 30 large US companies that change from time to time (On August 24, 2020, Salesforce, Amgen and Honeywell were added to the Dow, replacing Exxon-Mobil, Pfizer and Raytheon Technologies.) It is determined by adding the prices of the 30 stocks and then dividing it by a factor that adjusts for stock dividends and stock splits.

The **S&P 500** tracks around 500 large US stocks that are felt to represent the total US stock market. This index is proportional to market size, such that larger companies influence movements in the index price more than smaller companies can. The S&P 500 usually is a good reflection of the total US stock market as a whole (Russell 5000 below).

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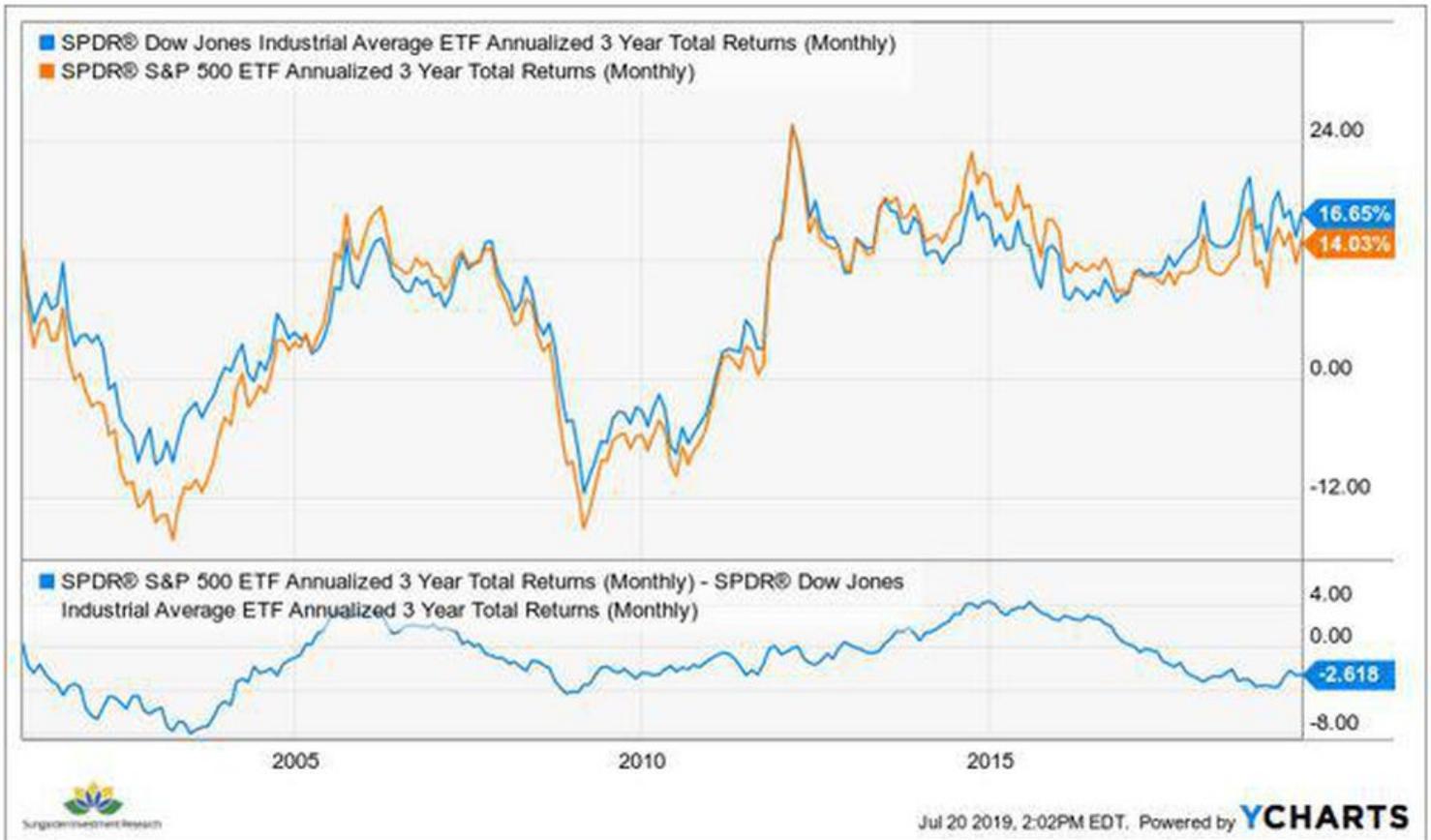


The **Nasdaq** Composite Index is a reflection of over 2500 stocks (not only in US) with a marked skew towards technology companies (over 50% of the index).

The **Russell 2000** index tracks the smallest US companies on the stock exchanges, without a technology skew.

The **Russell 3000** (and Wilshire 5000) indexes track the entire US stock market.

If we compare the price changes in the Dow 30 index to that of the S&P 500 over long periods of time, we see that they are similar but not identical.



But, over shorter periods of time the differences in the indexes can be astounding. For example, the year to date return of a perfect investment in the different indexes as of August 30, 2020 is:

Dow 30: 2%

S&P 500: 10%

Nasdaq Composite: 30%

Russell 2000: -4%

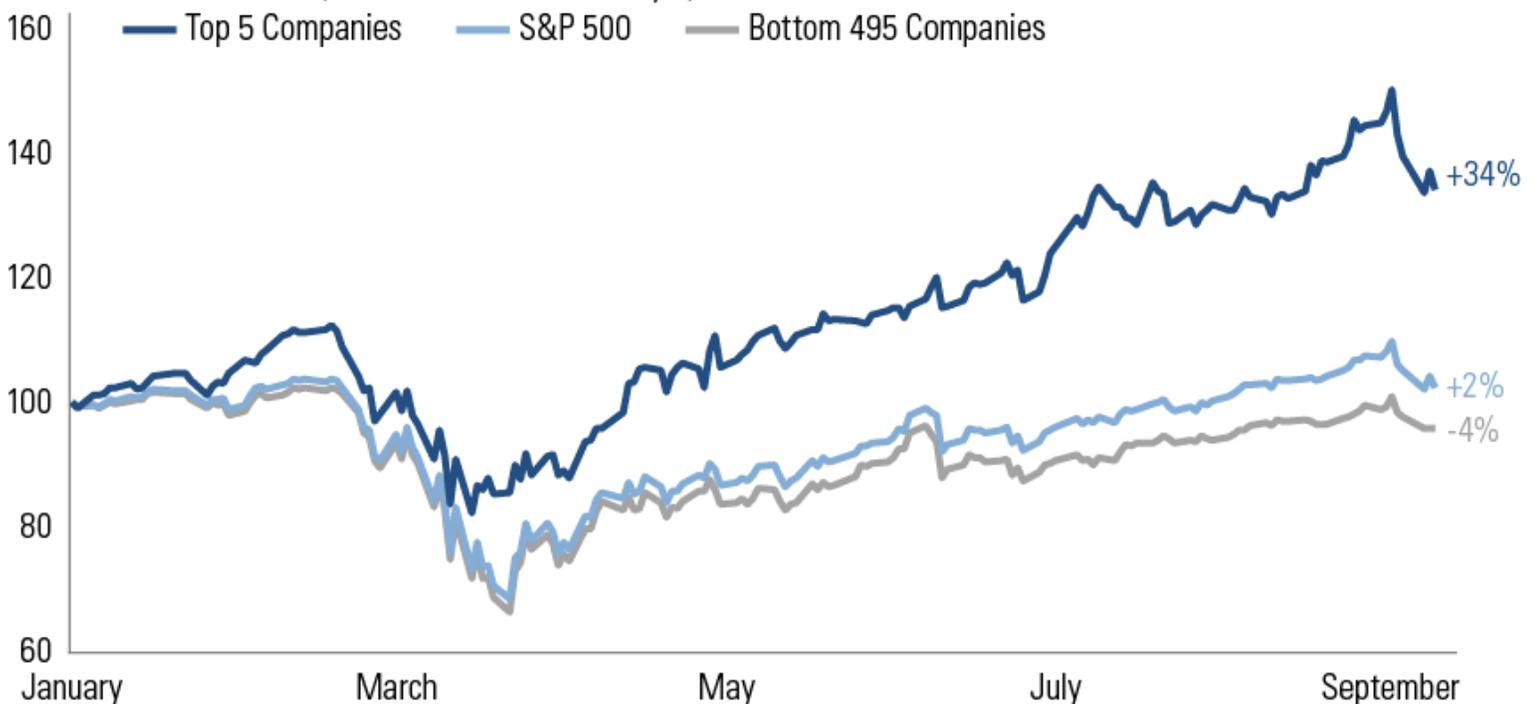
Russell 3000 8%



The point is that you must know what each index returns represent when looking at your portfolio. Also understand that the Nasdaq index has much greater volatility (both up and down) due to its concentration in smaller and technology-oriented companies.

To add to the detail, even inside a particular index, only some of its stocks might be the “movers and shakers.” The chart below shows that just five stocks have accounted for most of the upward movement in the entire S&P 500 index year to date.

2020 YTD Price Returns (Indexed at 100 on January 2)





Charitable Gift Fund Questions

We had a few questions about these accounts recently and wanted a quick review. There are two main reasons to consider having a Charitable Gift Fund. First, the fund allows you to contribute appreciated stock-and then you get the deduction for the current appreciated value of the donation without any tax consequences. Second, bunching together several years forward of expected annual contributions allows you (in most cases) to take a higher charitable deduction than you would get just directly giving each year. We are always happy to discuss further!

Are US Stocks Overvalued?



FRED

◆ Wilshire 5000 Total Market Full Cap Index, Q4 2007=100/Gross Domestic Product, Q4 2007=100



Sources: U.S. Bureau of Economic Analysis, Wilshire Associates

fred.stlouisfed.org

The chart above compares the market value of most of the US stock market compared to the Gross Domestic Product of the US economy. It suggests that stock prices are approaching an all-time high valuation. However, the stock market is large-and some asset classes are looking quite different in valuation. As noted in the prior section-technology stocks (as represented by the Nasdaq composite) were up in price 30% as of late August, but small stocks in general lost money. If previous cycles recur (and they always have so far), we expect that price performance to reverse in the future.

Miscellaneous

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Statistics 101:



Remarkable

I was thinking about the pandemic in the early months (March through June). It was remarkable how well our supply systems worked in the US. The only significant shortages nationally were of some disinfectants and of course, toilet paper. That is remarkable! Plenty of food, plenty of gasoline, and everything else needed to live our normal lives otherwise.

Sim Card Hacking

There are increasing reports of hackers attacking your mobile phones. This article details the problem and offers some security measures to take.

https://www.vice.com/en_us/article/zm8a9y/how-to-protect-yourself-from-sim-swapping-hacks

Amazing Video

Fetal neurons growing and making connections with each other

<https://www.youtube.com/watch?v=hb7tjqhfDus>

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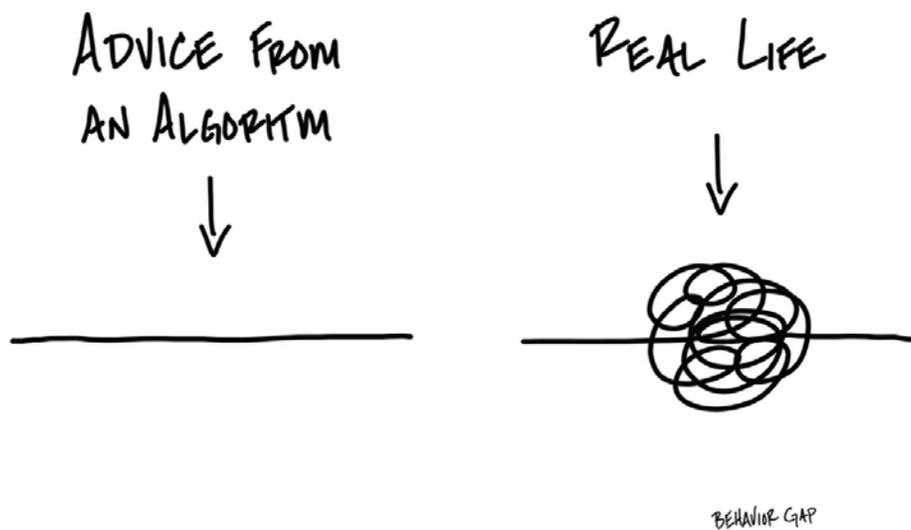
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Random Notes

Everyone wants to buy a dip until they are experiencing one.-@wealththeory



When you die you take absolutely nothing with you except your reputation.

You really don't want to be famous. Read the biography of any famous person.

The Wealth Care LLC Team 10-1-2020