



## Wealth Care LLC April 2019 Commentary

### Investment Thoughts

Overall, the US economy looks good. We have high corporate profits, extremely low unemployment, yet surprisingly low inflation (at least officially). The Federal Reserve raised interest rates four times in 2018, but has now backed off on being committed to future increases. US interest rates are actually high compared to most of the developed world as well. Given all the above, a decent year of returns in our stock investments seems reasonable to assume, but as we have discussed many times before-the stock market can be volatile. Measuring performance by a calendar year is also misleading-we can see gains in 2019 already of around 10%, but if you “start” counting in early 2018, all we’ve done is to recover the price decreases that happened in the latter part of that year.

It was exactly ten years ago that the US stock market hit its low during the great recession of 2008-9. Since then, the broad averages have *quadrupled*. It is very important to realize that this keeps happening over and over in the stock market. Just when prices get scarily low-we have the most opportunity for gains in the future. We had one of the worst quarters for stock market prices in over fifty years in late 2018, then followed by one of the best quarters in a decade over the last three months. If you had anxiety or unhappiness in late 2018 looking at your portfolio-this is all a reminder not to watch so closely.

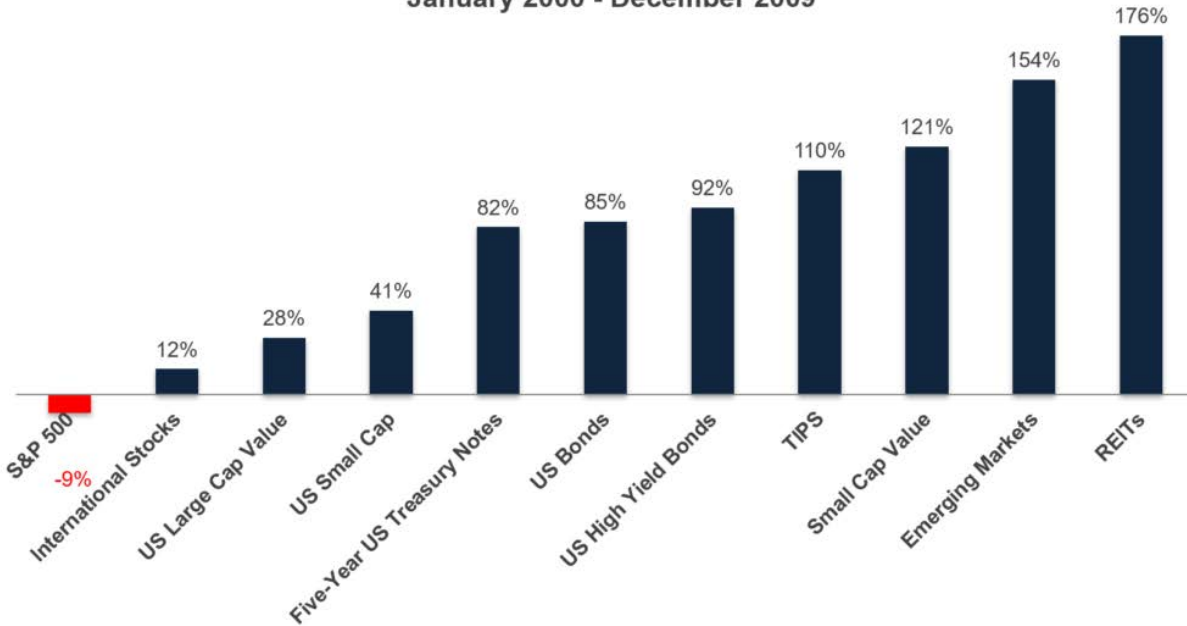


Another thing to remember is that market performance goes in cycles. The first decade of the 21<sup>st</sup> century was not good for US stocks. See the chart below:



## “The Lost Decade”

January 2000 - December 2009



So the first ten years of the century belonged to Emerging Markets and REITs, the second decade all to US stocks in general. What about the next ten years? (hint, it is the reason we keep foreign stocks in your and our portfolios).



## Miscellaneous

### How Long Will You Live?

#### Life expectancy probabilities

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Retirement landscape

If you're 65 today, the probability of living to a specific age or beyond

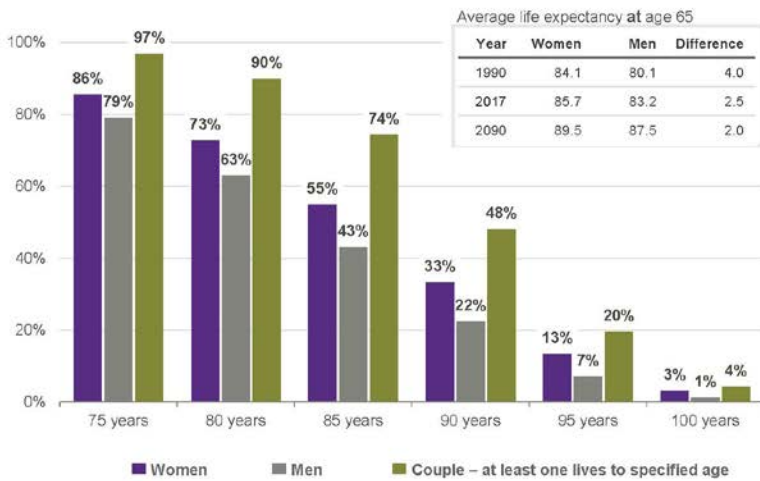


Chart: Social Security Administration, Period Life Table, 2015 (published in 2018), J.P. Morgan Asset Management.  
Table: Social Security Administration 2018 CASDI Trustees Report

4 Probability at least one member of a same-sex female couple lives to age 90 is 55% and a same-sex male couple is 40%.

In our planning process with you, we figure in that you might live longer than expected. It is amazing how much change there has been in the last few decades. The chart above is even misleading in that if you are middle class or higher, your life expectancy is even longer.



## Work is Changing

In 1870, 46% of jobs were in agriculture, and 35% were in crafts or manufacturing, according to economist Robert Gordon.

Few professions relied on a worker's brain. You didn't think; you labored, without interruption, and your work was visible and tangible.

Today, that's flipped. Thirty-eight percent of jobs are now designated as "managers, officials, and professionals." These are decision-making jobs. Another 41% are service jobs that often rely on your thoughts as much as your actions.

Source: *Morgan Housel*

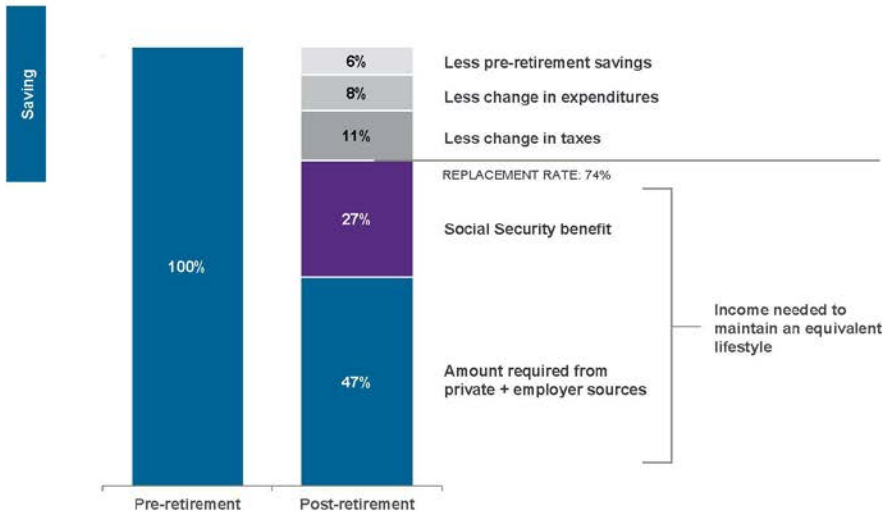
## Income Needs in Retirement

It is likely that living the same lifestyle in retirement will cost less-as we don't have several expenses that we did have during our working years. These include saving for retirement, usually lower taxes, often less cost for disability and/or life insurance and more. This assumes the same lifestyle, and does not account for a "richer" travel life or unexpected health care expenses.



**Income replacement rate methodology**

Hypothetical example based on gross annual household income of \$150,000



**ESTIMATING RETIREMENT LIFESTYLE NEEDS**

Less income may be needed in retirement to maintain an equivalent lifestyle due to no longer needing to save, lower spending in certain categories and lower income taxes.

Source: J.P. Morgan Asset Management analysis, 2019. Household income replacement rates are derived from an inflation-adjusted analysis of Consumer Expenditure Survey (BLS) data (2013-2016); Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums. The income replacement needs may be lower for households in which both spouses are working and the second spouse's individual benefits are greater than their spousal benefit. Single household income replacement needs may vary as spending is typically less than a two-spouse household; however, the loss of the Social Security spousal benefit may offset the spending reduction. Percentages and values may not sum due to rounding.

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**J.P.Morgan**  
Asset Management

It took 50 years after the invention of canned food for someone to invent the can opener. And we put a man on the moon before we put wheels on suitcases.

*How is that possible?*

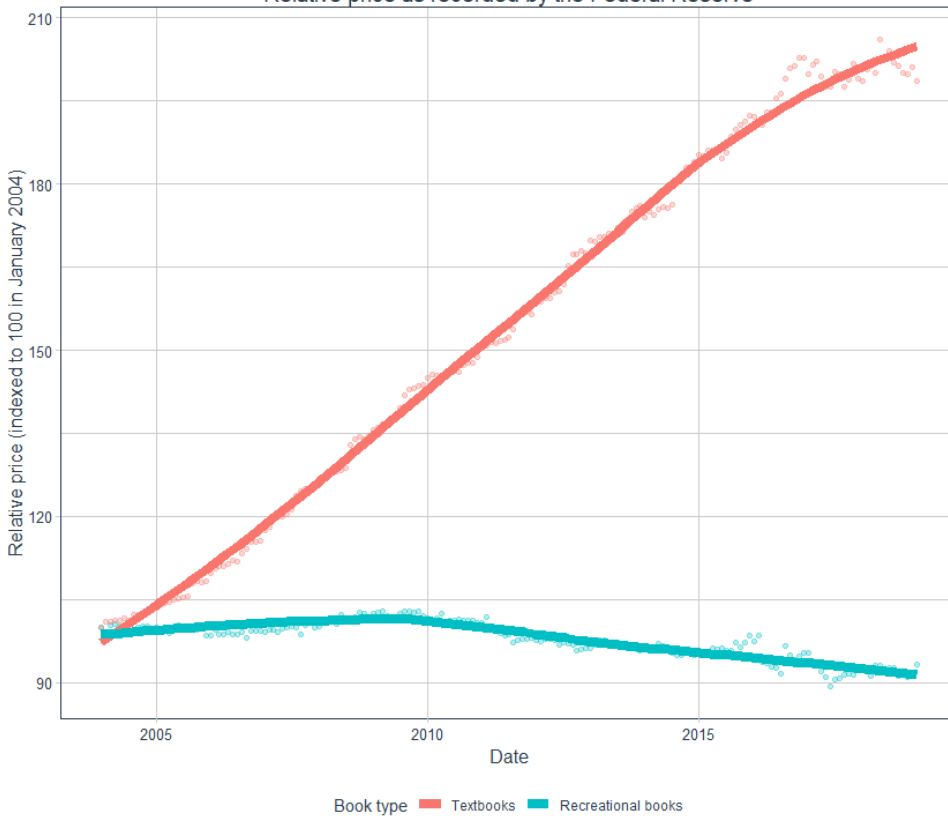
The can opener had to wait for thinner cans: early tins were too hefty to submit to anything less than a chisel. In the case of wheeled luggage, the barrier may have been social acceptance. Luckily Robert Plath, who patented the two-wheeled Rollaboard in 1991, was a Boeing 747 pilot with Northwest Airlines, who began selling his invention to other pilots and crew. When passengers began asking to buy them, he started the Travelpro company.

Source: Rory Sutherland



## Why College Costs So Much

Price changes in textbooks versus recreational books, 2004-2019  
Relative price as recorded by the Federal Reserve



Created by TrueBirch using data from fred.stlouisfed.org

## Great prices on pharmaceuticals

Check out GoodRX.com You enter your drug prescription info and it spits out prices a several places with coupon discounts. I tried several and find impressively low prices.



## Great Place to Buy TV/Audio

I have been very pleased with several TV and stereo purchases at Crutchfield.com. Their prices generally match Amazon and they have advisors that will talk to you for quite a while and help you make choices based on your needs and interests. I had trouble figuring out an issue on a new TV and their advisor stayed on the phone with me for over an hour trying to help fix the issue.

## Random Notes

I made my money the old-fashioned way. I was very nice to a wealthy relative right before he died. --Malcolm Forbes

I have not failed. I've just found 10,000 ways that won't work. --Thomas A. Edison

The Stock Market is designed to transfer money from the Active to the Patient. --Warren Buffett

A day without sunshine is like, well... night.

## Steven Podnos MD CFP® for Wealth Care LLC 4-1-2019