Wealth Care LLC August 2023 Commentary

Investment Thoughts

At Wealth Care LLC, we can get a feel for what the main stream financial media is talking about by the kind of questions/concerns we get from the families we work with. In the last couple of months, the majority of questions were along the lines of "it looks like we are going to have a recession, and what are you guys thinking about modifying our portfolio due to that?"

Our answer was that true recessions affect stock market returns imperceptibly over the long term, and that we cannot time the markets. We also would note that many more recessions are predicted than actually occur. Finally, we had a hard time thinking a recession would occur as we drive around towns with a hiring sign every few hundred feet.

Interestingly, what we did not get questions about were things like "why did the S&P 500 go up 18% since January 1st (as of July 23) in the setting of increasing interest rates and recession talk?"

Look at market returns since the lows of October 2022:

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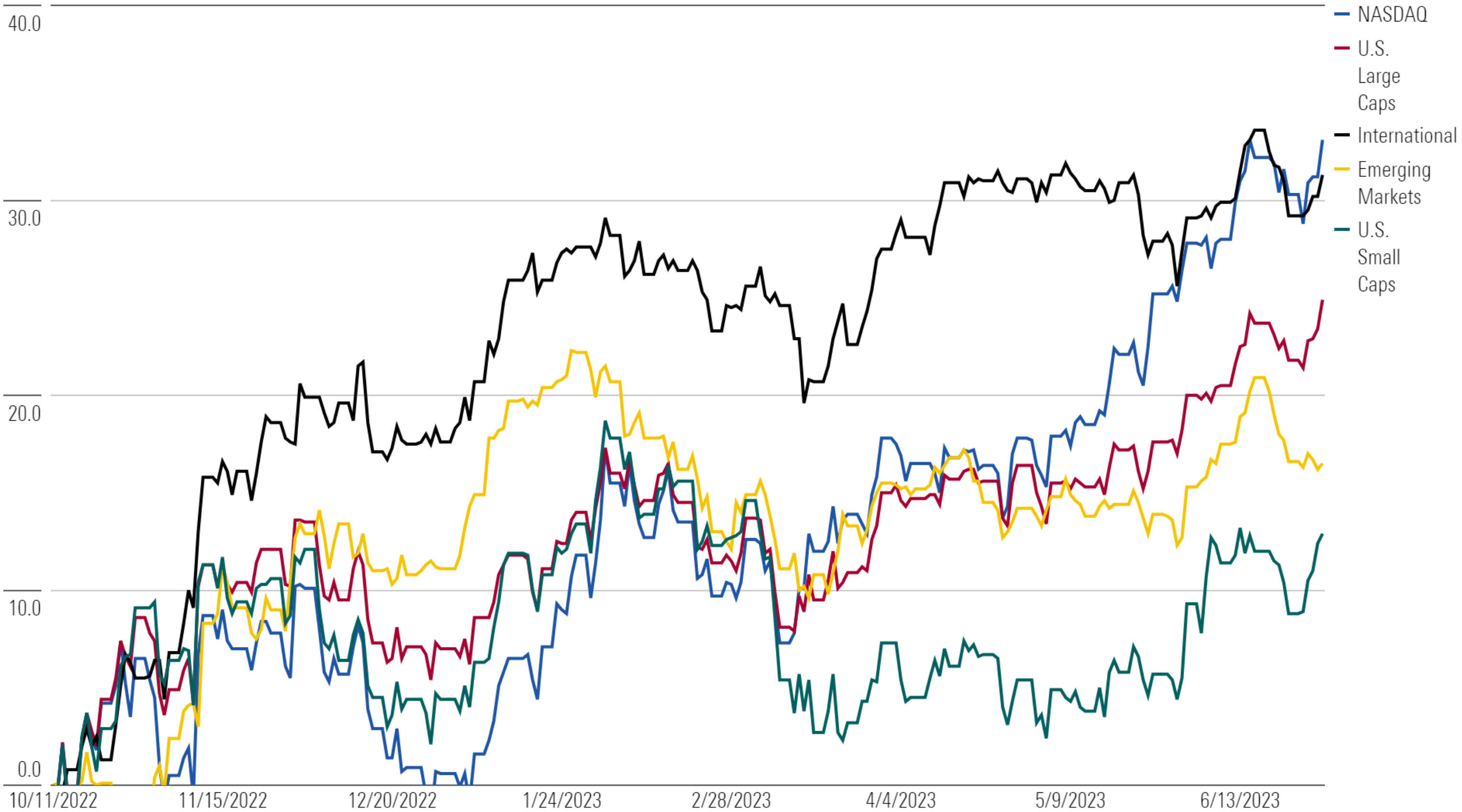

Who was predicting excellent returns a few months ago (answer: no one). The repeated lesson is that no one can predict short to intermediate stock market returns and being out of the market can have significant cost to your wealth in the long run.

The Superiority of Stock Market Returns

This is a great chart/table to review. Look at the last five years of return (to mid year)-despite the massive drop in prices in the Covid Spring of 2020 and then the bear market just last year.

US stocks continued their very long excellent return that exceeded taxes and inflation. International stocks were hohum as they have been for a decade (but we think that may change). Bonds, cash, and commodities lost you signficant money after inflation. Nothing new here, just a reminder of asset class returns.

Asset Class	Proxy	June	Year to Date	Last 12 Months	Last 5 Years Annualized
US Stocks	VTSAX	6.84%	16.17%	18.92%	11.30%
US Value Stocks	VVIAX	6.13%	2.53%	10.82%	9.34%
US Growth Stocks	VIGAX	7.01%	33.20%	27.97%	14.49%
US Small Value Stocks	VSIAX	9.51%	5.31%	13.00%	6.24%
US Small Growth Stocks	VSGAX	7.69%	14.90%	17.44%	6.10%
US REITs	VGSLX	5.57%	3.47%	-3.94%	4.39%
US Microcap Stocks	BRSIX	4.85%	3.41%	-0.01%	0.95%
International Stocks	VTIAX	4.41%	9.44%	12.31%	3.69%
Emerging Market Stocks	VEMAX	4.30%	4.75%	1.15%	2.09%
International Small Stocks	VFSAX	3.94%	7.94%	9.99%	1.72%
International REITs	VGRLX	1.59%	-3.49%	-8.50%	-3.59%
Long-term Bonds	VBLAX	0.78%	4.88%	-2.61%	0.70%
Short-term Bonds	VBIRX	-0.61%	1.27%	0.19%	1.10%
Treasury Bonds	VSIGX	-1.23%	1.40%	-1.89%	0.69%
Corporate Bonds	VICSX	-0.11%	3.31%	1.92%	2.03%
TIPS	VIPSX	-0.46%	1.78%	-1.91%	2.25%
Money Market Funds	VMRXX	0.42%	2.36%	3.79%	1.59%
Intl Bonds (hedged)	VTABX	-0.05%	3.71%	0.27%	0.23%
Gold	GLD	-2.22%	5.09%	5.82%	8.48%
Silver	SLV	-3.33%	-5.13%	12.07%	6.64%
Commodities	GSG	4.39%	-8.20%	-15.63%	1.71%
Bitcoin	BTC	12.39%	83.33%	60.69%	38.86%

The Cost of Fixed Income

When you buy a bond you are lending money for a time period. You are then usually receiving interest in some form and then your original investment back at the end of the term. Look what happens to the return of your initial investment with 2% and 4% inflation over time. A 20 year bond with 4% inflation returns less than ½ the value of your original investment when due.

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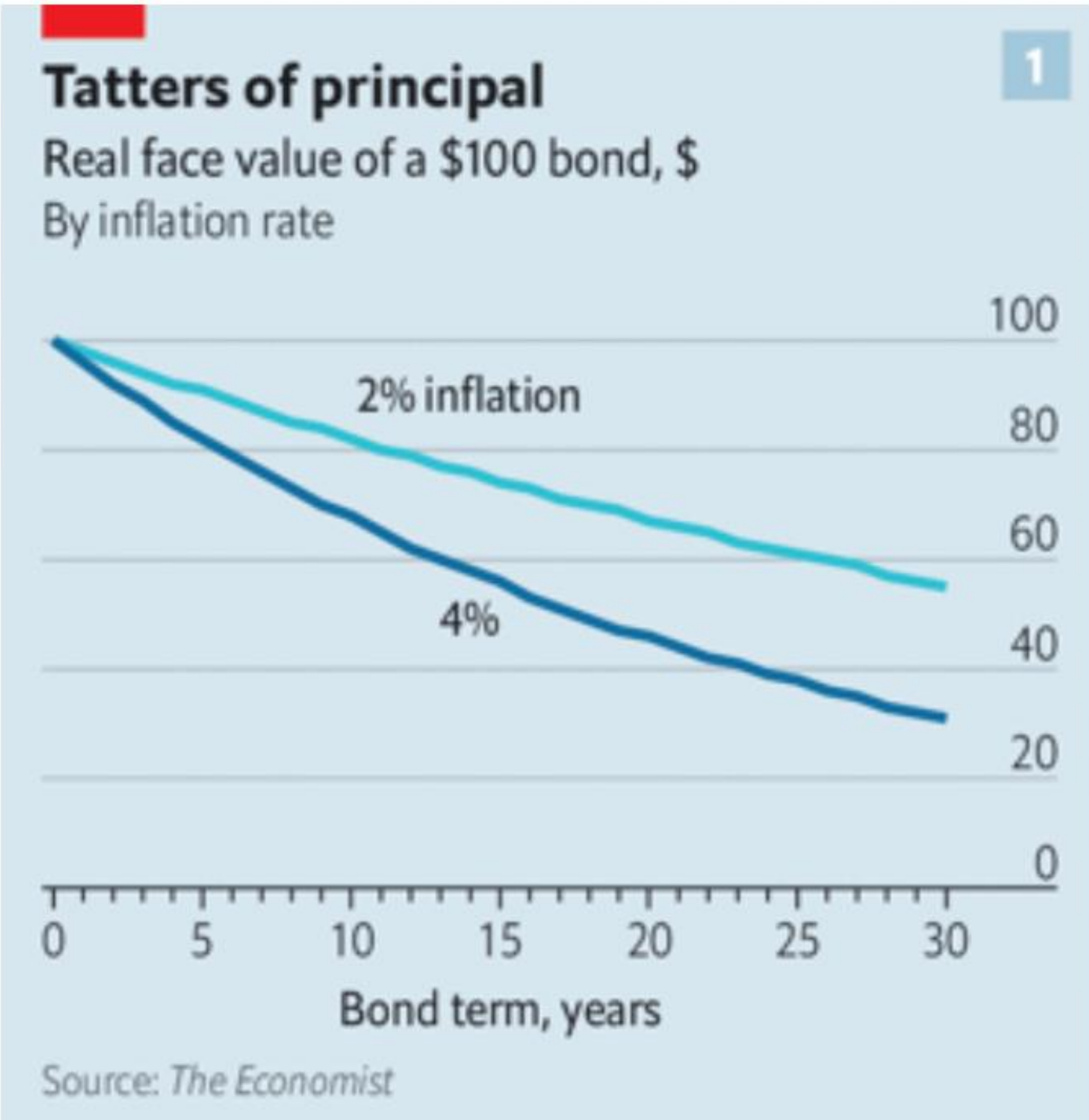
Another roll of the price



The Economist

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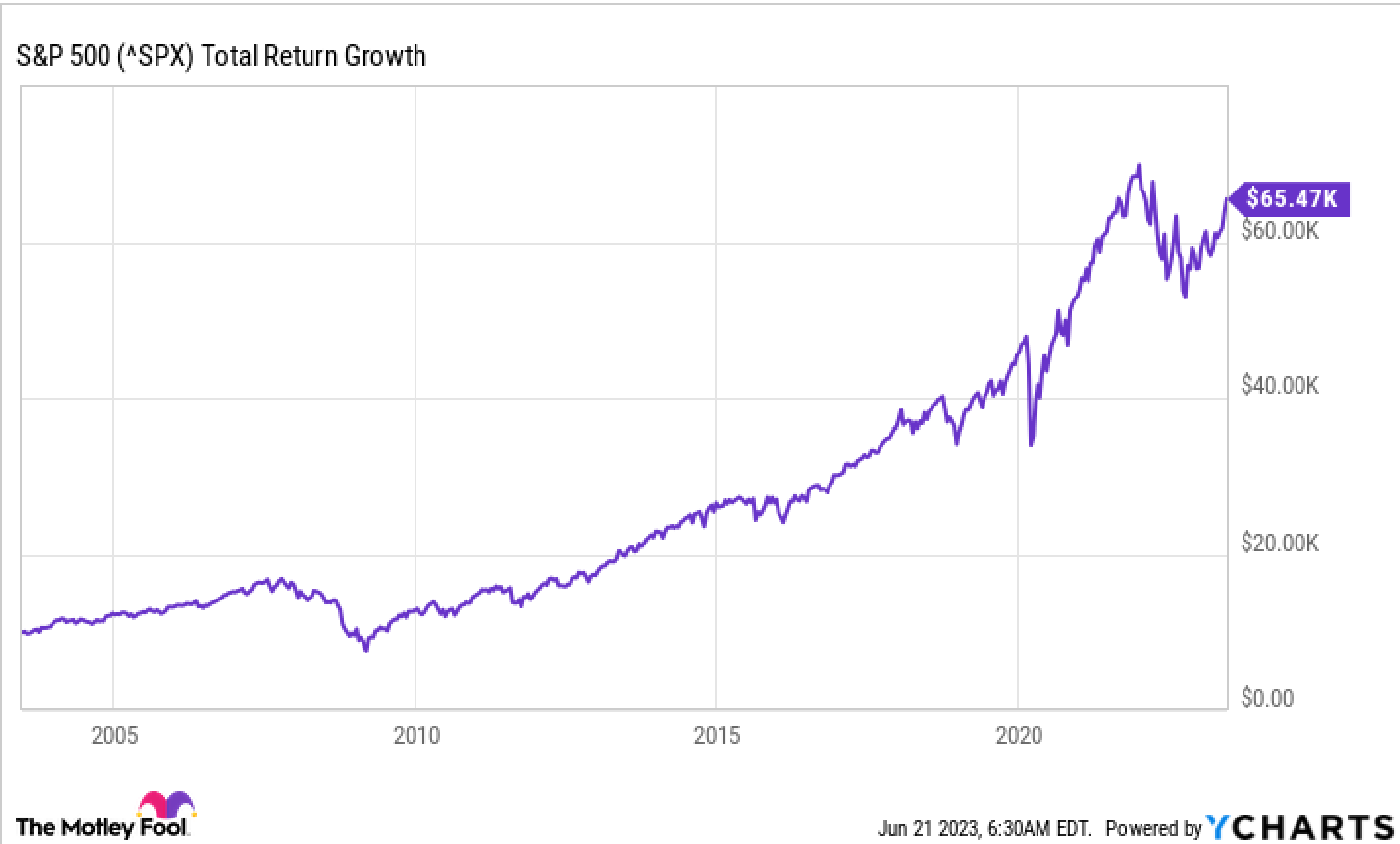
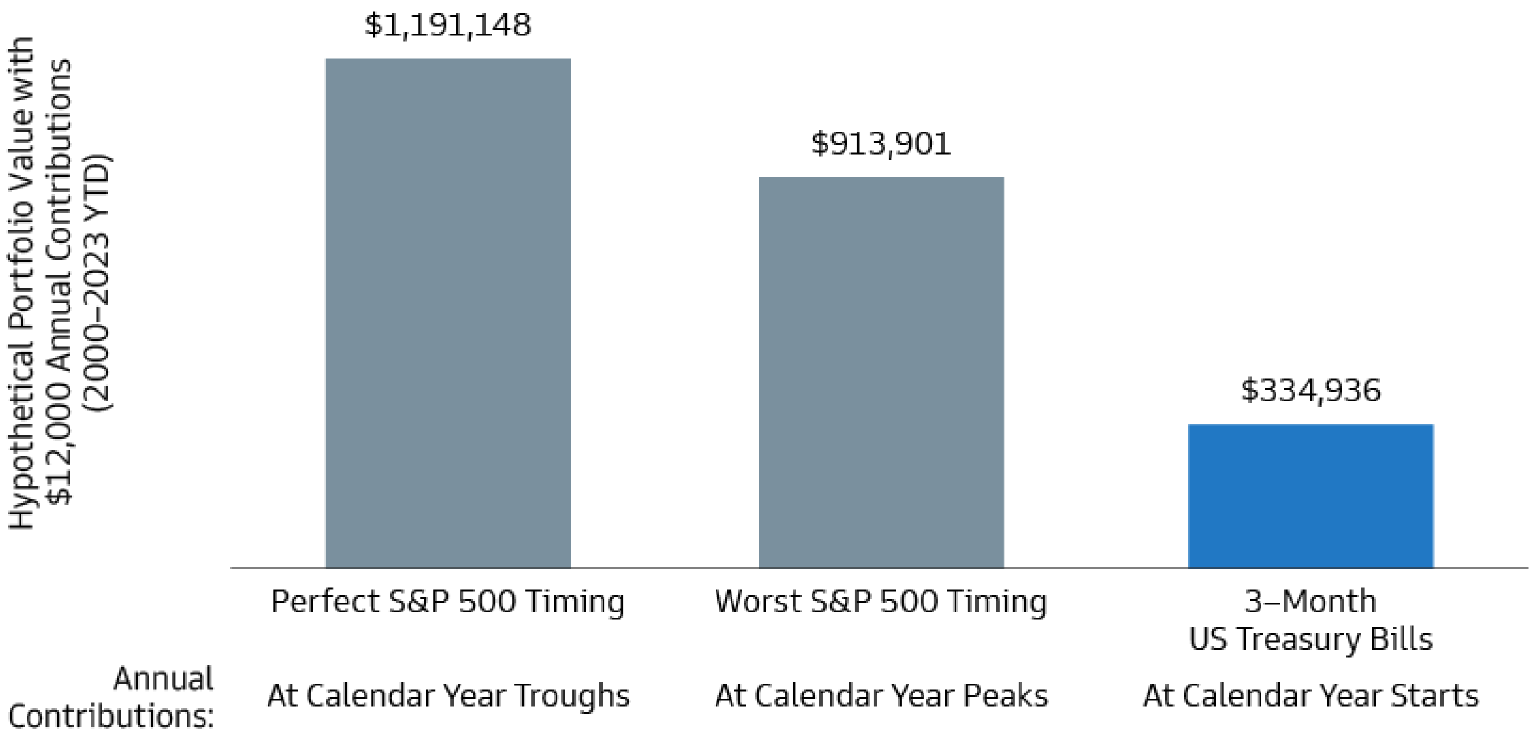
Now another look at the return of the US Stock market



Finally, in the chart below-are your returns if you bought the US stock market S&P 500 index at the cheapest day of the year, or the most expensive day of the year, and finally if you played it "safe" in Government Bonds (for the last 23 years).



What Matters More-How much you save or how well it is invested?

Of course, the answer is "it depends." In your earlier years of accumulating wealth, how much you save is the most important factor. As your savings grow due to both continued saving and with investment returns, the investment returns themselves begin to dwarf the additional savings each year. This is not a straight line as per the graph below, but is certainly what happens over time.

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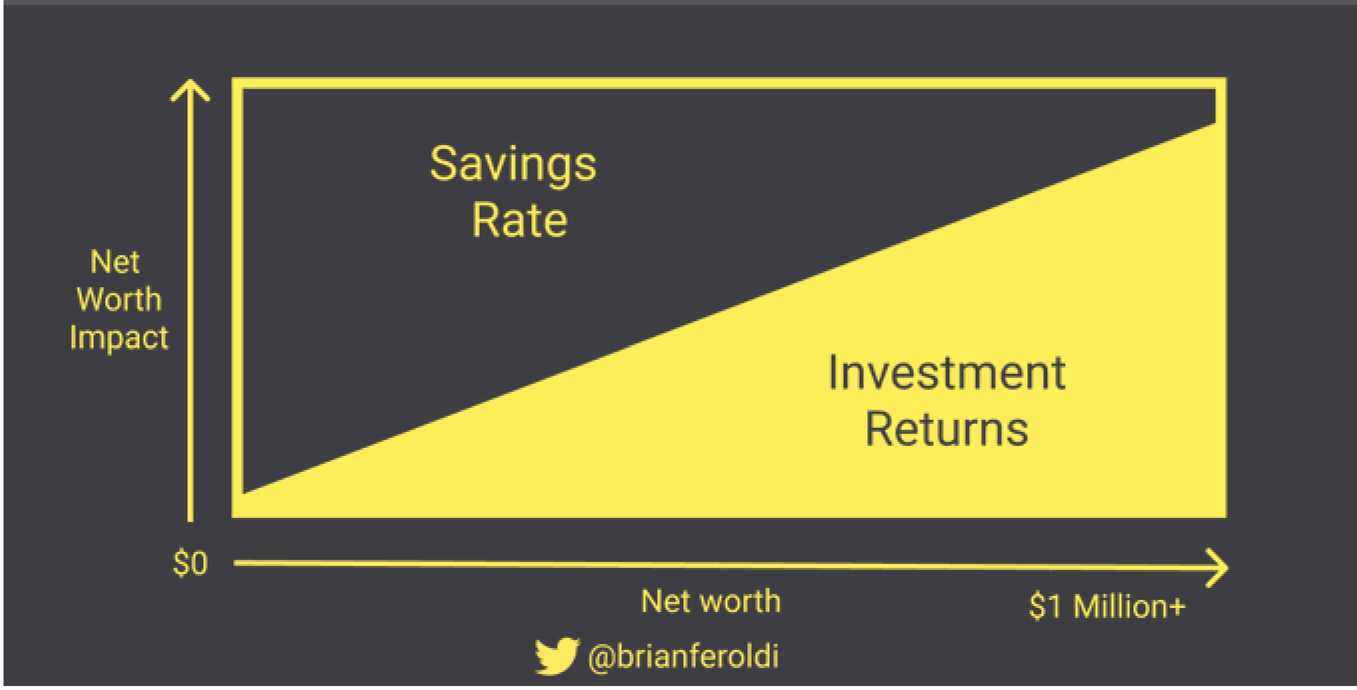

The Estate Tax May Change

Currently, anyone may leave anyone else (spouses have unlimited amounts) almost 13 million dollars without any estate tax due (Federal). At the end of 2025, this is due to drop to a little over 6 million dollars. This means a couple may leave over 25 million dollars to heirs now without tax, and this will drop to around 13 million in a couple of years. Of course, this may change yet again, but you should be aware.

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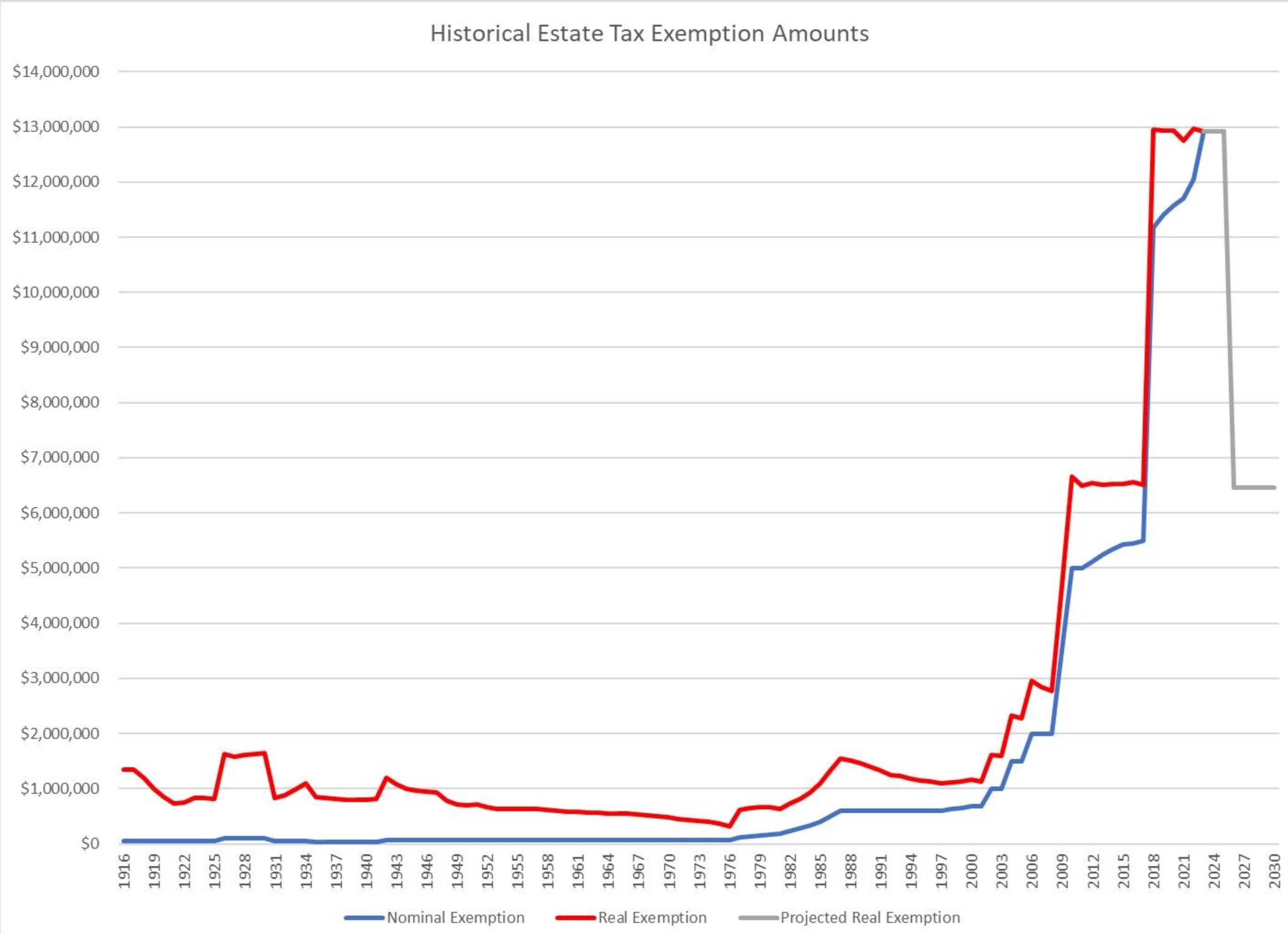

Miscellaneous

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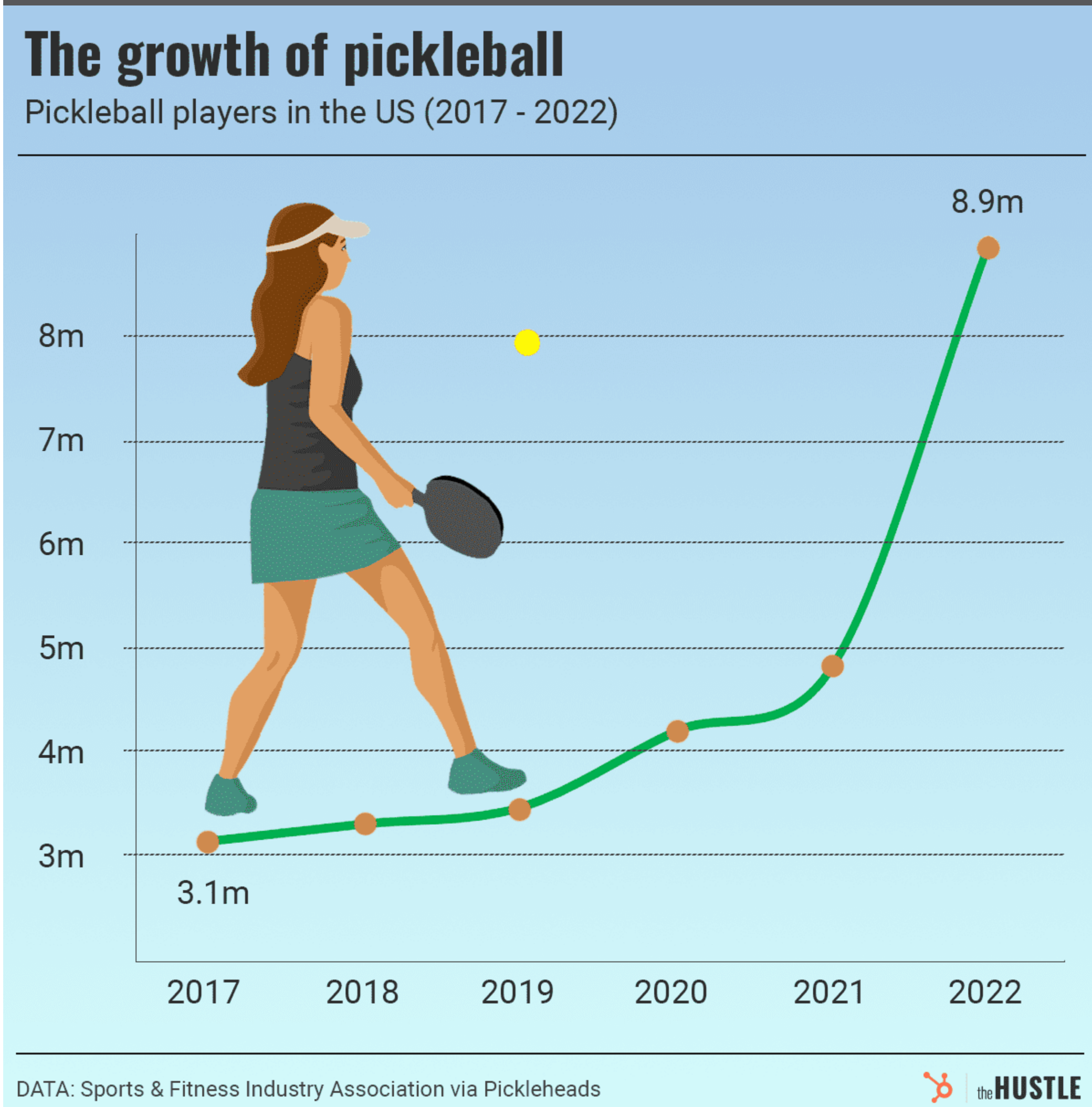

How Screen Time can keep your iPhone and iCloud accounts safe from thieves

https://www.macworld.com/article/1920786/how-screen-time-can-keep-your-iphone-and-icloud-accounts-safe-from-thieves.html

For years scientists have believed that when it comes to weight gain, all calories are created equal. But an intriguing new study, published in the journal Nature Communications, suggests that's not true. The body appears to react differently to calories ingested from high-fiber whole foods vs. ultra-processed junk foods. The reason? Cheap processed foods are more quickly absorbed in your upper gastrointestinal tract, which means more calories for your body and fewer for your gut microbiome, which is located near the end of your digestive tract. But when we eat high-fiber foods, they aren't absorbed as easily, so they make the full journey down your digestive tract to your large intestine, where the trillions of bacteria that make up your gut microbiome are waiting. By eating a fiber-rich diet, you are not just feeding yourself, but also your intestinal microbes, which, the new research shows, effectively reduces your calorie intake. *(Source: washingtonpost.com)*

Random Notes

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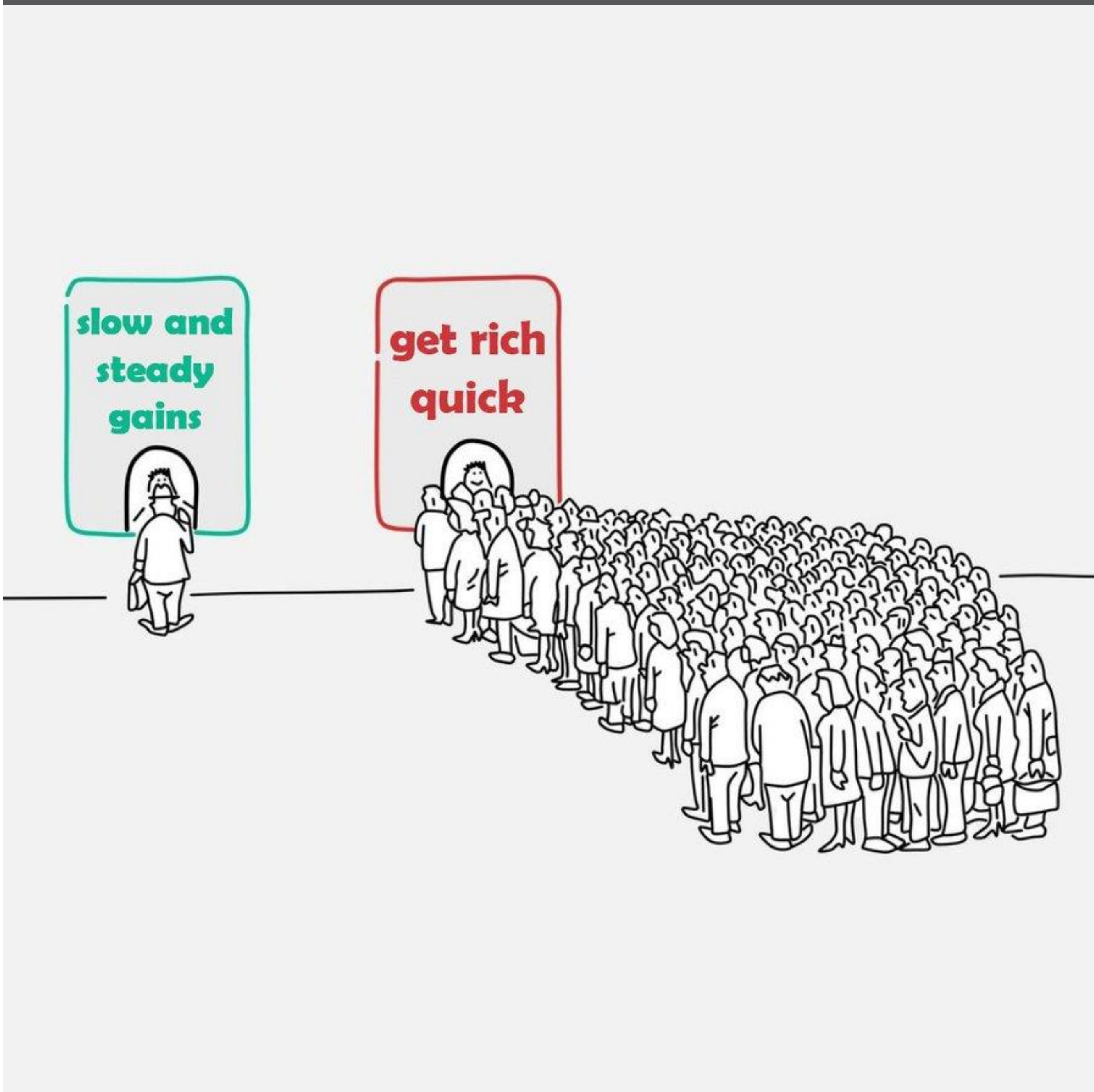

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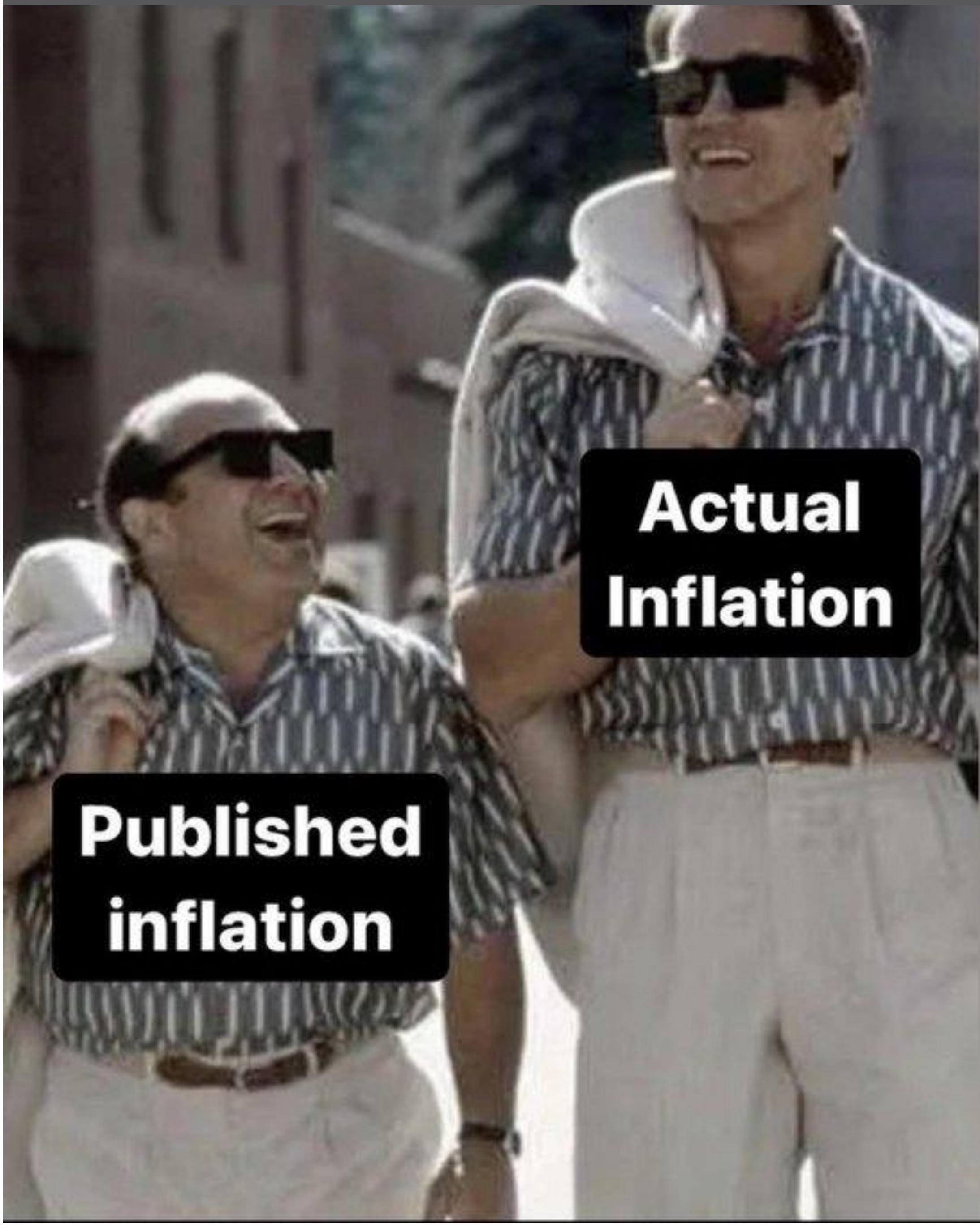

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Do the Opposite of What You Feel

One of the best pieces of advice I've received: Have at least one thing in your life that you are bad at (but love doing). Ambitious, driven people tend to do everything with some specific end in mind. It's wonderfully refreshing to do something just for the sake of doing it.-Sahil Bloom

August 1, 2023 from the Wealth Care LLC Team

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