



## Wealth Care LLC October 2023 Commentary

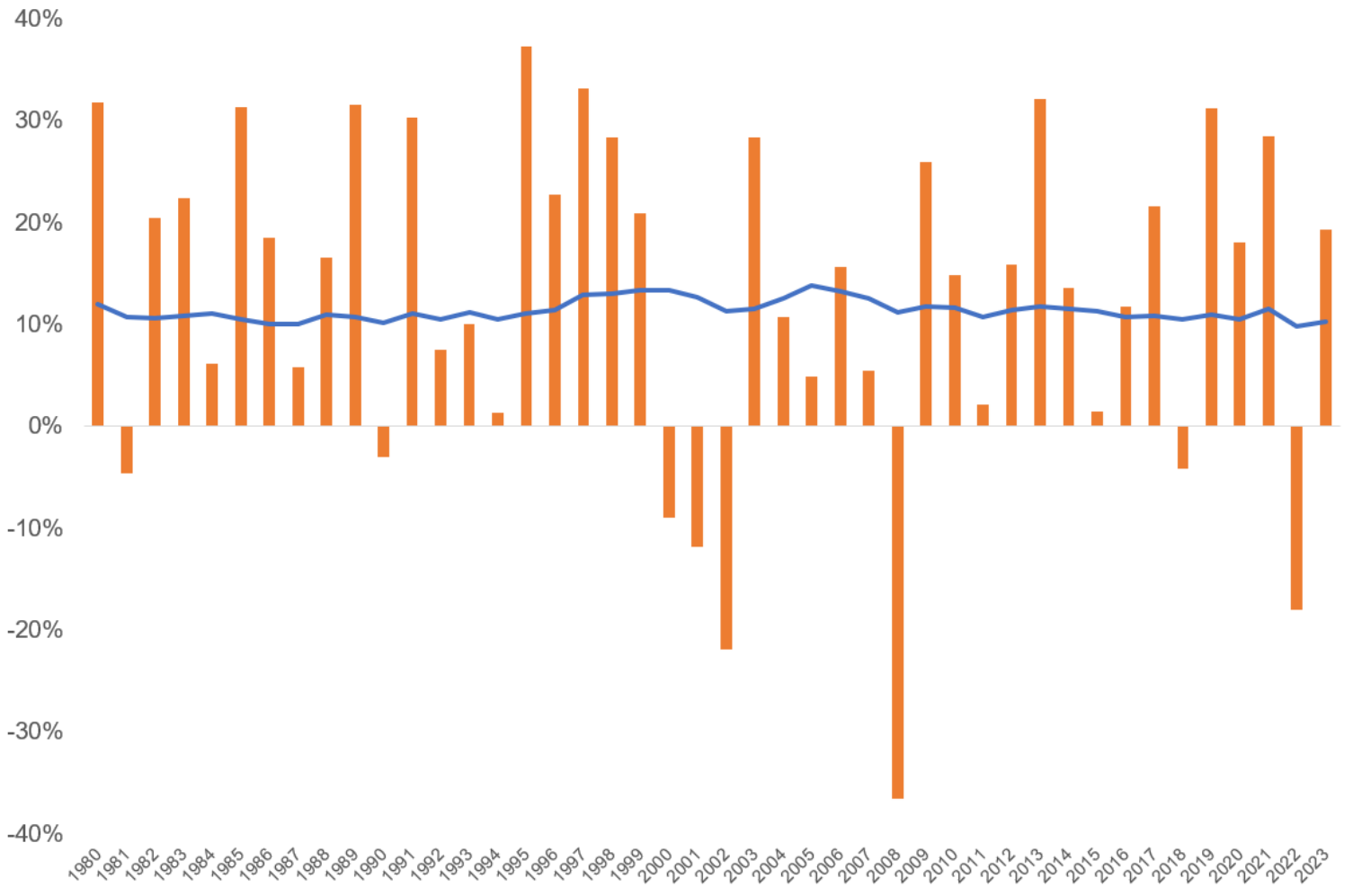
### Investment Thoughts

The chart below is a very nice illustration of the volatility of individual calendar year returns for US stocks as compared with the very stable long term returns over time. Here is 75 years of data showing that the S&P 500 index has returned a very stable roughly 10% return over at least fifty 30 year rolling periods, while individual year returns are all over the place. Long term patient investing wins out.



## 30 Year Returns vs. 1 Year Returns

S&P 500 data via NYU



Loss Aversion-a thought experiment:

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No one likes losing.



In fact, we'll do almost anything to avoid it.

Academics even have a name for this. It's called Loss Aversion. The reason we are so averse to losing is that we feel the *pain of loss* more acutely than we feel the *pleasure of gain*.

Now imagine you own a stock that has gone down in price significantly. Because making the choice to sell would not only mean admitting you've made a mistake, it would also mean realizing a loss (and I'm not just talking from a tax perspective). And as we've discussed, we're hardwired to go to great lengths to avoid that.

One trick I've found useful is called The Overnight Test. Here's how it works.

Imagine you went to bed and, overnight, someone sold that stock and replaced it with cash. The next morning, you have a choice: you can buy it back for the same price or you can take that cash and add it to your well-designed portfolio. What would you do?

I'll give you a hint: To date, no one has ever told me they would buy back the stock.

The Overnight Test is awesome because it changes your perspective from realizing a loss to (intelligently) investing cash.

It gives you the emotional distance and clarity necessary to make the right decision. And sometimes, that's all it takes. -Carl Richards

**Would a Crystal Ball Help Your Investments? (hint: not)**



What if you knew the future and you could position yourself ahead of it?

What if you knew in early 2022 that the fed was going to raise rates 11 times in a row? The cost of capital was about to skyrocket.

What if you knew in early 2022 that the 30-year fixed mortgage rate was going to rise from 2.8% to 7.3%. 18 months ago 35% of US households could afford a \$450,000 home. Today 20% of US households can afford a \$450,000 home.

What if you knew in early 2022 that Russia was going to invade Ukraine and disrupt energy and fertilizer markets.

How would you position yourself?

Short builders, short tech, short consumer discretionary, long energy, long fertilizer.

What would have happened? The largest residential home builder in the United States, D.R. Horton, is up 5% in 18 months. Nasdaq down 12%. Consumer discretionary down 15%. Oil is down 18%. Fertilizer prices are down 25%. You got two out of the five right.

Even if you knew the future, you would still be mostly wrong.

Even. If. You. Knew.



Comment: This is something we've touched on before. In March 2020 it looked like the world might end. But starting that summer (and with no good news then), the stock market took off and doubled over the next 21 months. In fact, the market was up around 30% higher in late 2021 than before the pandemic! Having a crystal ball to know a pandemic was coming did not help.

## Miscellaneous






Expectation:



Reality:



 @brianferoldi

### Book Recommendation:

Outlive by Peter Attia

An in depth review of what should help us live longer and healthier. It is a big book, but listening to it was relatively easy.

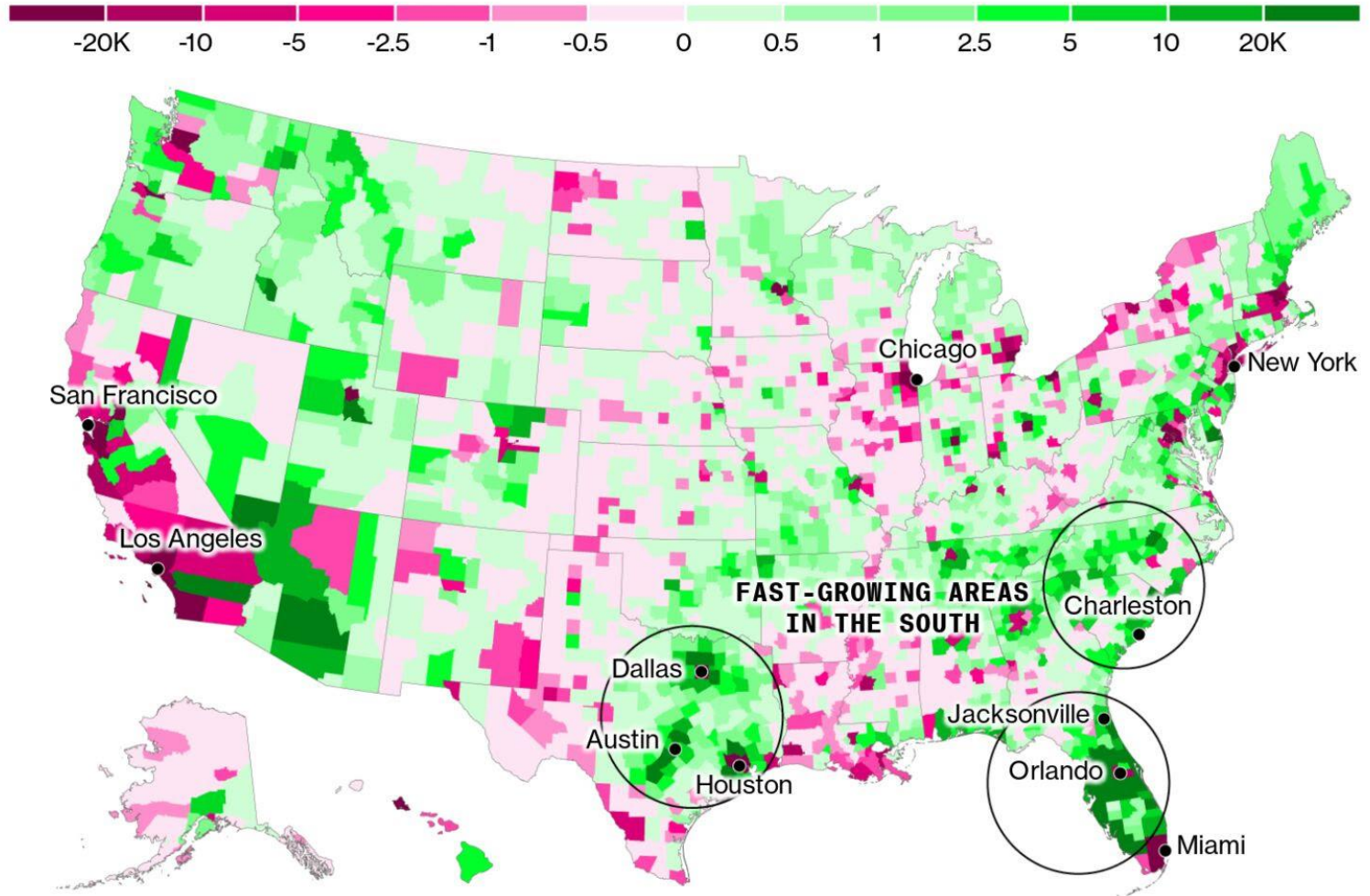
### Random Notes





## Sun Belt Leads Largest Population Growth In US

Net domestic migration, cumulative change from April 1, 2020 to July 1, 2022



Sources: US Census Bureau, Economic Innovation Group

**Bloomberg**

A lone amateur built the ark; a large group of professionals built the Titanic.”

-Unknown



When I retire, I will have little  
house on a lakeside..







When I was young, I was called a rugged individualist.

When I was in my fifties, I was considered eccentric.

Here I am doing and saying the same things I did then, and I'm labeled senile.

George Burns

**The Wealth Care LLC Team October 1, 2023**