Wealth Care LLC May 2021 Commentary

Our Core Beliefs

As we exit the one-year anniversary of the most volatile drop in stock prices and the subsequent whoosh upwards following the onset of the Covid pandemic-I'd like to reiterate our core beliefs on investing with Wealth Care LLC.

In a nutshell-we passionately believe that the only liquid investment class that is likely to build wealth over the long term is global equities (stocks). In a time of ultra-low and rising interest rates, this is even more true than usual. Three caveats to this core belief-first, that we must expect significant volatility for equity prices in both directions. Second, that we cannot predict when these moves up and down will occur. To "win", we must stay diversified and disciplined. Third, many families must have a stable pool of investments (fixed income) available to draw on during periods when stocks are down in price-we recognize that this pool of fixed income is not designed to make money, but to offer portfolio stability for required withdrawals – but at the price of lower total returns.

Back in March and April 2020, we had many discussions with our families-some in person, some on video, some via email and our emailed communications. As with the market price drops in 2008, we are proud that over 98% of our families stayed the course and held onto their investments (and some bought!!). And again, as in 2008, we heard of many (not our clients) who sold from fear and lost a significant percentage of their life savings.

As the election of 2020 approached, we again responded to some fear on both sides of the political spectrum-and we told our families again that they must stay the course and not try to predict what would happen to their investments.

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Author Nick Murray recently wrote the following words, which we (again) are in complete agreement with:

- *Mainstream U.S. equities have, for well over two centuries, compounded at seven percent in excess of inflation (per Jeremy Siegel, in Stocks for the Long Run). For the last century, that has equated to about a 10% compound annual return.*
- *The real return of the most directly comparable—long-term, high-quality—corporate bond index has, at about three percent, been quite a bit less than half that of equities over the past century. That yawning chasm of a return differential is accounted for, in an efficient market, by the fact that equity returns have randomly been subject to significant variations* ***above and below their long-term 10% trendline*** *.*
- *Declines in equity prices, while often significant—upwards of 15% a year on average since 1980; easily twice that on average one year in five since the end of WWII—have always been temporary, and have faded away over time, as the permanent uptrend has inevitably reasserted itself.*
- *Specifically, over the last century, "only" 75% of rolling one-year periods have produced positive outcomes, but that number rises to 88% over all five-year periods, and 94% over 10 years. There has not yet been a rolling 20-year period in which equities have produced a negative compound return.*
- *Holding bonds as a defense against the* ***temporary*** *declines of equities thus involves forfeiting more than half of equities'* ***permanent*** *historic return. This is not a rational investment policy for the long-term investor.*
- *The equity market cannot be consistently timed, any more than the economy can be consistently forecast. Thus the only way of assuring that one will realize the full* ***permanent*** *return of mainstream equities is to hold them steadfastly through their* ***temporary*** *declines. Only a small percentage of investors are capable of doing this—and virtually none without the consistent coaching of a human (as opposed to a robotic or algorithmic) advisor.*
- *The critical long-term investment decision is made at the level of the asset class—that is, the choice of equities in preference to bonds and cash. Selection—the issue of* ***which*** *equities— is far less important in the long run. Broad equity diversification (large cap/small cap, growth/value) is therefore our chosen portfolio principle.*

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Why Diversification?

I come back to this table at least annually. No one can pick the asset classes that will do well in any particular year. We can "tilt" a little toward asset classes that have done poorly in recent years with the expectation that they will end up doing well in time-but that is about it.

Annual Returns for Selected Asset Classes

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 YTD
Real Estate 9.37%	Emerging Markets Stocks 18.68%	Small Cap Stocks 38.82%	Real Estate 32.00%	Real Estate 4.48%	Precious Metals 56.29%	Emerging Markets Stocks 36.83%	Bonds 0.01%	Large Cap Stocks 31.49%	Precious Metals 24.50%	Small Cap Stocks 12.70%
Bonds 7.84%	International Stocks 17.32%	Mid Cap Stocks 34.76%	Large Cap Stocks 13.69%	Large Cap Stocks 1.38%	Small Cap Stocks 21.31%	Precious Metals 32.83%	Real Estate -4.22%	Mid Cap Stocks 30.54%	Small Cap Stocks 20.27%	Real Estate 10.00%
Large Cap Stocks 2.11%	Mid Cap Stocks 17.28%	Large Cap Stocks 32.39%	Mid Cap Stocks 13.22%	Bonds 0.55%	Mid Cap Stocks 13.80%	International Stocks 25.03%	Large Cap Stocks -4.38%	Small Cap Stocks 25.52%	Large Cap Stocks 18.40%	Mid Cap Stocks 8.14%
Mid Cap Stocks -1.55%	Real Estate 17.12%	International Stocks 22.78%	Bonds 5.97%	International Stocks -0.81%	Large Cap Stocks 11.96%	Large Cap Stocks 21.83%	Mid Cap Stocks -9.06%	Real Estate 23.10%	Emerging Markets Stocks 18.39%	Precious Metals 6.89%
Small Cap Stocks -4.41%	Small Cap Stocks 16.35%	Real Estate 1.22%	Small Cap Stocks 4.89%	Mid Cap Stocks -2.44%	Emerging Markets Stocks 9.90%	Mid Cap Stocks 18.52%	Small Cap Stocks -11.01%	Precious Metals 22.72%	Mid Cap Stocks 16.70%	Large Cap Stocks 6.17%
International Stocks -12.14%	Large Cap Stocks 16.00%	Bonds -2.02%	Emerging Markets Stocks -1.79%	Small Cap Stocks -4.41%	Real Estate 6.68%	Small Cap Stocks 14.65%	International Stocks -13.79%	International Stocks 22.01%	International Stocks 7.82%	International Stocks 3.40%
Emerging Markets Stocks -19.49%	Bonds 4.21%	Emerging Markets Stocks -2.20%	International Stocks -4.90%	Emerging Markets Stocks -13.86%	Bonds 2.65%	Real Estate 3.76%	Precious Metals -14.99%	Emerging Markets Stocks 17.65%	Bonds 7.51%	Emerging Markets Stocks 2.66%
Precious Metals -27.62%	Precious Metals 0.90%	Precious Metals -14.83%	Precious Metals -17.72%	Precious Metals -39.43%	International Stocks 1.00%	Bonds 3.54%	Emerging Markets Stocks -15.05%	Bonds 8.72%	Real Estate -11.20%	Bonds -3.37%

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WEALTH CARE LLC

21st Century Wealth

Big News this month! Rachel's book on millennials and wealth came out and is doing well! In its first week it hit as a # 1 bestseller in a financial category!

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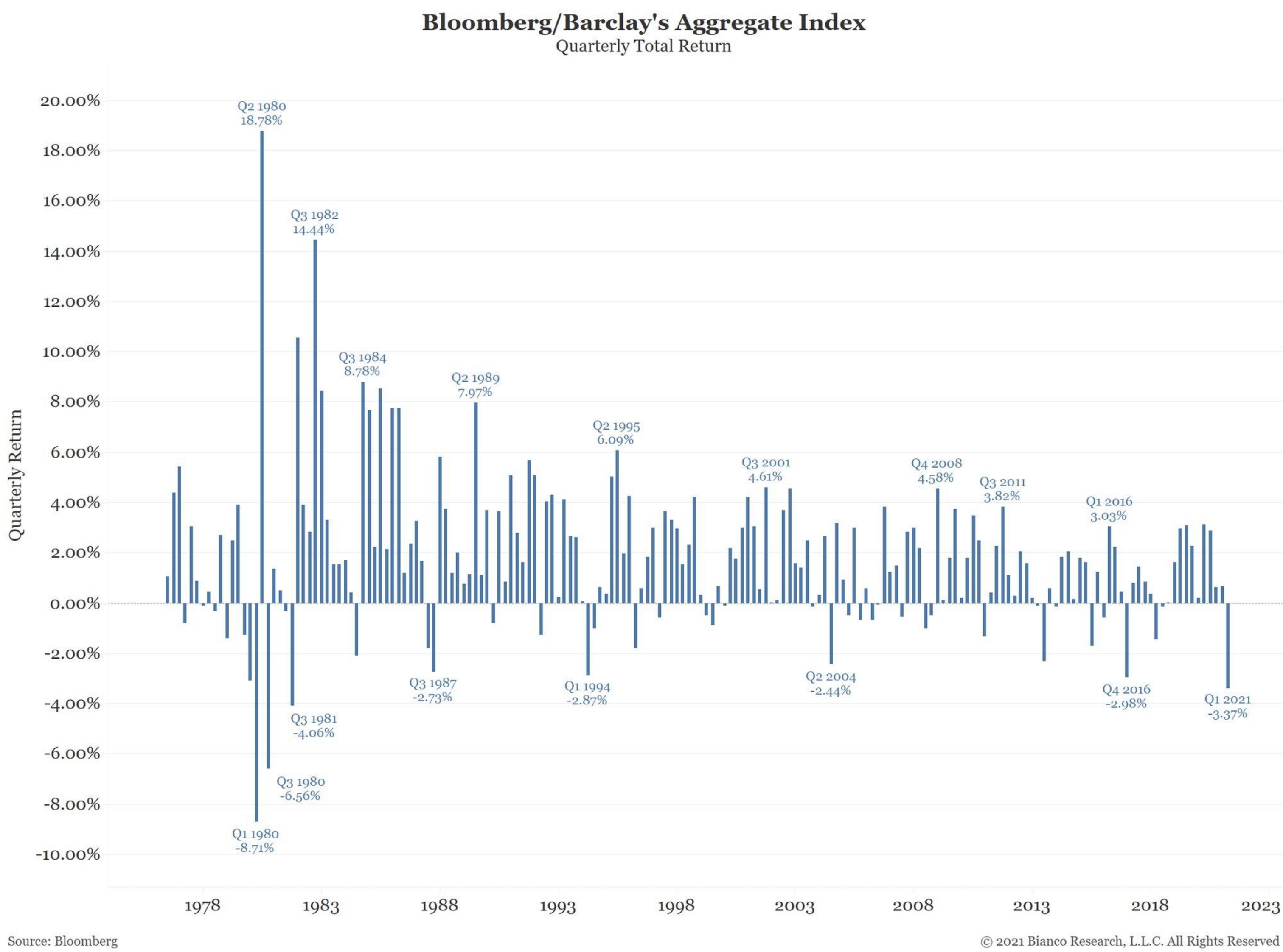
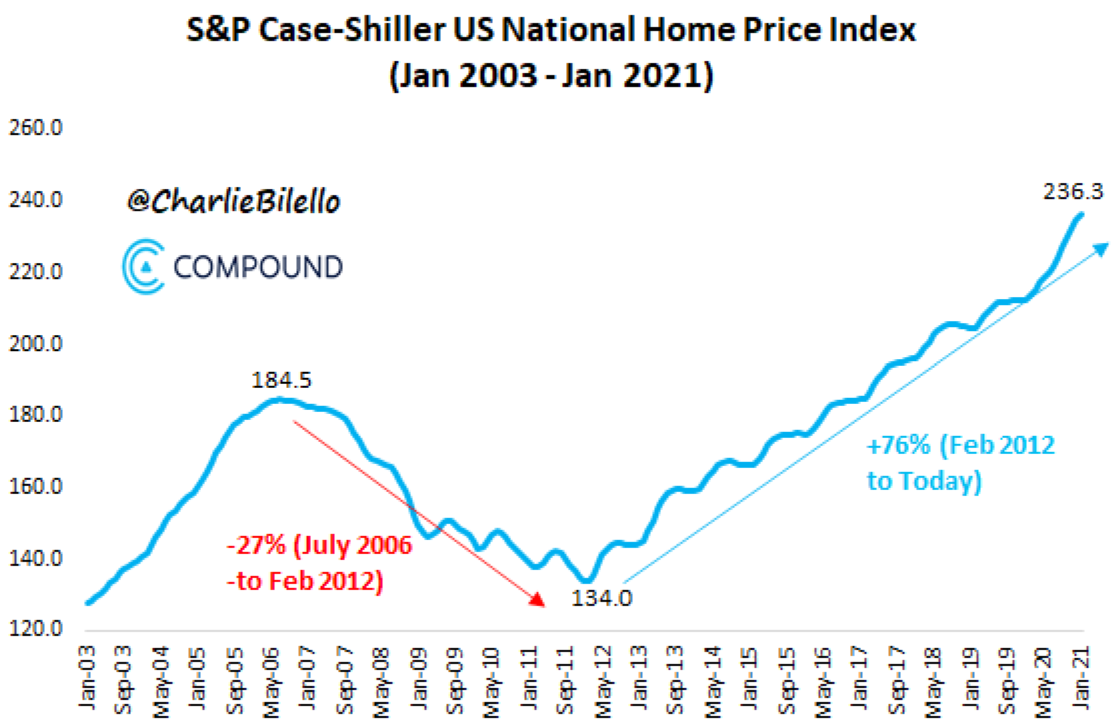
Fixed Income is Painful

The broad US bond index lost more money in the first quarter than any time in the last forty years. Fixed income investments that we use are doing considerable better, but we do the worrying for you on this.



Inflation is here despite government statistics

Commodity prices over last year... Lumber: +265% WTI Crude: +210% Gasoline: +182% Brent Crude +163% Heating Oil: +107% Corn: +84% Copper: +83% Soybeans: +72% Silver: +65% Sugar: +59% Cotton: +54% Platinum: +52% Natural Gas: +43% Palladium: +32% Wheat: +19% Coffee: +13% Gold: +3%



Housing has just hit the largest year over year increase in price in history

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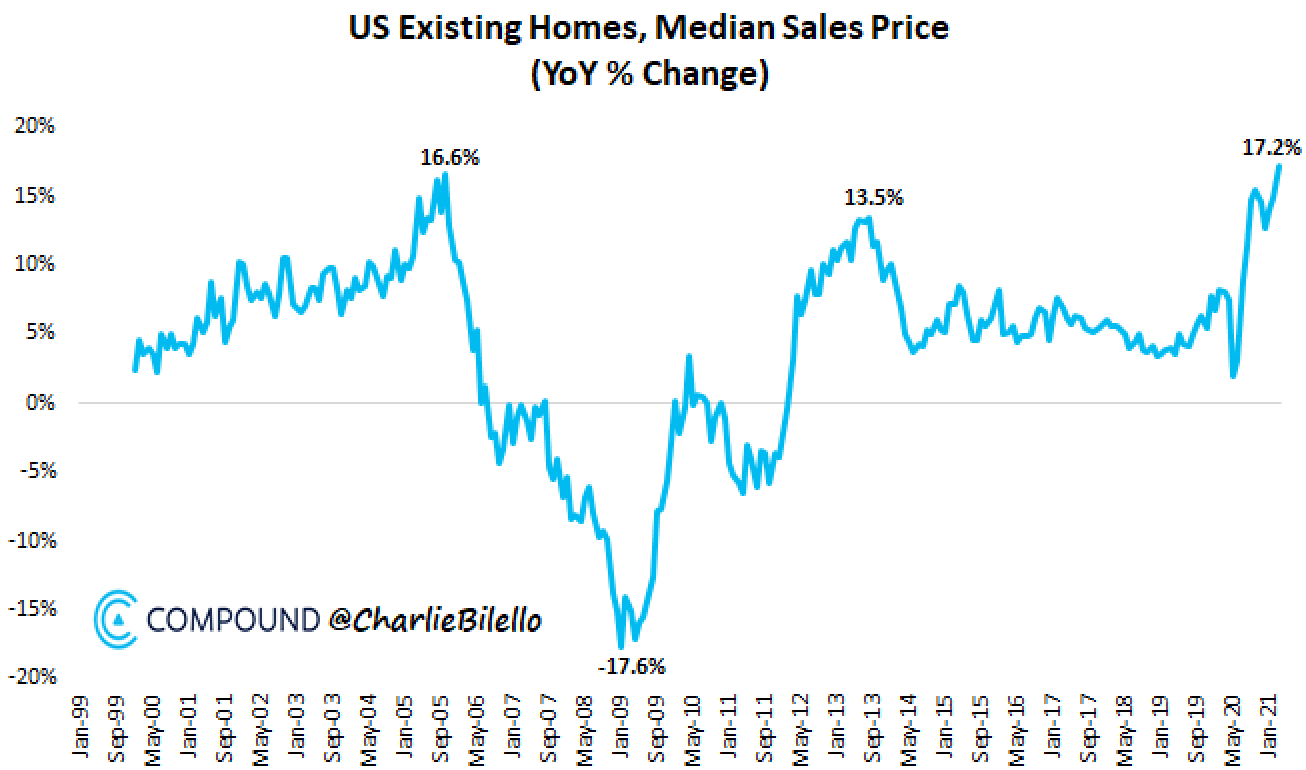

But there is good news also!

US companies earnings are rising quickly and at all time highs (supporting higher stock prices).

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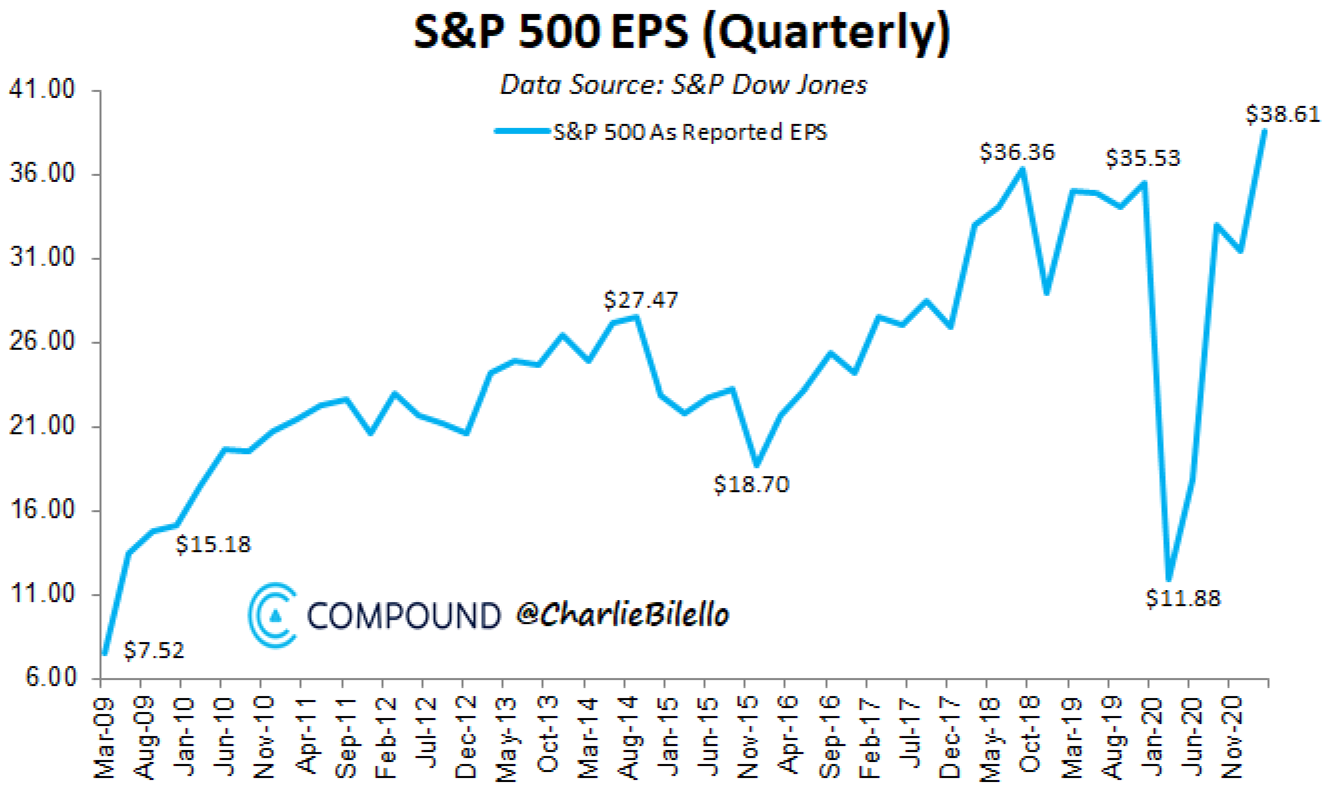

Covid deaths are dropping rapidly and vaccination is going well!

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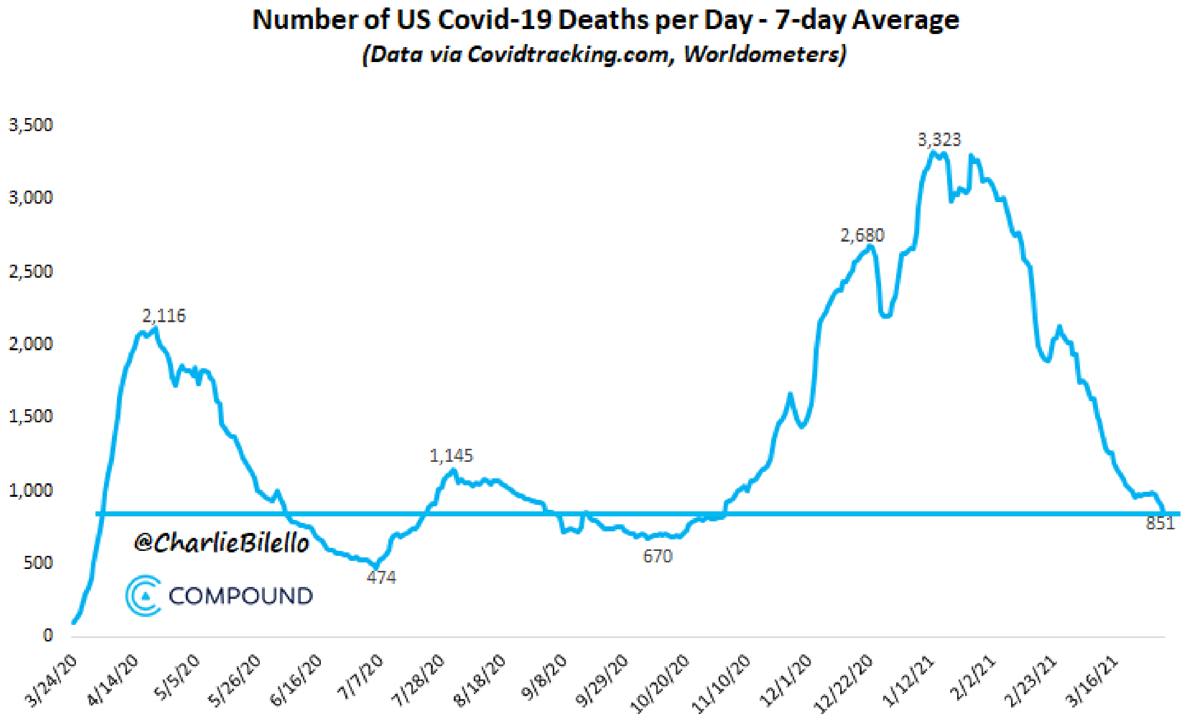

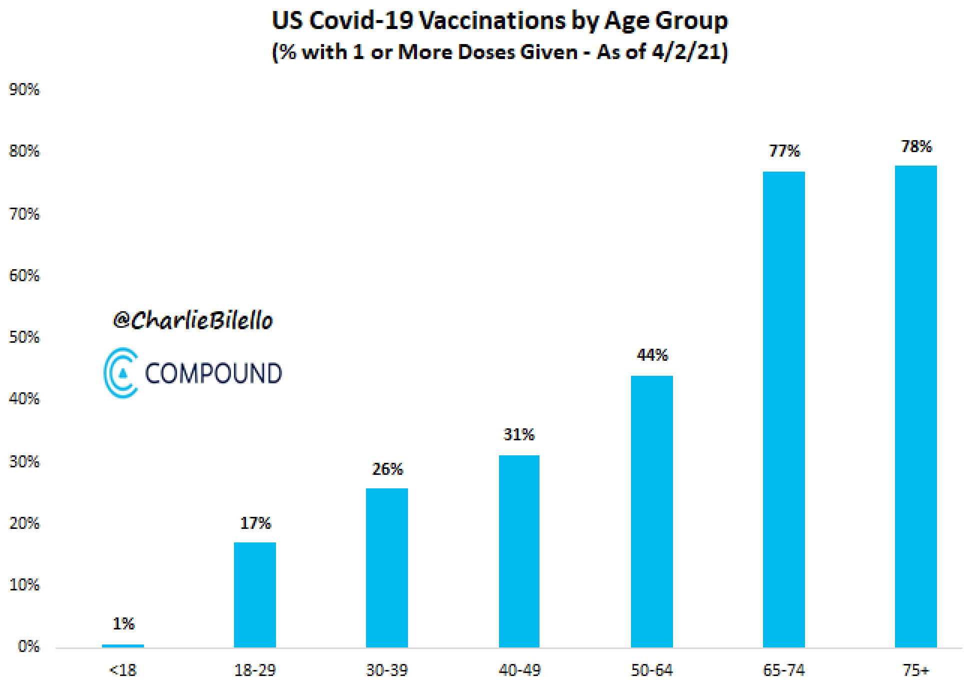

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Random Thoughts

When the market goes higher it makes you want to buy. When the market goes lower it makes you want to sell. The market never screams at you to do the right thing, only the wrong thing. - Ian Cassel

Performance numbers can be skewed by the time period you pick:

Gold and the Dow were both 800 in 1980. Today Gold is $1,700/ounce. The Dow is near 32k.
Cash flows > commodities.

Over the last twenty years, Gold is up 340%. Stocks are up 208%, with dividends.
You can support any argument by changing the start and end dates.

Since 1980, Gold is up 153%. Inflation is up 230%.
See above.

If you had invested from 1960-1980 and beaten the market by 5% each year, you would have made less money than if you had invested from 1980-2000 and underperformed the market by 5% a year

When you were born > almost everything else.

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SOME THINGS I'VE LEARNED ABOUT MONEY

THE JONESES AREN'T AS RICH OR HAPPY AS YOU THINK THEY ARE

THE MORE COMPLICATED THE INVESTMENT ADVICE THE LESS USEFUL IT IS

GET RICH QUICK AND GET POOR QUICK ARE 2 SIDES OF THE SAME COIN

TIME IS A SCARCER RESOURCE THAN MONEY

ASK ABOUT ANYTHING YOU DON'T UNDERSTAND

A HOUSE IS A PLACE TO LIVE, NOT AN INVESTMENT

ADMIRE PEOPLE WHO EARN MORE MONEY THAN YOU, NOT PEOPLE WHO SPEND MORE MONEY THAN YOU

YOUR MORTGAGE BROKER IS LYING TO YOU ABOUT HOW MUCH HOUSE YOU CAN AFFORD

YOU DON'T NEED TO BE A MATH WHIZ TO MAKE GOOD MONEY DECISIONS; FINANCIAL SUCCESS IS 5% INTELLIGENCE AND 95% DISCIPLINE

A RAISE IN INCOME SHOULDN'T MEAN A RAISE IN LIFESTYLE

FORECASTING IS FOR THE WEATHER

NEVER REACH FOR YIELD

FEES ERODE PERFORMANCE

THERE IS AN INVERSE RELATIONSHIP BETWEEN INVESTMENT PERFORMANCE AND TIME SPENT WATCHING FINANCIAL NEWS

DON'T PAY INTEREST TO ACQUIRE SOMETHING THAT LOSES VALUE

YOU DON'T HAVE TO BE RICH TO INVEST, BUT YOU HAVE TO INVEST TO BE RICH

INVEST IN YOUR MIND AND YOUR SKILLS FIRST

INFREQUENT SPLURGES BRING THE GREATEST HAPPINESS

YOUR LIFE IS A BETTER BENCHMARK THAN THE S&P 500

COMPOUND INTEREST IS THE EIGHTH WONDER OF THE WORLD. SET YOURSELF UP TO BENEFIT FROM IT RATHER THAN BATTLE AGAINST IT

A PENNY SAVED IS MORE THAN A PENNY EARNED

IF YOU'RE EXCITED ABOUT AN INVESTMENT, IT'S PROBABLY A BAD IDEA

MARKET CORRECTIONS COME MORE REGULARLY THAN BIRTHDAYS - EXPECT THEM

-Michael Batnick

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