



Wealth Care LLC November 2021 Commentary

Market Timing

If you were so very smart at picking either the best single day to invest each year or unfortunate enough to pick the worst day of the year to invest (in the S&P 500), your outcome over the long term is pretty similar. The best strategy is to invest early and stay disciplined.

Tale of Two Investors*

S&P 500, 1991-2020



Data Source: Koyfin

*\$10,000 invested annually, either at the annual market high (unlucky investor) or annual market low (lucky investor) and compounded forward. Performance calculation uses Money-Weighted Rate of Return. S&P 500 price only data, dividends not included.



Mortgage Rates and Inflation

Mortgage loans are traditionally long term-15-30 years. A lender that is worried about inflation eroding the value of mortgage payments and the ultimate payback of the loan should seek to get higher interest rates at the time of the loan. But we have a paradox here. The first chart below shows almost all time low mortgage rates, and the following table and charts shows the last year of consumer price increases at 5.4%. Why loan money long term at 2.9%, when inflation is eroding its value at 5.4%? We can think of two explanations. Either the investing world does not believe that the inflation rate is sustainable, or the Central Banks continue to artificially suppress long term rates by buying up long term bonds/mortgages. Time will tell.

30 Year Mortgage Rate

US 30-Year Mortgage Rate



US Mortgage Rates

COMPOUND @CharlieBilello

Sep 09 2021, 4:07PM EDT. Powered by YCHARTS



Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

Seasonally adjusted changes from
preceding month

	Mar. 2021	Apr. 2021	May 2021	June 2021	July 2021	Aug. 2021	Sep. 2021	Un- adjusted 12-mos. ended Sep. 2021
All items.....	.6	.8	.6	.9	.5	.3	.4	5.4
Food.....	.1	.4	.4	.8	.7	.4	.9	4.6
Food at home.....	.1	.4	.4	.8	.7	.4	1.2	4.5
Food away from home (1).....	.1	.3	.6	.7	.8	.4	.5	4.7
Energy.....	5.0	-.1	.0	1.5	1.6	2.0	1.3	24.8
Energy commodities.....	8.9	-1.4	-.6	2.6	2.3	2.7	1.3	41.7
Gasoline (all types)....	9.1	-1.4	-.7	2.5	2.4	2.8	1.2	42.1
Fuel oil (1).....	3.2	-3.2	2.1	2.9	.6	-2.1	3.9	42.6
Energy services.....	.6	1.5	.7	.2	.8	1.1	1.2	8.5
Electricity.....	.0	1.2	.3	-.3	.4	1.0	.8	5.2
Utility (piped) gas service.....	2.5	2.4	1.7	1.7	2.2	1.6	2.7	20.6
All items less food and energy.....	.3	.9	.7	.9	.3	.1	.2	4.0
Commodities less food and energy commodities....	.1	2.0	1.8	2.2	.5	.3	.2	7.3
New vehicles.....	.0	.5	1.6	2.0	1.7	1.2	1.3	8.7
Used cars and trucks....	.5	10.0	7.3	10.5	.2	-1.5	-.7	24.4
Apparel.....	-.3	.3	1.2	.7	.0	.4	-1.1	3.4
Medical care commodities (1).....	.1	.6	.0	-.4	.2	-.2	.3	-1.6
Services less energy services.....	.4	.5	.4	.4	.3	.0	.2	2.9
Shelter.....	.3	.4	.3	.5	.4	.2	.4	3.2
Transportation services	1.8	2.9	1.5	1.5	-1.1	-2.3	-.5	4.4
Medical care services...	.1	.0	-.1	.0	.3	.3	-.1	.9

1 Not seasonally adjusted.



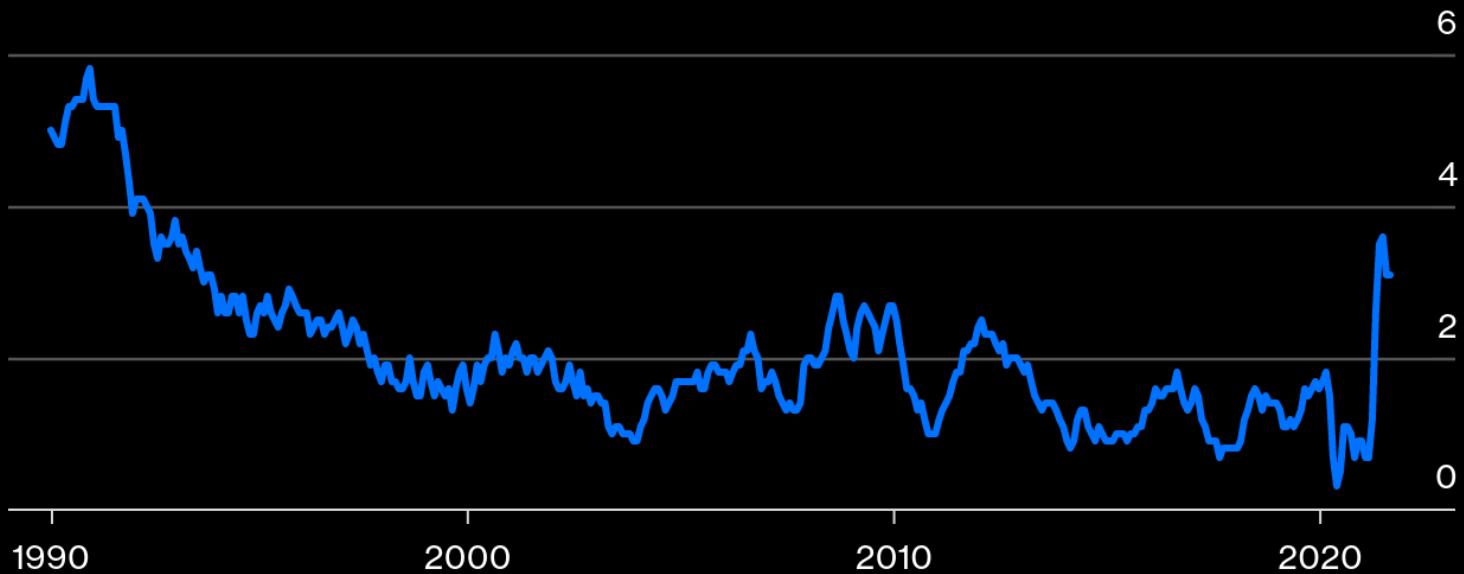
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Exclude Everything You Want to Buy and It's Still Not Great

U.S. CPI, all items except food, shelter, energy, and used cars and trucks, is at its highest in 28 years



Sources: Bureau of Labor Statistics, Bloomberg

BloombergOpinion

Tax Law Changes

We still do not have a clear vision of what will be in the final tax legislation. Until we do, it is premature to offer advice. Once we have some details on passed law, we will have much to say—both generally and to individual families.

Is the US Stock Market Expensive?

One of the measures of stock market “valuation” is the ratio of stock prices to company earnings. The following graph suggests a high price/earnings value unmatched since the terrible bear market of 2000-2002. Now earnings have also been rising well inside the S&P 500 companies, but prices are rising faster. We are cognizant of this and would note the multi year rise in prices between 1990 and 2000, despite a relatively high baseline in 1990. In 1996, then chairman of the Federal Reserve gave a famous speech in which he thought stock prices reflected an

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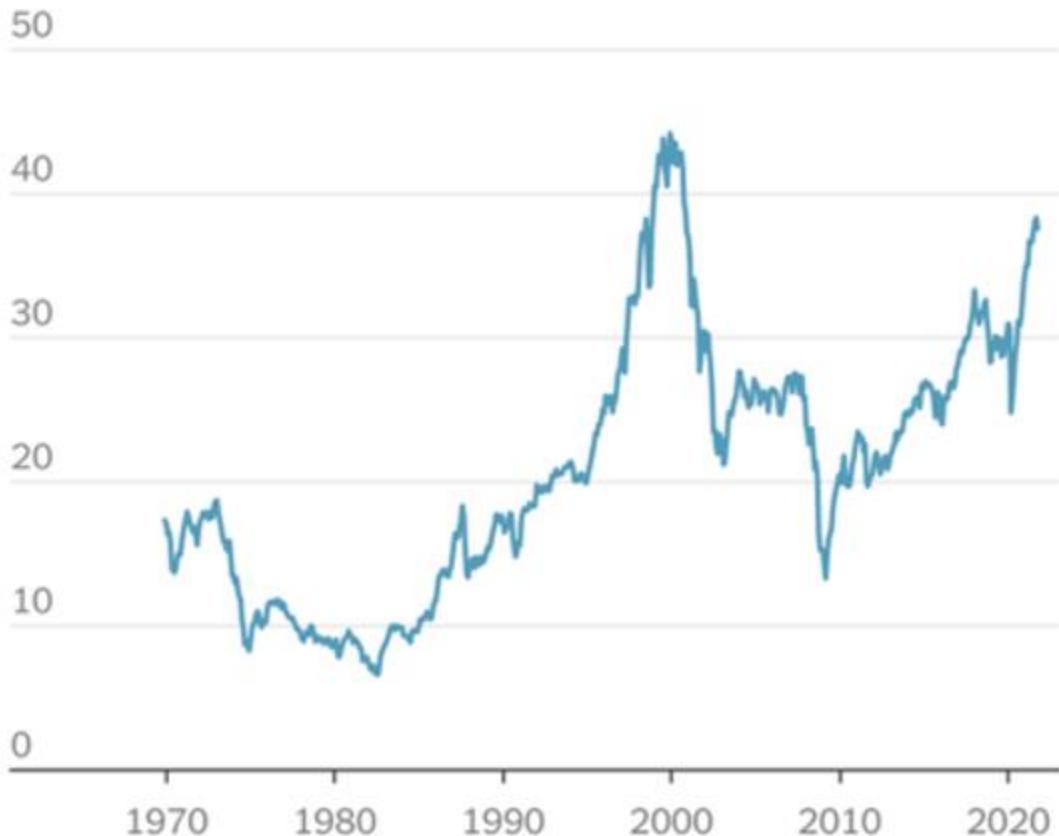
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“irrational exuberance,’ after which stocks screamed upward for four more years. To us, it reinforces our inclination to keep money in other sectors such as small company US stocks and Emerging Markets (which are relatively inexpensive by valuation).

S&P 500 cyclically adjusted price-to-earnings ratio



Source: Robert Shiller, Yale University • By The New York Times

Investing is Tricky Sometimes

In an August 2011 Gallup poll, the most Americans polled said gold was the best long-term investment Since this was published these are the total returns: Gold -4% US Stocks +368% US Bonds +35% Housing +90% -Ben Carlson

Miscellaneous

Medicare Resource

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I had the pleasure of meeting Anita Campbell to discuss Medicare policies and planning. She is a wonderful resource if you have questions (and now is annual enrollment). Let her know we mentioned her, as she is very busy this time of year.

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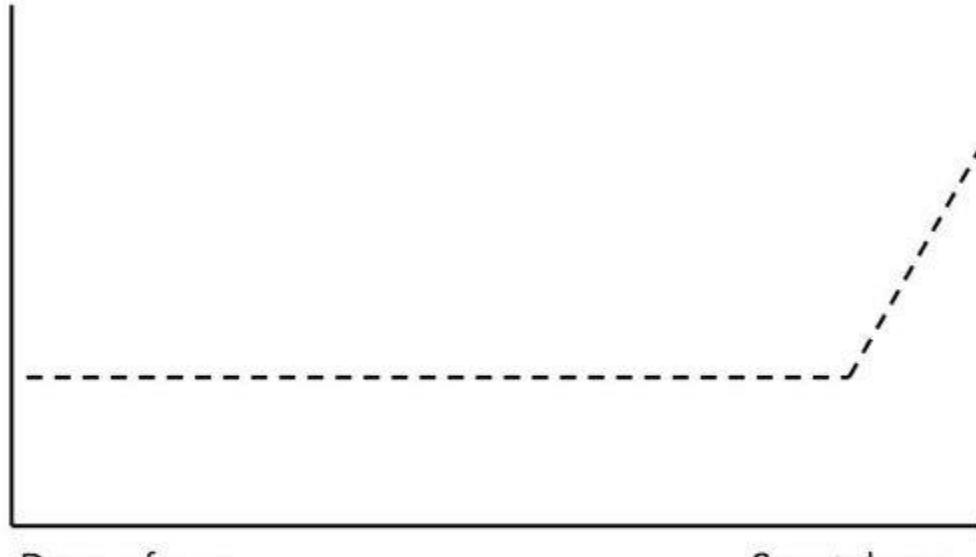
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Average
Bathroom
Time



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WHEN WE'RE YOUNG,
WE SNEAK OUT OF OUR
HOUSE TO GO TO
PARTIES.

WHEN WE'RE OLD, WE
SNEAK OUT OF PARTIES
TO GO HOME.

Random Thoughts

"Life is difficult. This is a great truth, one of the greatest truths. It is a great truth because once we truly see this truth, we transcend it. Once we truly know that life is difficult-once we truly understand and accept it-then life is no longer difficult. Because once it is accepted, the fact that life is difficult no longer matters." -M. Scott Peck

"You might fire me for what I'm about to say, but you should definitely fire me if I don't." -Carl Richards



Money is independence. It can free you from stress (if you handle it well) and also free you from creditors, a job you don't like or unwanted situations. Building wealth is creating a form of freedom.-Peter Mallouk



The Wealth Care LLC Team 11-1-2021

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