



Wealth Care LLC February 2021 Commentary

Wealth Care LLC is Growing!

Rachel gave birth to a wonderful young lady in mid January-Lucy O'Leary CFP 😊. Mother and daughter are doing great!

Investment Thoughts

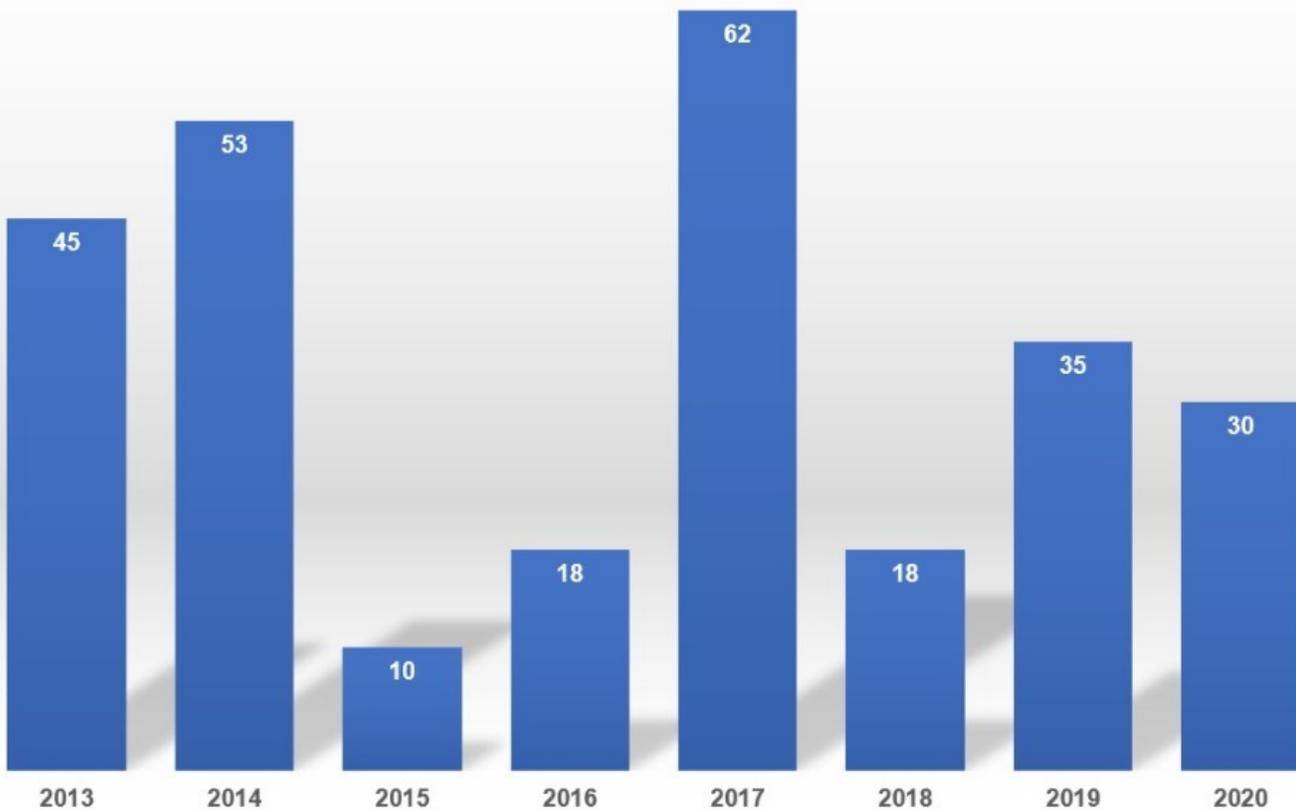
Humans are funny-not ha ha funny, but peculiar. I've commented before on the fact that if tuna fish is on sale at the grocery store, many people will buy extra. But if stocks are on sale (a down market), many people want to sell. Conversely, when "everybody" is buying certain stocks, more people seem willing to pay higher prices for those popular items. It seems that doing the opposite makes sense-to buy what people are selling and to sell when they are buying.

So the two charts below are interesting. The first points out that we had an amazing 30 new high prices for the S&P 500 index in 2020, despite the pandemic. The second chart shows that buying the market at the highs frequently pays off. Why? Bull and Bear markets go in cycles. Buying early in a bull market evidently leads to long term gains, despite buying at a "new high." Buying in a bear (down) market might actually produce higher gains, but would also take a much longer time to get those gains.

If you find this perturbing (I do), that is ok. We should avoid market timing anyway, and our market investments should remain committed for long time periods in a disciplined and diversified manner. This continues to be the best course of action for us all!



S&P 500 New All-Time Highs By Year



-Ben Carlson



Average cumulative S&P 500 total returns January 1, 1988 - present



Source: FactSet, J.P. Morgan Private Bank. Data is as of August 27, 2020.

A Crazy Year

Despite a plethora of mostly bad news in 2020-we had good investment results. The next chart tags news events to the S&P 500 stock index. Just another example why we must dissociate our investment style from the noise of the news.



S&P 500 Index Performance in 2020

Price Index & Major Events



Article & Sources:
<https://howmuch.net/articles/sp500-index-performance-in-2020>
 Yahoo Finance - <https://finance.yahoo.com/>

howmuch.net

Inflation and "Real" Yields on Fixed Income

Inflation is the erosion of purchasing power of our savings (and income). If inflation is 3% (the fifty year average), then a dollar today buys 90 cents of stuff in three years, and so on. We subtract the rate of inflation from what fixed income is paying us (whether money market, CDs, or bonds) to see what our "real yield" is. The chart below tells us that US corporate fixed income

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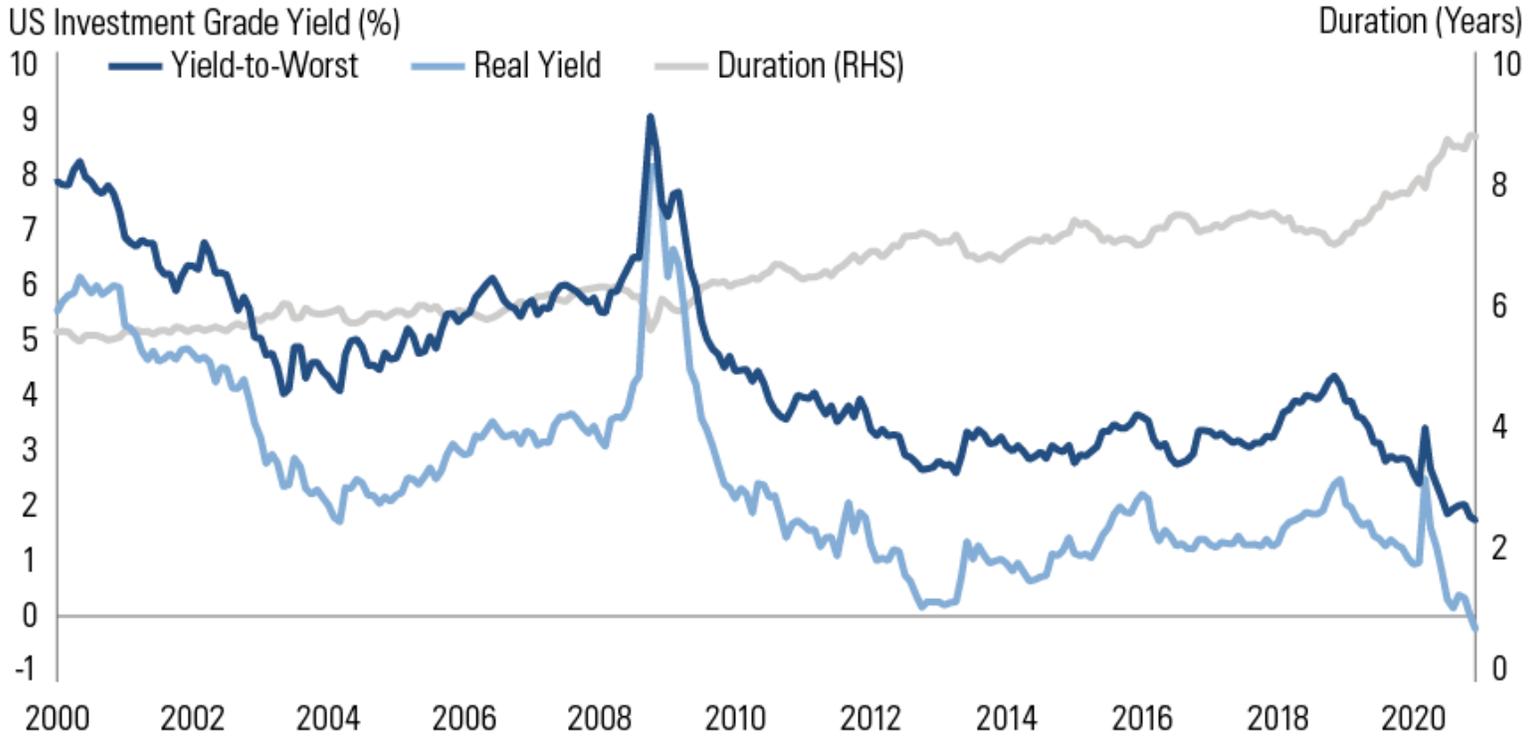
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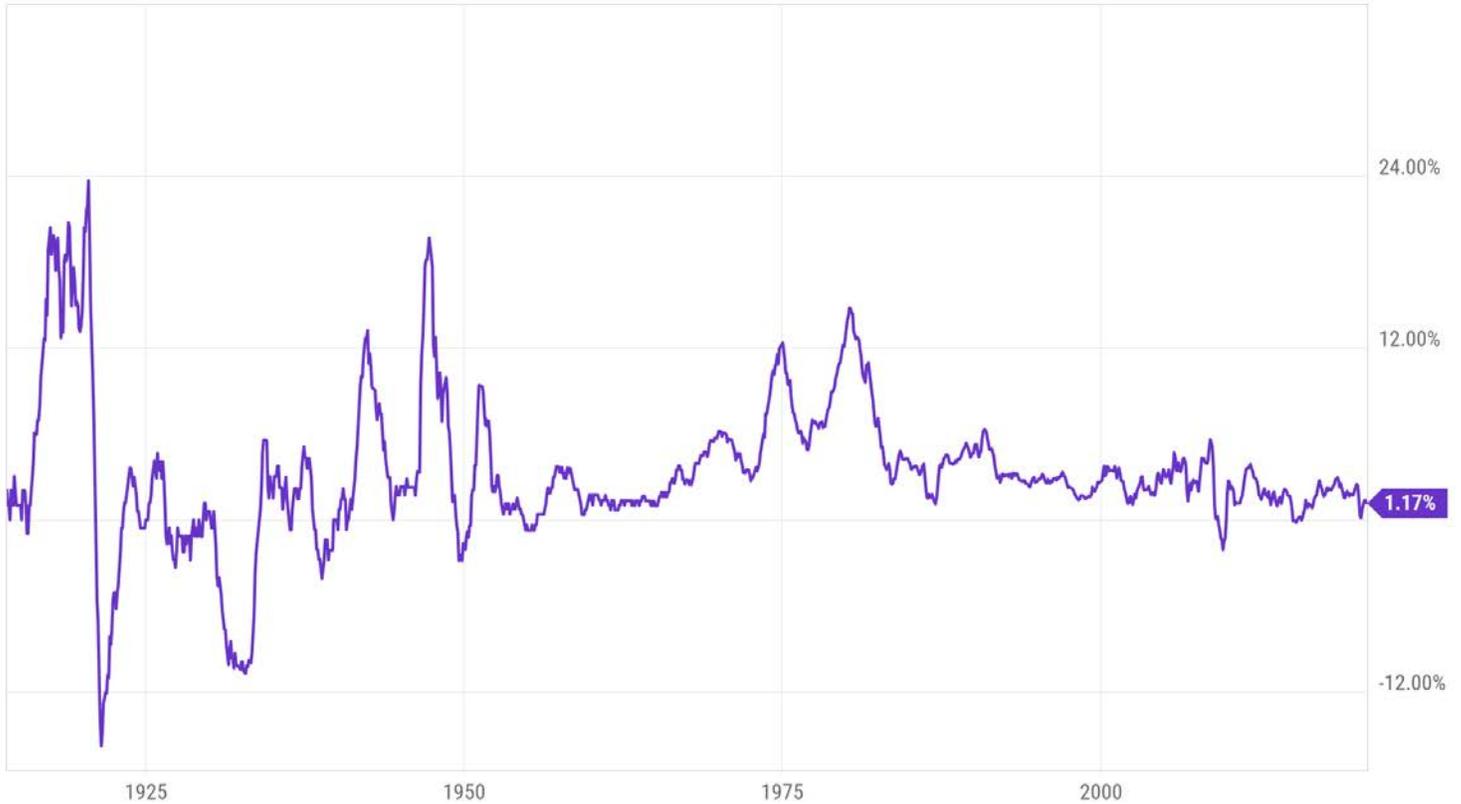
has a real yield of zero if not negative. Government bonds all have negative real yields now-meaning that these “ultrasafe” investments are guaranteed losers.



Here is the “official” inflation rate-which I suspect no one believes. We can all see the inflation at the grocery store, in the housing market, and perhaps even in the stock market.



US Inflation Rate

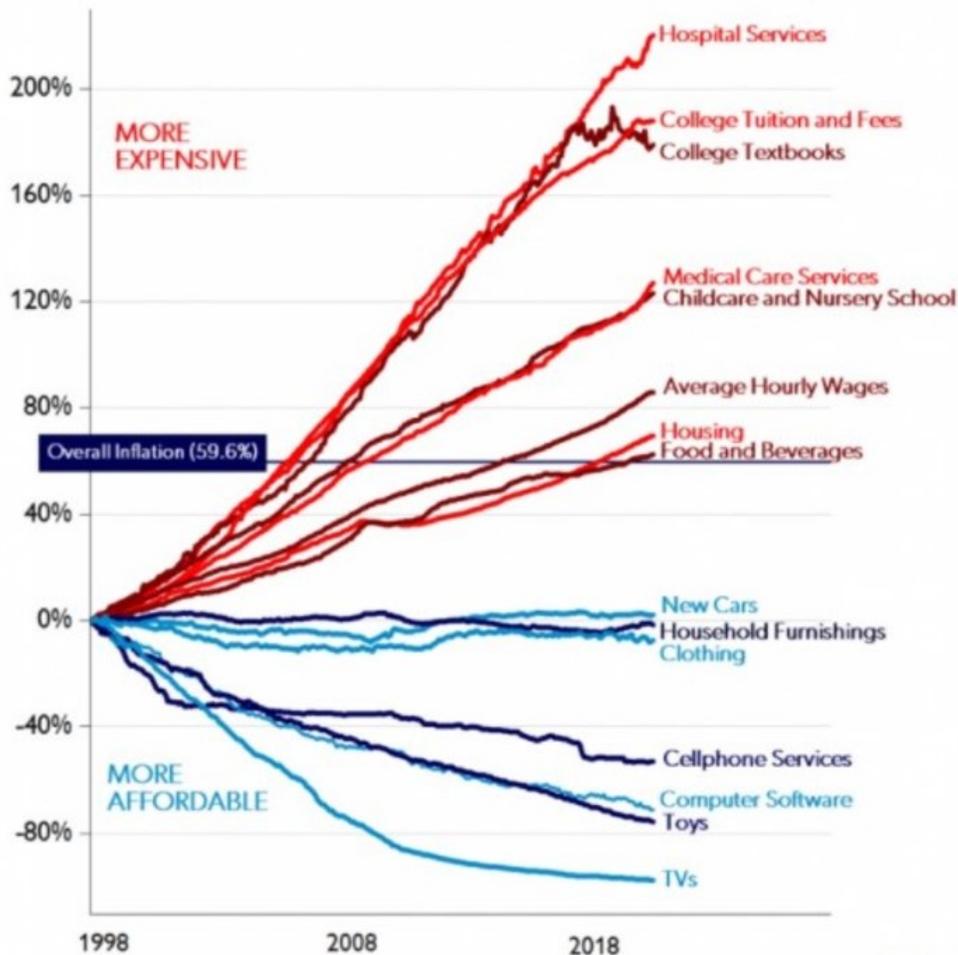


Jan 03 2021, 12:45PM EST. Powered by **YCHARTS**

Of course, inflation hits each of us differently depending on what we are buying. The chart below suggests only technology is deflating.



Price Changes (January 1998 to December 2019)
Selected US Consumer Goods and Services, Wages



Source: Bureau of Labor Statistics

Carpe Diem

The country with the longest history of negative central bank rates is offering homeowners 20-year loans at a fixed interest rate of zero. Customers at the Danish home-finance unit of Nordea Bank Abp can, as of Tuesday, get the mortgages, which will carry a lower coupon than benchmark U.S. 10-year Treasuries. (via *Bloomberg News*)

Miscellaneous

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Easy Amazon returns

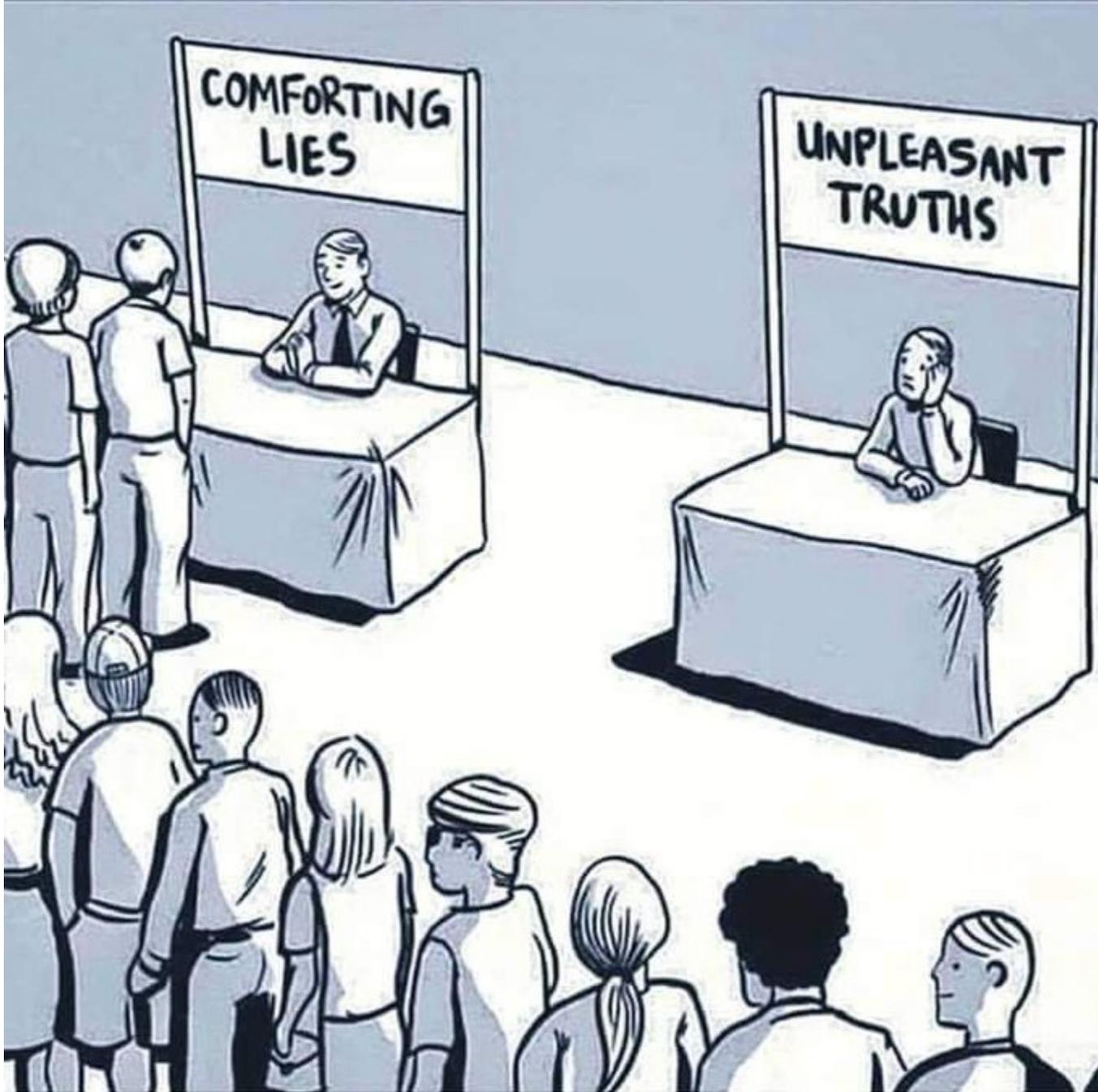
Amazon has an insanely good return system. You can return most items (under 50 pounds) you bought on Amazon by simply bringing the item alone — without a box, without a label, without a print out — to a local UPS pickup counter, and they handle the rest. All you need is an Amazon supplied QR code on your phone. To get the code, look up the item on your orders page and when you ask for a return; returning it “naked” should be an option. — KK

The Great Courses

I enjoy listening to these in the car and when exercising-The Great Courses-some of the best college lecturers on hundreds of topics <https://www.thegreatcoursesplus.com/>

If you purchase a quarter at a time, it is only ten dollars a month for unlimited listening.

I just finished the course on the civil war and was delighted to see this band (Mandolin Orange) doing a song that summed it up. <https://www.youtube.com/watch?v=r9jwGansp1E>



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Stages of Quarantine



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Perspective

Things that didn't exist when Tom Brady played in his first Super Bowl: iPhone Android Facebook YouTube Gmail Instagram Tesla TikTok Spotify Skype Twitter Square LinkedIn Uber Zoom Airbnb Google Maps WhatsApp Bitcoin PayPal Dropbox Hashtags SpaceX Slack Reddit Fitbit GoPro iPad

Random Notes

Once-in-a-century events happen all the time because lots of unrelated things could go wrong. If, in any given year, there's a 1% chance of a new disastrous pandemic, a 1% chance of a crippling depression, a 1% chance of a catastrophic flood, a 1% chance of political collapse, and on and on, then the odds that *something* bad will happen next year – or any year – are ... *pretty good*. It's why Arnold Toynbee says history is "just one damn thing after another."- Morgan Housel

Bezos: "You're [one of the] richest guys in the world, and it's so simple. Why doesn't everyone just copy you?" [\\$AMZN](#) Buffett: "Because nobody wants to get rich slow." [\\$BRK](#)

I hope that in this year to come, you make mistakes. Because if you are making mistakes, then you are making new things, trying new things, learning, living, pushing yourself, changing yourself, changing your world. You're doing things you've never done before, and more importantly, you're doing something.

Neil Gaiman

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This is why the dog is happier

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