WEALTH CARE LLC

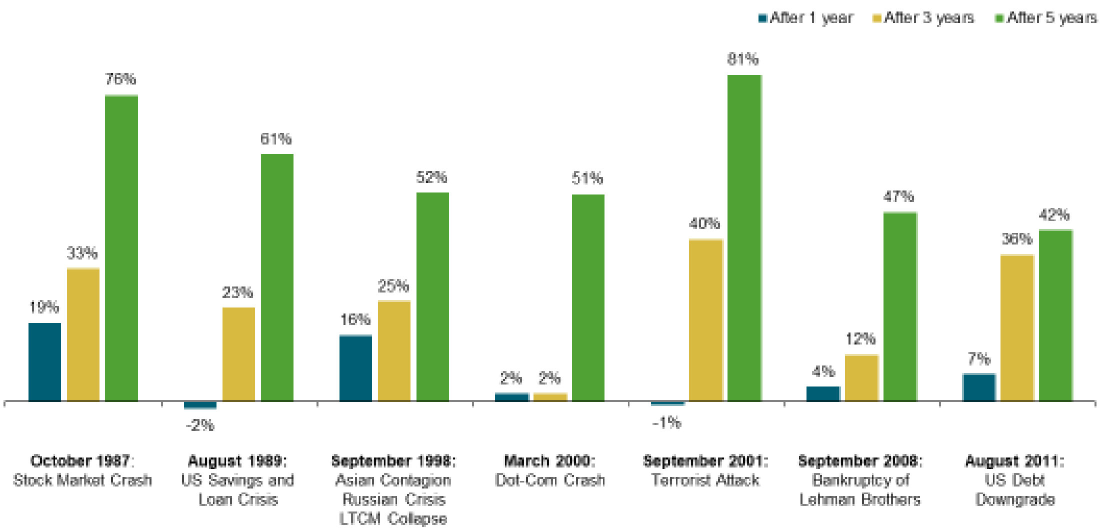
Wealth Care LLC May 2020 Commentary

Investment Thoughts

Markets remain volatile, but this month had a marked upward trend, recovering much of March's declines. At the time of this writing (April 28), the S&P 500 index is over 16% higher than it was at the beginning of 2019 and sits about where it was in October 2019. The charts below are nice illustrations of what usually follows a market decline (although we do not expect fixed income to do as well as in the past due to very low current interest rates).

The Market's Response to Crisis

Performance of a Balanced Strategy: 60% Stocks, 40% Bonds
Cumulative Total Return



In US dollars.
Represents cumulative total returns of a balanced strategy invested on the first day of the following calendar month of the event noted. Balanced Strategy: 12% S&P 500 Index, 12% Dimensional US Large Cap Value Index, 6% Dow Jones US Select REIT Index, 6% Dimensional International Value Index, 6% Dimensional US Small Cap Index, 6% Dimensional US Small Cap Value Index, 3% Dimensional International Small Cap Index, 3% Dimensional International Small Cap Value Index, 2.4% Dimensional Emerging Markets Small Index, 1.8% Dimensional Emerging Markets Value Index, 1.8% Dimensional Emerging Markets Index, 10% Bloomberg Barclays Treasury Bond Index 1-5 Years, 10% FTSE World Government Bond Index 1-5 Years (hedged), 10% FTSE World Government Bond Index 1-3 Years (hedged), 10% ICE BofA 1-Year US Treasury Note Index. Assumes monthly rebalancing. For illustrative purposes only. S&P and Dow Jones data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. ICE BofA index data © 2019 ICE Data Indices, LLC. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Bloomberg Barclays data provided by Bloomberg. Dimensional indices use CRSP and Compustat data.

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Not to be construed as investment advice. Returns of model portfolios are based on back-tested model allocation mixes designed with the benefit of hindsight and do not represent actual investment performance. See "Balanced Strategy Disclosure and Index Descriptions" pages in the Appendix for additional information. 3

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A History of Market Ups and Downs

S&P 500 Index total returns in USD, January 1926–December 2019

Using a 10% threshold for downturns

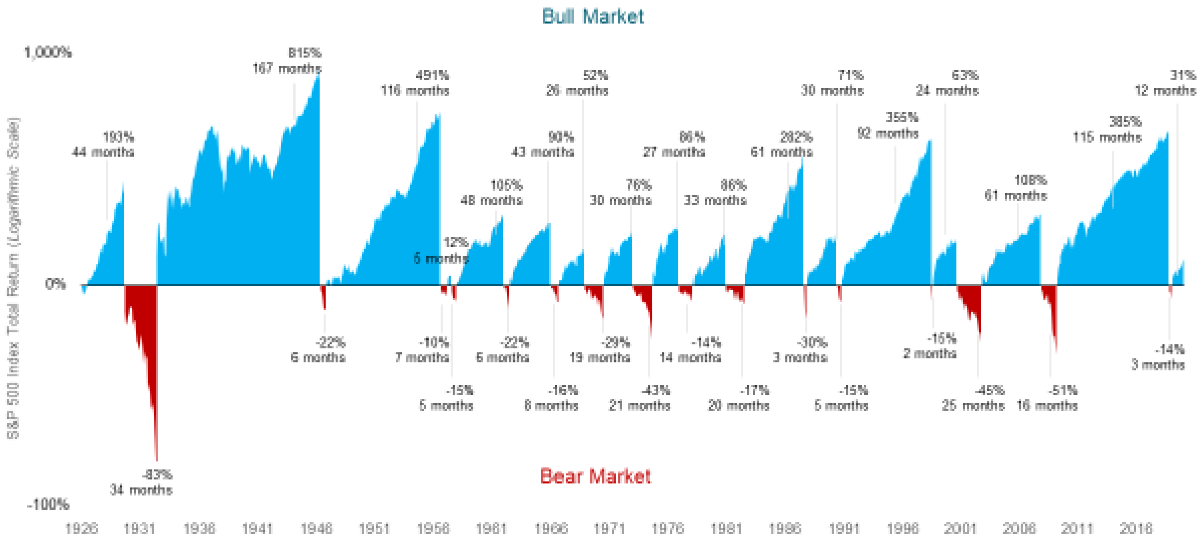

Chart end date is 12/31/2019, the last trough to peak return of 31% represents the return through December 2019.

Bear markets are defined as downturns of 10% of greater from new index highs. Bull markets are subsequent rises following the bear market trough through the next new market high. The chart shows bear markets and bull markets, the number of months they lasted and the associated cumulative performance for each market period. Results for different time periods could differ from the results shown.

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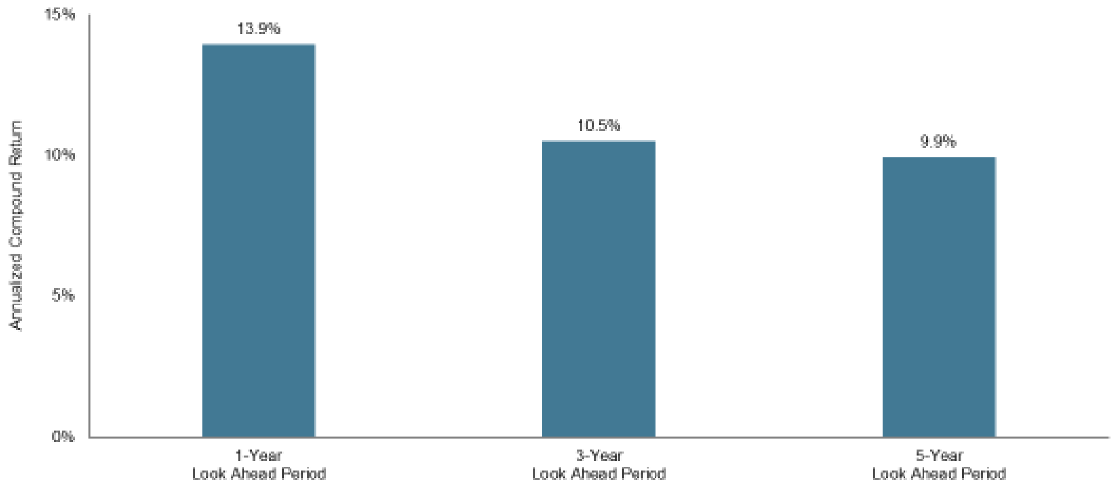
Average Annualized Returns after New Market Highs

S&P 500, 1/1926–12/2019



In US dollars.
Past performance is no guarantee of future results. New market highs are defined as months ending with the market above all previous levels for the sample period. Annualized compound returns are computed for the relevant time periods subsequent to new market highs and averaged across all new market high observations. There were 1,127 observation months in the sample. January 1990–present: S&P 500 Total Returns Index. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. January 1926–December 1989; S&P 500 Total Return Index, Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago. For illustrative purposes only. Index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the management of an actual portfolio. There is always a risk that an investor may lose money.

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Reacting Can Hurt Performance

Performance of the S&P 500 Index, 1990–2019

Missing only a few days of strong returns can drastically impact overall performance.

	Total Period	Missed 1 Best Day	Missed 5 Best Single Days	Missed 15 Best Single Days	Missed 25 Best Single Days	One-Month US T-Bills
Annualized Compound Return	9.96%	9.56%	8.47%	6.56%	4.99%	2.72%

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.
In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero.
S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T-Bills" is the IA SBBI US 30 Day TBill TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values.

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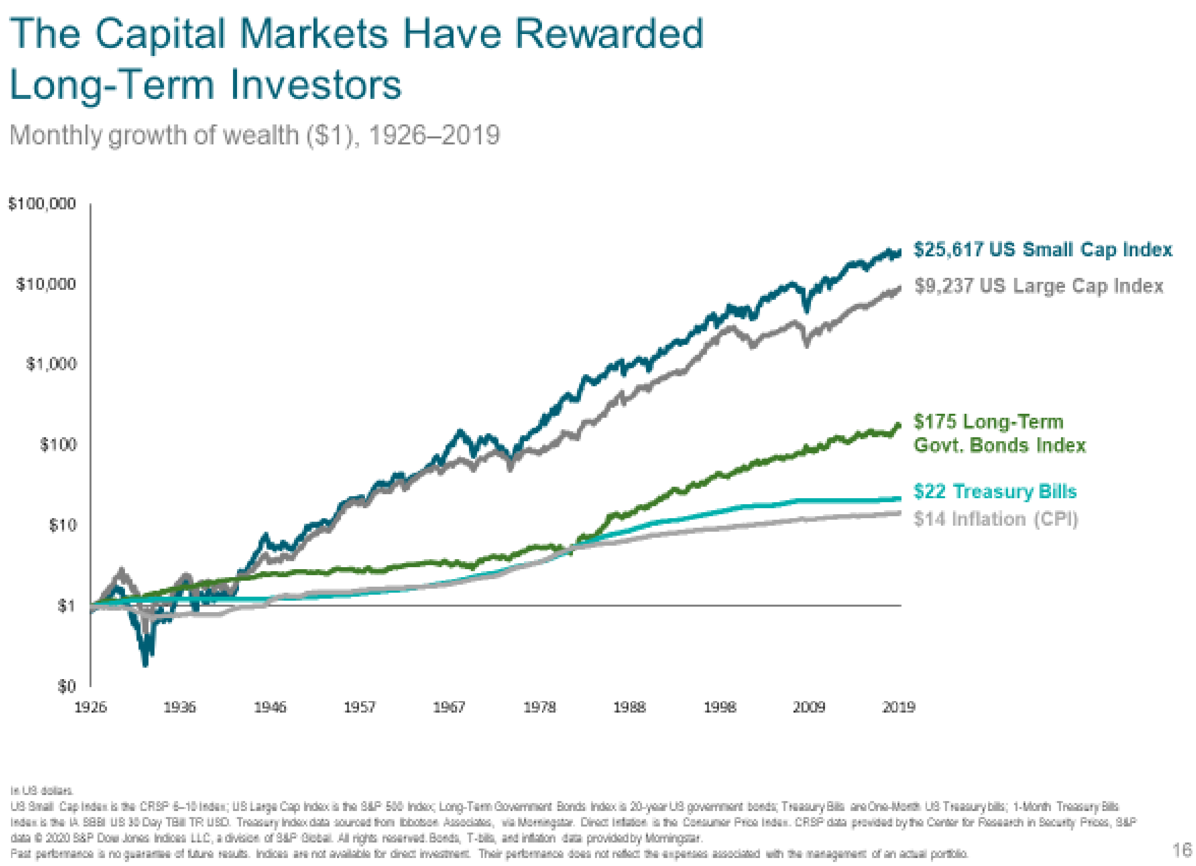

So, What Did We Learn (again) in 2020

1) The stock market is volatile-we had some of the most rapid movements down in price in all history during March 2020. It was a sentiment driven/panic reaction-but like all other drops-we begin to recover when it again becomes apparent the world won't end. Important points-we can't predict when prices drop and how far they'll drop (no one can). We also cannot pick the "bottom"-and will miss out if we try to do so. What we can do is to add to stocks when price drops make their valuation compelling.

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2) Going to cash when prices drop is always a mistake. You have to then also know when to get back in, after locking in your losses.
3) You lost nothing if you did not sell. You are merely participating in the expected ups and downs of equity investing that ultimately pays off well over long periods of time (which is how you should be investing).
4) You can't do well ultimately picking individual stocks-you don't know what is going on "behind the curtain." We have a huge industry of millions of full time stockpickers and analysts globally trying to pick stocks and beat "index investing"-and they pretty much all fail. How are you going to do better?
5) Safe havens might not be safe. In March, bonds went down, REITS went down a lot! You have to be diversified and patient.
6) All of this will happen again every few years (it happened to a large degree in 2000 and 2008, and to a lesser degree in 2011 and 2018. So, we've had signfigant down markets four times in twenty years (normal). But even if you had bought stocks at the peak of the market before the first major drop in prices (say 1999), you have made a very nice return with dividends since then.
7) A good attitude towards a big drop in stock prices in the future would be:
If you are an accumulator and still working-"this is great! I'll load up with stocks on sale."
If you are in distribution and retired-"Wealth Care told me this would happen, and that they had some "buckets" of money for me that would allow us to be patient while prices recovered."

Wealth Care LLC during the Pandemic

Every business had to deal with the "stay at home" rules and lack of regular functioning over the last couple of months. The fact that we have three offices scattered throughout the country and that we often work remotely with each other and with many of our 160 families meant that little changed in our ability to monitor your accounts and communicate with you. We sent out more than 30 emails in March and early April to communicate our best thoughts about the virus and markets in general, and sent up to date information on the government programs that would help many of us recover.

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One change we made was adding Zoom videoconferencing to our regular almost daily business meetings-and we are enjoying that. If you would like to meet with us virtually with Zoom instead of a phone call-we are up for that!

Miscellaneous

Put your health section here please

Random Thoughts

“Be yourself; everyone else is already taken.” Oscar Wilde

Wondering who missed out on the stock market run of 2019? Turns out a lot of people. $90 billion was poured into muni bonds in 2019, compared to $9 billion in 2018.

“The best way to teach your kids about taxes is by eating 30% of their ice cream.” – Bill Murray

Looking back over the 20-year period from Jan. 1, 1999, to Dec. 31, 2018, if you missed the top 10 best days in the stock market, your overall return was cut in half. That's a significant difference for only 10 days over two decades!

If an advisor can’t explain something to you simply then it means one of three things: they either don’t communicate well, don’t understand the subject well, or don’t want you to understand it well. In all cases, it’s time to get advice elsewhere.

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