



Confidence in Your Investments: Retirement Plans, Financial Planning & Wealth Management

THIS Moment in Time...

No shortage of ink has been committed to a “moment!” Hundreds of songs, Bible verses, and historical anecdotes admonish us to seize the day, savor the moment, or be still so one can know what to do in the moment. The media constantly tells us to live in the moment.

What about this moment, today, on the cusp of an election cycle unlike any other?

What about this moment where wars rage on multiple fronts and where conspiracy and corruption seem commonplace?

What about this moment when equities sit near record highs and bonds have staged a 3-month rally of nearly 5% in expectation of the Federal Reserve beginning its cutting cycle?

The great truth about moments (and the scary part for some) is that moments come and go quickly. As King Solomon quipped, “this too shall pass.” Perhaps what’s most important is what lies on the other side of such moments.

As investors, we constantly are faced with the battle to be in the moment, balancing the forces of opportunity and recklessness. At some point many will feel the paralyzing anxiety of a day when all hope seems lost, and the system seems broken. Do you recall during Covid when the circuit breakers closed equity markets multiple times on consecutive days? As painful as those moments were, on the other side was a resurgence for the ages!

Nearly every investor has heard the phrase “you can’t time the markets.” **Why?**

The easiest answer is because the markets are **anticipatory**. Markets are made up of people who are all analyzing risk reward and allocating capital based on expected outcomes. Some do it on hunches and gut. Others use high level math and teams of analysts. All are looking for an edge. When expectations or conditions change, so too does investor positioning. Sometimes the consensus sweeps along with it (like the late 1990’s and the fall/winter of 2008). Positioning during those eras was decisively in a single direction (bullish in the ‘90’s and negative 8-10 years later).

Today’s investor positioning, despite the near record S&P 500 levels, is far from uniform. Many are (and have been for 18 months) cautious on the economy and equity valuations. The highest target for 2024 by any Wall Street Analyst entering 2024 was exceeded before the halfway point. Leverage (which is often the culprit when markets sell off fast) is largely lacking from hedge funds and retail investors alike. Pension funds have taken advantage of higher yields to allocate a greater percentage to fixed income assets and away from stocks.

Headed into this November, many seasoned investors are anxious. It’s completely understandable! Could we have another contested election? Will voting be orderly and trusted? What are the policy implications of each party’s candidate

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assuming the office? What are the long term implications for our Democratic Republic based on the outcome of this vote? The questions seem endless.

While we cannot resolve all of those issues here, history would suggest the market likes one thing on election night: CERTAINTY. Irrespective of which party is elected to the White House and Congress, the stock market likes having an outcome. In the modern era of investing, nearly every election cycle sees equities higher 9 months after the election. Will that trend hold this cycle? The odds favor such an outcome.

To us, the key headed into this Fall is your personal positioning relative to your goals and time horizon. Optimism at 45 should look different than optimism at 65 for most investors.

Despite all the rhetoric and seeds of fear that have been planted by the media (and social media), the greatest probability outcome is that we will begin talking about the next election by the Spring. Markets are likely to gyrate and reprice as the situation unfolds, but a few months down the road we are likely to hear that the campaign rhetoric and proposed policies were just political fodder. The likely outcome of this election is a closely contested Presidential race, complimented by a narrow House and Senate victory for either party. Such has never proven to be the springboard to massive and fast policy changes. In nearly every case, the victor will want to remain electable in 2 or 4 years! After all, the next election cycle begins the day after this election.

So are we really saying to do nothing?

Over the last 18 months you've heard us emphasize cash flow, resilience, and patience. We believe these tenants will be essential to navigating the months ahead. We also would urge investors to re-calibrate what normal market returns look like. A 15% return for equities is not historically normal...it's exceptional! A much more "normal" return for stocks is 7-9% and for bonds 4-6%. Fortunately, we believe our clients are well aligned to garner these types of results with significantly less volatility than equities alone will bring.

We believe buffered ETFs, covered call strategies, and fixed income all reflect our defensive posture and focus on lower volatility returns in the quarters ahead. Our fixed income portfolios provided a double-digit return in 2023 and are on track to again approach a similar level in 2024. A willingness to look different and think outside the box seems probable to be rewarded sooner than later. "Doing nothing" reflects that we have already done the work and positioned for what we believe lies ahead.

In this moment, our pledge is to constantly be looking for ways to deliver value and mitigate risks. ***As a trusted friend, we would be honored by your introduction. We suspect there are many anxious investors looking to talk to someone right now.***

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