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## Managing Your Money

### STAN'S WORLD—DOG GONNIT!

When watching movies that star Nicholas Cage or Jack Nicholson, there's usually a time when the viewer wonders: "Has he lost his mind?" With that cinematic preface, let me share that my 'lost his mind' moment apparently occurred a few weeks ago.

This past November, John and Rebecca had to put down their 12-year-old rescue dog, Sadie. If you've ever had a family pet, you know that the death of a pet can cause a lot of angst and emotion. It's even worse when there are young children involved. After Sadie passed, Rebecca and John told their children they would buy a puppy.

Having grown up with golden retrievers in our house, it was no surprise they decided on a golden. They found a breeder in Maine who John's sister used when purchasing her puppy last year.

Over the past few years, Pearl has often suggested it might be time for us to get another dog. In reply, I usually feign sleep; change the topic to global warming; or race out the door to a fictitious appointment. In other words, at this point in our lives, starting with a new pet is not, at least to me, an attractive option. But then came the pictures...

The pictures were of the litter where Rebecca and John are getting their dog, specifically their English Cream golden. (As the name suggests, English Creams are cream-colored golden retrievers.) They shared the pictures with us and then directed us to the website of the breeder where we could read more about the current and upcoming litters.

In a moment of severe emotional weakness, I placed an order for an English Cream golden from the same litter as the one where Rebecca and John selected their dog. In other words, we'd have two brothers. With a final click, I submitted my credit card information for the non-refundable deposit. The deed was done; we were getting a dog.





## STAN'S WORLD—DOG GONNIT! (CONT'D)

I'm an early riser, as in 2-3 am on many days, so I tip-toed downstairs the following morning. I looked around at the furniture, realizing that a puppy would probably ruin every piece in sight. I then grasped he might be awake at 3 am and want to go out. With me. At 3 am. In the dark. Perhaps the cold. Maybe raining. Or snow.

Around 5 am, I tip-toed back upstairs to bed. After I climbed in, I calmly turned to Pearl and quietly said: "What the (expletive) did we do?" It was at that precise moment that I realized I had lost my mind.

To allay my fears, while wiping the sweat off my brow and the tears from my eyes, Pearl told me how good it would be to have a dog. We would take long walks and get more exercise. We would play with him on the floor and get more exercise. We would walk through malls to buy replacement furniture and get more exercise. I would lift the dog crate into the car and get more exercise. There would be unconditional love. Constant companionship. What could go wrong?

What could go wrong? Since that morning, we've spent about \$3 million on cages, gates, toys, bowls, and books. If we're lucky, my IRA plan will have enough money to pay for one year of the special food that the breeder strongly recommends we purchase for the dog. I know sultans who can't afford this food.

Sometime around March 3, we'll take possession of Scully, or Zyggy, or Hank, or whatever we're going to name this little guy. I share this story because if you call me anytime after March 3, and I'm yawning while you're speaking to me, I don't want you to think I'm rude. In fact, should you see me in ShopRite and I walk by you with a mere nod, I don't want you to be offended. Take joy in knowing I'm getting companionship. Take pleasure in knowing I'm receiving unconditional love. And be jealous of my enviable exercise routine.

I feel better after writing this story. As I read it, however, one nagging thought keeps entering my brain, and I can't seem to shake it. "What the (expletive) did we do?"

## PEOPLE HAVE MEMORIES. MARKETS DON'T

David Booth is the Chairman and Founder of Dimensional, a mutual fund and ETF company whose investment products we often use in client portfolios. We use Dimensional because our philosophy aligns with that of the company; certain investment criteria and attributes (such as emphasizing value investments and diversifying risk in portfolios) lead to successful outcomes over time<sup>1</sup>. In fact, because frequent portfolio turnover is not only a negative factor for investors but for fund providers as well, Dimensional screens advisors before permitting them to allow their clients to purchase its funds.



## PEOPLE HAVE MEMORIES. MARKETS DON'T (CONT'D)

While we often cite the research of Dimensional, both in our newsletters and in client mailings, we don't often provide any articles in their entirety<sup>2</sup>. In this instance, however, the words of Booth are worth repeating verbatim.

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"One of the best things about markets is that they don't have memories. They don't remember what happened last week or last year. They don't even remember what happened a minute ago. Prices change based on what's happening right now and what people think will happen in the future.

"People have memories. Markets don't. And that's a good thing. So as you start 2023, take a lesson from the market. Don't begin this new year bogged down by what happened last year. Give yourself the opportunity to start fresh.

"Every day in publicly traded financial markets, buyers and sellers negotiate prices for every stock and bond. To agree, they have to find a price that they both think is a good deal. This happens over and over, millions of times a day. Then it starts all over again the next day. Unlike people, markets don't think about the past. It's about today and expectations for the future.

"Markets must be forward-looking to set prices that entice buyers to buy. But prices can't be too low or sellers won't sell. Every piece of available information feeds into the decision-making process so everyone involved can agree on the price for a particular security at a particular moment.

"Markets are smarter and faster than you and me. While you've been reading this, markets have probably factored in thousands of pieces of new information and adjusted the prices of thousands of different company securities.

"That's good news. Markets do the work so you don't have to. You don't need to believe in magic or be able to predict the future to have a good investment experience. Some people might think I'm giving the market too much credit. But over more than 50 years in finance I've come to realize that I'm just being realistic. Someone described it to me as "science-based hope."

**"Start the new year off with a clean slate—just like markets do every day.**

"Academic research gives us insights into investing. Over the past century, markets have returned on average about 10% a year, although almost never that amount in any given year.<sup>1</sup> And the annualized inflation-adjusted return on US stocks is 7.3% going back to 1926.<sup>2</sup> Because of big swings year to year, trying to time markets is a losing game. So don't try to outguess markets—go with them. Come up with a plan, take no more risk than you can tolerate, and go spend some time with your loved ones.



## PEOPLE HAVE MEMORIES. MARKETS DON'T (CONT'D)

“Investing has inherent risks. And no matter what anyone tells you, there are no guarantees. But if you don’t have enough cash to live off for the rest of your life, what choice do you have but to invest? Control what you can control so you can set yourself up for success, and then give yourself some grace. Judge yourself by the quality of your decisions and not by their outcomes. There are so many factors outside your control that can impact investment returns.

“I believe one of the worst things investors can do is to impose their memory on their view of markets. Because then they might “see” patterns that aren’t there and make choices that aren’t based on research or evidence.

“It can feel daunting to develop an investment plan you can stick with and determine the level of risk that’s right for you. But few things are more important than how you invest your life savings. That’s why most people would probably benefit from a financial advisor to help them talk it all out.

“When it comes to investing, the key is not to try to outsmart the market, but to understand how it works and use that knowledge to your advantage. The market is a great information processing machine. It runs on human ingenuity, which is why returns tend to grow over time as people work to innovate and improve the value of the companies they work for.

“So start the new year off with a clean slate—just like markets do every day.”

## LIVING TO 100: ARE YOU ON THE PATH?

Boston University is home to The New England Centenarian Study, “...the largest and most comprehensive study of centenarians and their families in the world...” The purpose of the study, to again quote the website ([bumc.bu.edu/centenarian](http://bumc.bu.edu/centenarian))<sup>3</sup> is “To Discover the Secrets of a Long and Healthy Life.”

One of the co-directors of the study, Dr. Tom Perls, also runs a website titled Living to 100 ([livingto100.com](http://livingto100.com)). The website includes a Life Expectancy Calculator, which “...uses the most current and carefully researched medical and scientific data in order to estimate how long you will live to.”

“The calculator asks you 40 quick questions related to your health and family history and takes about 10 minutes to complete. In the end, you will be asked to create an account to store your answers.”



## LIVING TO 100: ARE YOU ON THE PATH? (CONT'D)

We encourage you to take the calculator. If you do so, answer each question honestly, as the results are for you, and can be very illuminating. I'll reveal that my life expectancy is 95. While that sounds exciting now, I suspect it won't sound as exciting if/when I make it to 94.

Not only does the calculator estimate your life expectancy, but the results include a list of things you can do differently to extend your calculated life expectancy, as well as how long each 'adjustment' will add to your life expectancy (e.g. 1 year; .25 years; etc.)

I recently read about the Living to 100 calculator while reading Kiplinger Magazine, when the editor talked about the value of knowing how long you'll live as a critical piece in financial planning. (As an aside, he noted his results were age 92. I'll have to email him that my love of pastries probably enhanced my results, though it's likely I may have overestimated my vegetable intake when completing the questionnaire. Once per week is a bit of a stretch.)

If you complete the questionnaire, which only takes a few minutes (though a few questions will give you pause to think), please let us know your results. Projected client longevity is a BIG deal to financial planners!



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S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 25 years.

*Managing Your Money* is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

**Did we mention?** If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.

**CLIENTS:** Please remember to contact S.F. Ehrlich if: a) there are any changes in your financial situation or investment objectives, b) you wish to impose, add or modify any reasonable restrictions to our investment management services, or c) you've changed your permanent residence.

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1 [www.Dimensional.com](http://www.Dimensional.com)

2 Booth, David. "People Have Memories. Markets Don't." January 13, 2023. Dimensional.

3 "Centenarians and Their Families – New England Centenarian Study – Webinar – March 3, 2022." New England Centenarian Study, <https://www.bumc.bu.edu/centenarian/>.

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