



S.F. EHRLICH
ASSOCIATES, INC.

March 31, 2024

Managing Your Money

STAN'S WORLD – A LEGEND PASSES

Daniel Kahneman died on March 27th. Professor Kahneman was a “pioneer of what became known as behavioral economics.” If you’ve never heard of him, you may be surprised to learn the portfolio you own was partially inspired by his research and writings.

I had the good fortune to hear Professor Kahneman deliver a keynote address while I attended a financial planning conference. His logic was impeccable: “Why do we sell our winners too soon and hang onto our losers too long? Why don’t we realize that most hot streaks are just luck? Why do we say we have a high tolerance for risk and then suffer the torments of the damned when the market fails? Why do we ignore the odds when we know they’re stacked against us?”¹

Kahneman noted that “money lost isn’t the same as money gained. Losses feel at least twice as painful as gains feel pleasant.” At the lecture I attended, he asked the audience how many would bet \$100 on a coin toss? In order to get bettors, an overwhelming majority of the attendees (all of whom were financial planners) wanted more than \$100 to take the bet.

According to Kahneman’s research: “We think short streaks in a random process enable us to predict what comes next. We think jackpots happen more often than they do, making us overconfident. We think disasters are more common than they are, making us suckers for schemes that purport to protect us.”

Kahneman’s work ranged beyond investing. Before making important decisions in any field, Kahneman said you should first understand the base rate.

“If you’re thinking of starting a business, your gut may tell you there’s no way you can fail. According to the Bureau of Labor Statistics, however, half of new businesses die within the first five years. That base rate comes from millions of startups, each of which also expected to succeed. You, on the other hand, are a sample of one.



STAN'S WORLD — A LEGEND PASSES (CONT'D)

“Knowing that the base rate is 50/50 shouldn't deter you from trying, but it should prevent you from being unrealistically optimistic.”

Kahneman was raised in France during World War II. Being Jewish, he spent years of his youth hiding from the Nazis in barns and chicken coops. Perhaps that's where his problem-solving skills emanated, though he insisted that wasn't their origin.

“For all his knowledge of how foolish investors can be, (Kahneman) didn't try to outsmart the market. ‘I don't try to be clever at all... The idea that I could see what no one else can is an illusion.’ Thus, most of his money was in index funds. Added Kahneman: “All of us would be better investors...if we just made fewer decisions.”

If you're looking for a book that can influence your thinking and decision-making for the rest of your life, get a copy of ‘Thinking, Fast and Slow,’ by Daniel Kahneman. It's a fascinating exploration of the mind.

DO YOU HAVE A PLAN B?

Stephen Kreider Yoder and his wife, Karen Kreider Yoder, write a very enlightening column for the Wall Street Journal titled Retirement Rookies. Yoder, a former editor for the Journal, took on this assignment upon his retirement. Together, he and his wife share their often-contrasting perspectives on how they're enjoying and occasionally coping with retirement.

One of their favorite activities is biking together on a tandem bike. We're not referring to rides around the park; we're referring to rides across large expanses of America measured in thousands of miles. A recent experience while biking, however, caused them to start to question some big ‘What-ifs.’²

While biking in Kansas, they noticed a semi-tractor trailer in their side-view mirror. As opposed to the thousands of motorists who give leeway when passing two bicyclists, this semi failed to do so. In fact, he drove so close to them, on a sparsely traveled road no less, that the trucker tore off the satchel bag on the left side of their bike. The driver missed killing them by mere inches.

This near-death experience led the Yoders to wonder if they needed, or had, a Plan B. Their Plan A was to retire and bike together. But what were they to do if one were to die before they lived their tandem-biking life together?

This brings to mind the old Yiddish expression: Man plans, and God laughs. After all, don't we all have plans on how long we're going to work? Or where we're going to retire? Or the destination for our next move? But how many of us have a Plan B if Plan A doesn't come to fruition?



DO YOU HAVE A PLAN B? (CONT'D)

The first step for the Yoders after their near-death experience was to consult with their financial planner. He reassured them they had sufficient assets should either predecease the other. He also suggested they make sure all critical documents were under joint control.

When examining what should be under joint control, the Yoders looked at titles on vehicles, phone plans, and credit cards. Their tasks included preparing a single, shared list of all passwords so either could easily access them.

A few hours after their terrifying experience, the Yoders arrived in Marienthal, Kansas, and stood in front of a statue of a bicyclist who had been killed on the same road. John Egbers died at age 64, "...leaving behind his wife of 44 years and their plans for retirement together."

Though acknowledging the pain of thinking about it, Karen Yoder writes of her Plan B, should Stephen predecease her. She talks about the need to be "part of a caring community." She writes about continuing with her life for a year or so with few changes before she would "simplify, downsize and reduce responsibilities." Moving to a smaller place is in Karen's Plan B, as is getting together with friends who have had similar losses. That's as far as she can envision.

As part of writing their column on formulating a Plan B, the Yoders contacted Susan Egbers, the widow of the bicyclist whose statue they viewed in Marienthal. Susan shared "she faced horrible loneliness for three years after (John) died." After three years, she said she woke up one morning and decided to move from Minnesota to a condo in Florida.

Thinking of a Plan B may be too painful to consider, especially if you have a partner. Should the unthinkable ever occur, however, it would at least give you a starting point.

VIRTUAL CREDIT CARDS: IS NOW THE TIME TO GET ONE?

If you or a family member have never been the victim of credit card fraud, pat yourself on the back. But don't get too confident; your day is probably coming. (Kiplinger's cites an industry survey that says 65% of debit and credit card holders have had at least one fraudulent charge on their account.³) To say credit card fraud is rampant is an understatement.

The time and energy required to replace a credit card due to fraudulent activity is extensive, but it is even more time-consuming if the card in question is used for automatic payments. To fight back against credit card fraud, many credit card companies now offer virtual credit cards. If you haven't used that protection, you may want to consider doing so.



VIRTUAL CREDIT CARDS: IS NOW THE TIME TO GET ONE? (CONT'D)

The benefits⁴:

- A virtual card does not have the same number as your actual credit card. Rather, it's a number your credit card company knows is linked to your card but not known by the retailer. You won't be impacted if a retailer where you shopped gets hacked and your virtual card number is stolen.
- Virtual cards can help manage subscriptions, provided they expire prior to the subscription renewal date. (Consider how many cable channels you are currently subscribing to.)
- In the same regard, if you have children who subscribe to online games, using virtual credit cards ensures an end date.

The limitations:

- If you use a virtual credit card to make a purchase and you want to return the item, the store will not be able to refund the original form of purchase. (If you were to hand them your credit card for credit, that number will not match the virtual card number that was used to make the purchase.) Rather, you may be given a store credit.
- Virtual credit cards are probably not good for places where you may have to present your card to confirm a reservation, such as at a hotel.

Some virtual credit cards are for single use, while others can be used for a fixed amount of time. To use them, you may have to log into your credit card's website. (Capital One allows for the use of a virtual credit card through a browser extension, Eno, that does not require a separate login. In fact, Eno even remembers the virtual credit card number used for each merchant so that number can be reused.)

To learn more about credit cards, go online to find out what your card issuer provides. Yes, credit card safety may take a little more time, but those few minutes will pale in comparison to the time you'll spend cleaning up the mess if your primary credit card is compromised.



S.F. EHRLICH
ASSOCIATES, INC.

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.

S.F. Ehrlich Associates, Inc.

15 Alden Street, Suite 12
Cranford, NJ 07016
Fax: (908) 789-1115

Stanley F. Ehrlich
Phone: (908) 789-1100
stan@sfehrlich.com

John Zeltmann, CFP[®], CFA
Phone: (908) 789-1944
jzeltmann@sfehrlich.com

- 1 Zweig, Jason. "The Psychologist Who Turned the Investing World on Its Head." The Wall Street Journal, 29 Mar. 2024.
- 2 Kreider Yoder, Stephen. "Two Retirees Consider Their Nightmare: What Will We Do If One of Us Dies First?" The Wall Street Journal, 1 Feb. 2024.
- 3 Vincent, Ella. "Virtual Credit Cards Offer More Security." Kiplinger Personal Finance, Mar. 2024.
- 4 "The Pros and Cons of Virtual Credit Cards." The Wall Street Journal, 27 Nov. 2023.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by S.F. Ehrlich Associates, Inc. ("SFEA"), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from SFEA. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. SFEA is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of SFEA's current written disclosure Brochure discussing our advisory services and fees is available upon request. If you are a SFEA client, please remember to contact SFEA, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services, or if you've changed your permanent residence.