S.F. EHRLICH ASSOCIATES, INC.

August 15, 2022

Managing Your Money

STAN'S WORLD—ALWAYS BEWARE

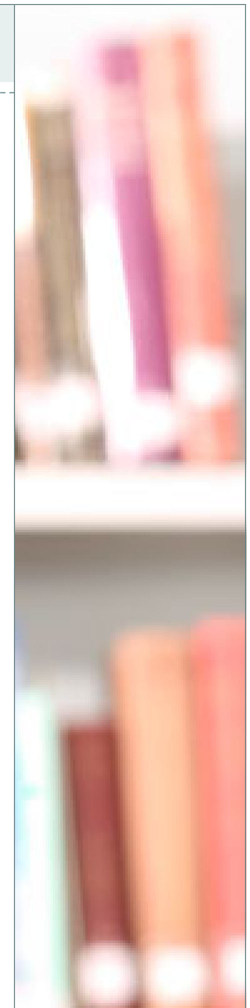
Our business relates to money, specifically your money, so our interest is always piqued when we hear about scams seeking to separate our clients from their hard-earned assets. And if you think we focus on this topic too much, you're correct. In fact, we'd like to send out even more reminders.

As you already know, we periodically remind clients to make sure they have the latest updates from Apple, Microsoft, et al. In addition, we urge clients to utilize such services as McAfee to monitor and protect their computers from prying 'eyes.'

When the phone rings, we'd prefer you not answer unknown phone numbers. The caller may be pretending they are from the Social Security Administration, the IRS, Amazon, or whoever else might cause you to react spontaneously when they introduce themselves. If you don't answer, you can't be scammed by a mere message. Plus, you'll have time to think about the contents of the message, especially if it includes a request for money. (You're always welcome to call us for our opinion, especially if money is involved.)

So it was with great dismay that we read about the case of Ms. Carole Robinson, as profiled in the Business section of *The Star Ledger*[1]. Frankly, the story of Ms. Robinson is a lesson to us all. It also demonstrates that we should all spend more time on personal security.

In brief, Ms. Robinson thought she received an email from McAfee, the virus protection software company. The email said her Wells Fargo account had been charged $499.99 for her annual subscription. This was not a subscription she wanted, so she called the number in the email to request a refund. While helping her process the refund, the phony representative convinced her to grant him access to her Wells Fargo account so he could process everything smoothly. And thus began a horrible scam.



STAN'S WORLD—ALWAYS BEWARE (CONT'D)

Some lessons to take from Ms. Robinson's experience:

- Lesson #1: Never assume emails are accurate or even sent by the company/person as alleged. In fact, if you float your cursor over the sender's address, you'll be able to determine the true source of the email. In this instance, I suspect the return address did not even include mcafee.com.
- Lesson #2: Never call any phone number included in an email without Googling the sender's company contact information to make sure the phone number is legitimate.
- Lesson #3: Never allow a caller to access your computer. In Ms. Robinson's case, computer access helped facilitate the Wells Fargo transfers.
- Lesson #4: Don't go to the bank and initiate a cash withdrawal, regardless of who you think you speak with on the phone. As part of the scam, Ms. Robinson was even given specific directions as to what to say to the tellers should they question her very large cash withdrawals. (As an aside, the tellers at the bank did their job and did question the reason for the large withdrawals.)

The Robinson tragedy is one of 17,000 identity theft calls to the Federal Trade Commission from NJ alone, and that's just year-to-date in 2022. (There were more than 31,000 in 2021.)

The heart-breaking result of this scam: Ms. Robinson lost a staggering $420,000 and is now fighting to stay in her home.

If you read this story and think it can't happen to you, think again. Caught off-guard by a phone call, pop-up, or email, you may act in a way that is totally foreign to you. Should that occur, STOP, and pause whatever you're being directed to do. Call a family member, or us, or a friend, and explain what's being asked of you. Any bills or expenses that are legitimate can always be paid another day. It's the scammer who requires immediate action, and you should be prepared to resist via the final and perhaps most important lesson, Lesson #5: Discontinue all communication.

NOT A USUAL YEAR FOR BONDS, BUT NOT A REASON TO CHANGE COURSE

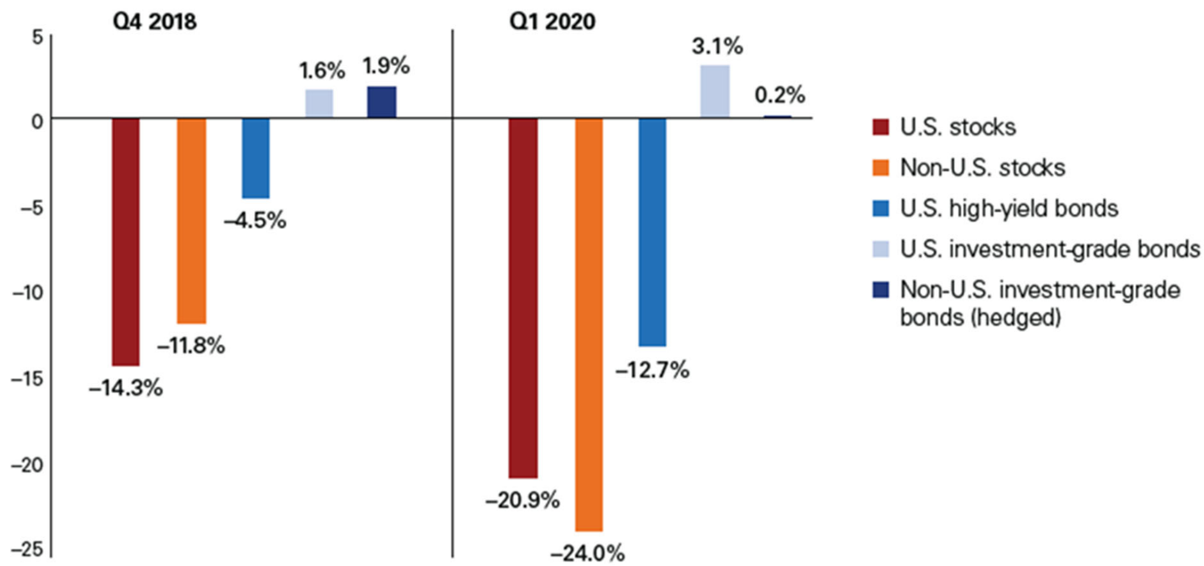
A rapid rise in inflation roiled the stock and bond markets this year, resulting in the worst first half ever for U.S. corporate investment grade bonds. As we've previously noted, that's atypical, as bonds often increase in value when the equities markets drop. As bonds play such a critical role in client portfolios, the next two articles, utilizing analysis by Vanguard[2,3], help to put recent volatility into a long-term perspective.

NOT A USUAL YEAR FOR BONDS, BUT NOT A REASON TO CHANGE COURSE (CONT'D)

This first article will help to explain why bonds are included in client portfolios, specifically:

The vital diversification role bonds play – especially during downturns

Performance of stocks and bonds during two recent equity downturns



U.S. stocks represented by CRSP US Total Market Index. Non-U.S. stocks represented by FTSE Global All Cap ex US Index. U.S. investment-grade bonds represented by Bloomberg Barclays US Aggregate Bond Index. U.S. high-yield bonds represented by Bloomberg Barclays US Corporate High Yield Bond Index. Non-U.S. investment-grade bonds (hedged) represented by Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index (USD Hedged).

Source: Vanguard.

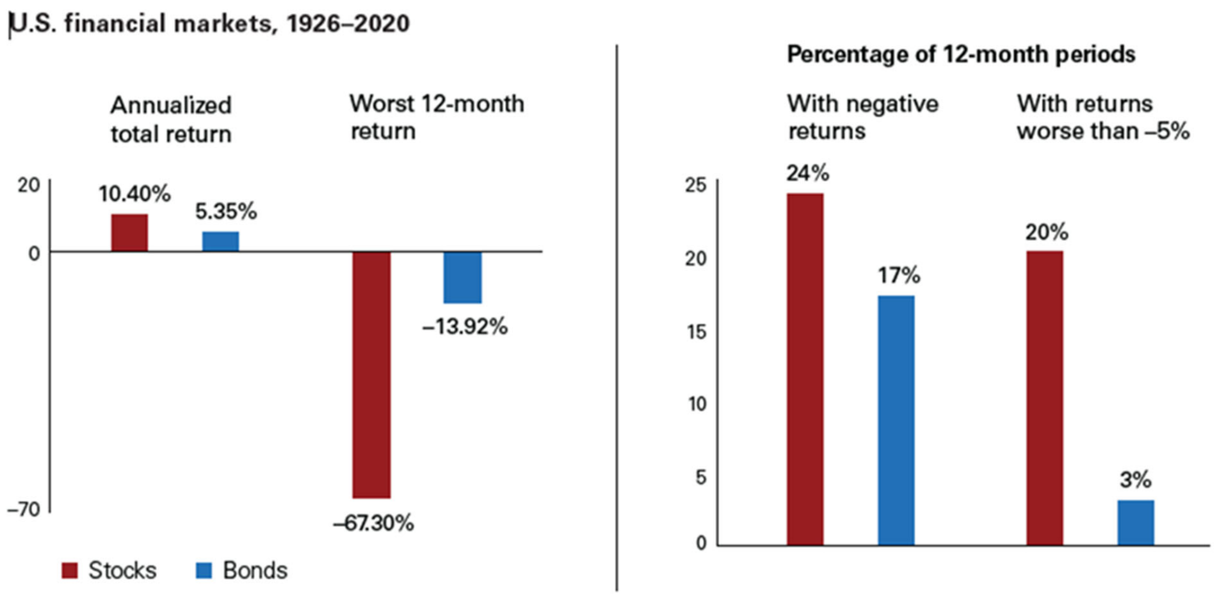
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

<u>Takeaways</u>

- "As investors experienced in the fourth quarter of 2018 and the first quarter of 2020, stocks can plunge steeply for a time. In both cases, balanced portfolios saw their investment-grade bond allocations provide an important buffer."
- "Historically, bonds have helped to stabilize diversified investment portfolios by smoothing out returns. Bond prices tend to move in the opposite directions of stock prices, especially during periods of equity market turmoil."
- "Whatever direction the markets take in the short or long term, bonds can still serve as ballast against one of the primary risks faced by balanced portfolios: stock market risk."

NOT A USUAL YEAR FOR BONDS, BUT NOT A REASON TO CHANGE COURSE (CONT'D)

A bear market for bonds is nothing like a bear market for stocks



The following indexes were used for U.S. stock market returns: Standard & Poor's 90 from 1926 through March 3, 1957; the Standard & Poor's 500 Index from March 4, 1957, through 1974; the Wilshire 5000 Index from 1975 through April 22, 2005; the MSCI US Broad Market Index from April 23, 2005, through June 2, 2013; and the CRSP US Total Market Index thereafter. U.S. bond market returns: the Standard & Poor's High Grade Corporate Index from 1926 to 1968, the Citigroup High Grade Index from 1969 to 1972, the Lehman Brothers U.S. Long Credit AA Index 1973 to 1975, the Barclays Capital U.S. Aggregate Bond Index from 1976 to 2009, and the Bloomberg Barclays U.S. Aggregate Float Adjusted Index thereafter.

Source: Vanguard calculations using data from S&P, MSCI, Citigroup, and Barclays as of December 31, 2020.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

<u>Takeaways</u>

- "For a majority of diversified, long-term investors, a potential bond bear market should not be viewed with the same level of apprehension as a potential equity bear market."
- "Indeed, even the worst 12-month period for the U.S. bond market historically saw a little more than just one-fifth the losses of the worst 12-month period for the U.S. equity market."
- "Vanguard research found that when stocks worldwide sank an average of roughly 34% during the global financial crisis, the market for investment-grade bonds returned more than 8%. Similarly, from January through March 2020 – the period encompassing the height of volatility in equities due to the COVID-19 pandemic – bonds worldwide returned just over 1% while equities fell by almost 16%."

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.

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[1] Karin Price Mueller | NJ Advance Media for NJ.com. "Woman, 81, Gets Scammed out of $420K. Now She May Lose Her Home." Nj, 15 Aug. 2022, https://www.nj.com/news/2022/08/woman-81-gets-scammed-out-of-420k-now-she-may-lose-her-home.html.

[2] "A Bear Market for Bonds Is Nothing like a Bear Market for Stocks." Vanguard, 31 Dec. 2020.

[3] "The vital diversification role bonds play—especially during downturns." Vanguard, April 2021.