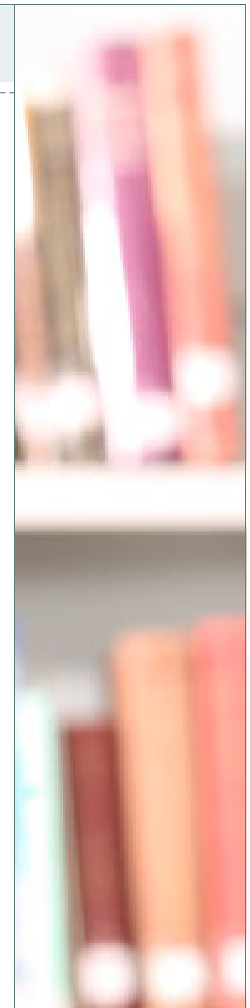
S.F. EHRLICH ASSOCIATES, INC.

August 15, 2024



Managing Your Money

STAN'S WORLD — MAKING SENSE OF SENIOR LIVING

The more people I speak to, the more people I find who don't fully understand the concept of independent living. Considering how much independent living communities spend on advertising, I'm surprised how little is known about their benefits and programs.

In contrast, I suspect most of us know far more about 55+ communities. You may be aware, for example, that moving into a 55+ community typically requires at least one member of the household to be aged 55 or older. There may also be rules permitting children under 18 to stay in a home for a maximum of 30 days per year. This allows children to visit their grandparents but not to become full-time residents. It also eliminates families from moving in who already have children under 18.

Depending upon their size, 55+ communities may offer access to a golf course, a community center, and tennis and/or pickleball courts. Often, monthly homeowner's association (HOA) fees cover exterior expenses and maintenance (e.g., lawn cutting, shrubbery, snow removal, exterior painting, and roof repairs). They are often advertised as a place to live if you want an active retirement.

Another option for active retirement is an independent living community. The term 'independent living' means no assistance is required in activities of daily living (e.g., bathing, eating, and dressing). Much like a 55+ community, independent living communities may offer a variety of social, cultural, and other activities. Contingent on size, residents live in either their own homes or apartments. They live the lifestyle they choose to live.

The main difference between 55+ and independent living is that independent living communities also offer additional services if/when a resident requires assistance in any activity of daily living. These types of communities may offer home care aides, as well as dedicated assisted living residences.

STAN'S WORLD — MAKING SENSE OF SENIOR LIVING (CONT'D)

Some independent living communities offer a continuum of care, whereby residents may move from independent living to assisted living to nursing and/or memory care, all on the same campus. Known as continuing care retirement communities (CCRCs), these types of communities fill the needs of residents as they age. A common misperception about CCRCs, however, is that many people don't realize how independent the lifestyle is within the independent living component.

Smaller independent living communities may have a few hundred residents, while others may have a few thousand. There may be monitored access to the campus, 24-hour EMTs, an onsite medical center, and a meal plan with a variety of restaurants. Larger communities may include a pool, gym, hair salons, clubs, a theater, and coffee shops. For residents, it's effectively living on a campus with many of the same features as a small town.

If there's a four-letter word to describe independent living, it's "SAFE". Residents have access to as much (or as little) assistance or care as they need or want. Listening to those who live in these communities, I have heard it described as a very pleasant way to age in place, with fewer worries about what the next chapter of life may entail. Should a health crisis arise, there's no need to hurriedly find a place to go. You're already there.

As I wrote about in past newsletters, my mother lived in an independent living community for the last ten years of her life, by her decision. Fortunately, when she lived in Florida, she had a group of forward-thinking friends who realized living alone was not the best way to age. In my mom's case, I contend that living in a community where she felt safe and having access to a multitude of services extended her life. (She lived to 98.)

My mother lived in an Erickson community in North Jersey called Cedar Crest Village, with a resident population of about 2,000. One of the great features of Cedar Crest was all the buildings on the entire campus (and there were a lot of buildings) were connected by interior hallways. You could take the jitney that drove around campus all day or walk from your residence to a restaurant, the medical center, the theater, etc., without exposure to the elements. That aspect alone allowed residents to move freely about campus regardless of the weather.

Watching my mother thrive at Cedar Crest, I became a big fan of independent living. As our population ages, you'll likely read more about different lifestyles available to seniors. Any relocation is a huge decision, and you should never feel that you're making it alone. Call, and we'd be happy to serve as a sounding board as you approach this decision.

IN CHARTS: MANAGING VOLATILITY APPROACHING A PRESIDENTIAL ELECTION

If you think you're the only one whose mood changes if your presidential candidate wins or loses, think again[1]:

Consumer confidence by political affiliation

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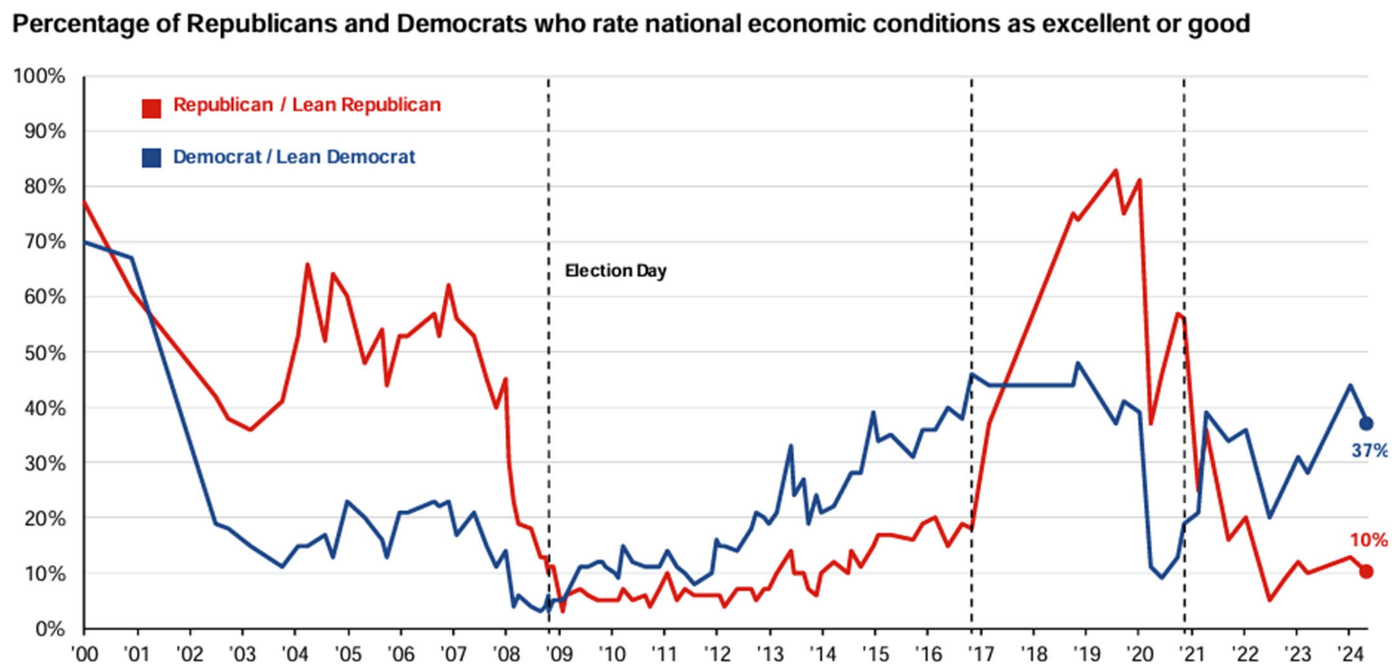


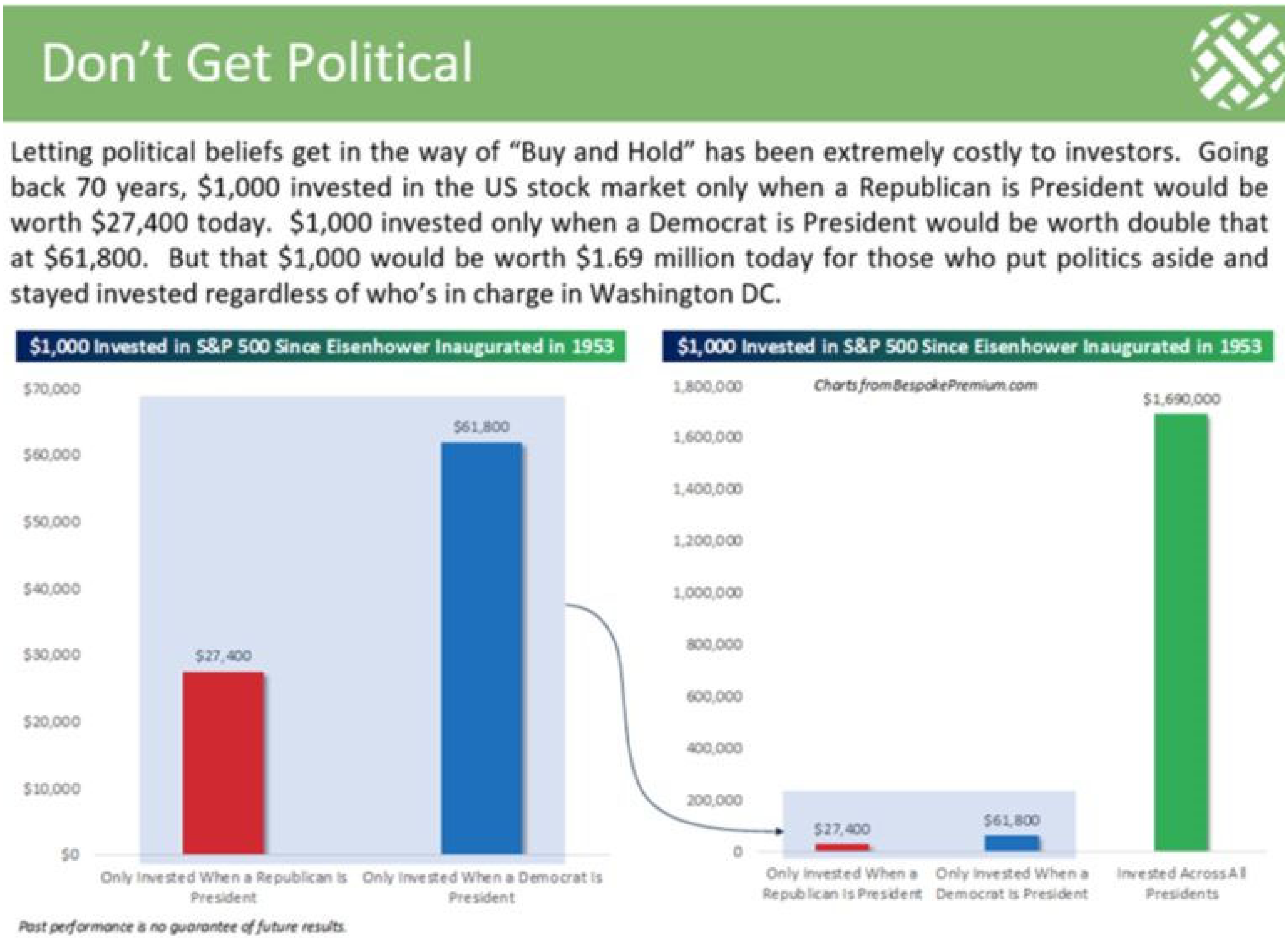
Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.4%
Real GDP growth	1.9%	2.2%	1.8%	2.7%

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in May 2024, "Public's Positive Economic Ratings Slip; Inflation Still Widely Viewed as Major Problem." Pew Research Center asks the question: "Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?". S&P 500 returns are average annualized total returns between presidential inauguration dates and are updated monthly. Real GDP growth are average annualized GDP growth rates.
Guide to the Markets – U.S. Data are as of June 30, 2024.

J.P.Morgan
ASSET MANAGEMENT

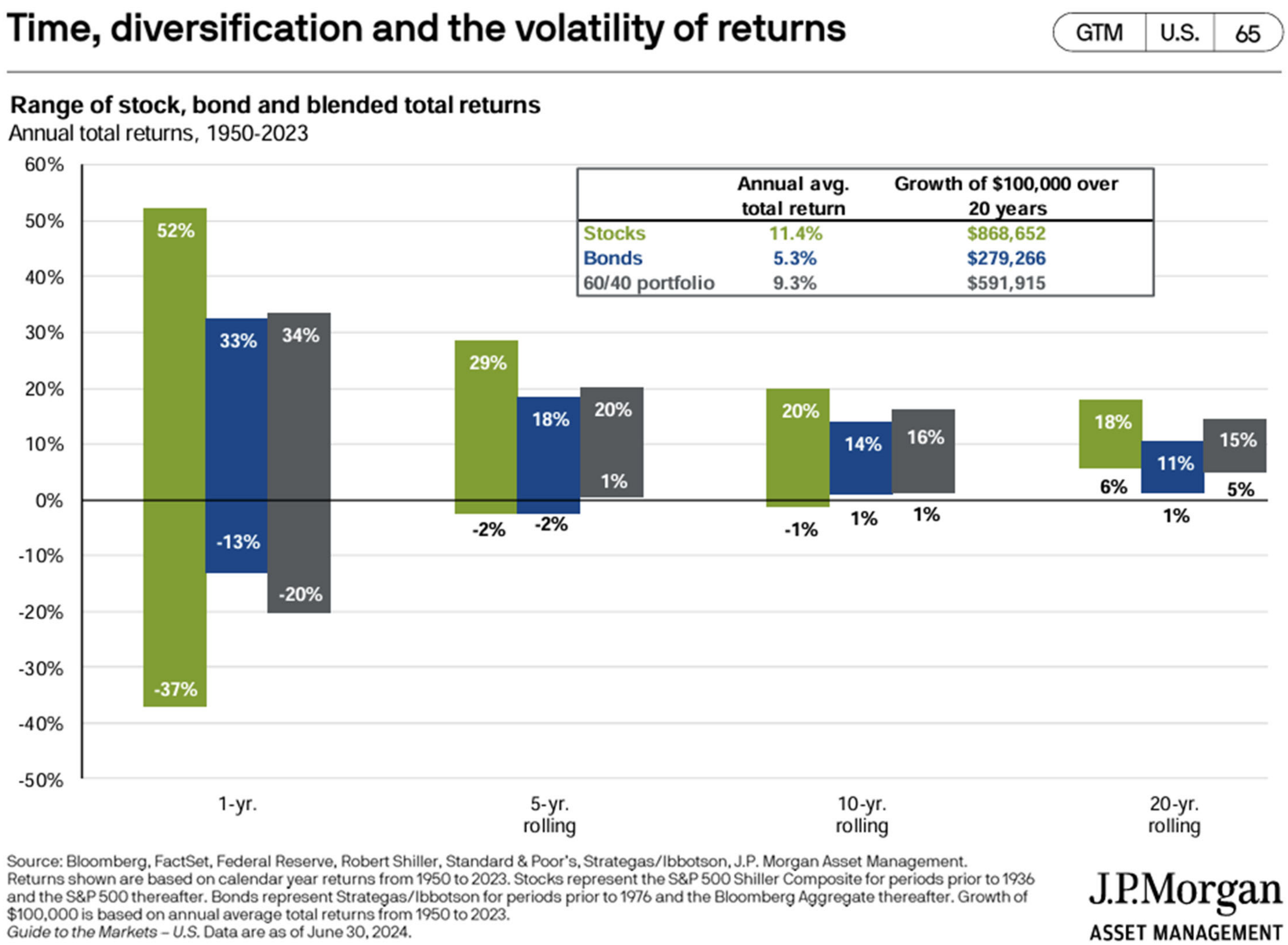
IN CHARTS: MANAGING VOLATILITY APPROACHING A PRESIDENTIAL ELECTION (CONT'D)

But if you're considering changing your portfolio because you think your candidate will win (or lose), don't forget the chart[2] we included last month on market performance and the risks one takes by trying to time the market based on election results:



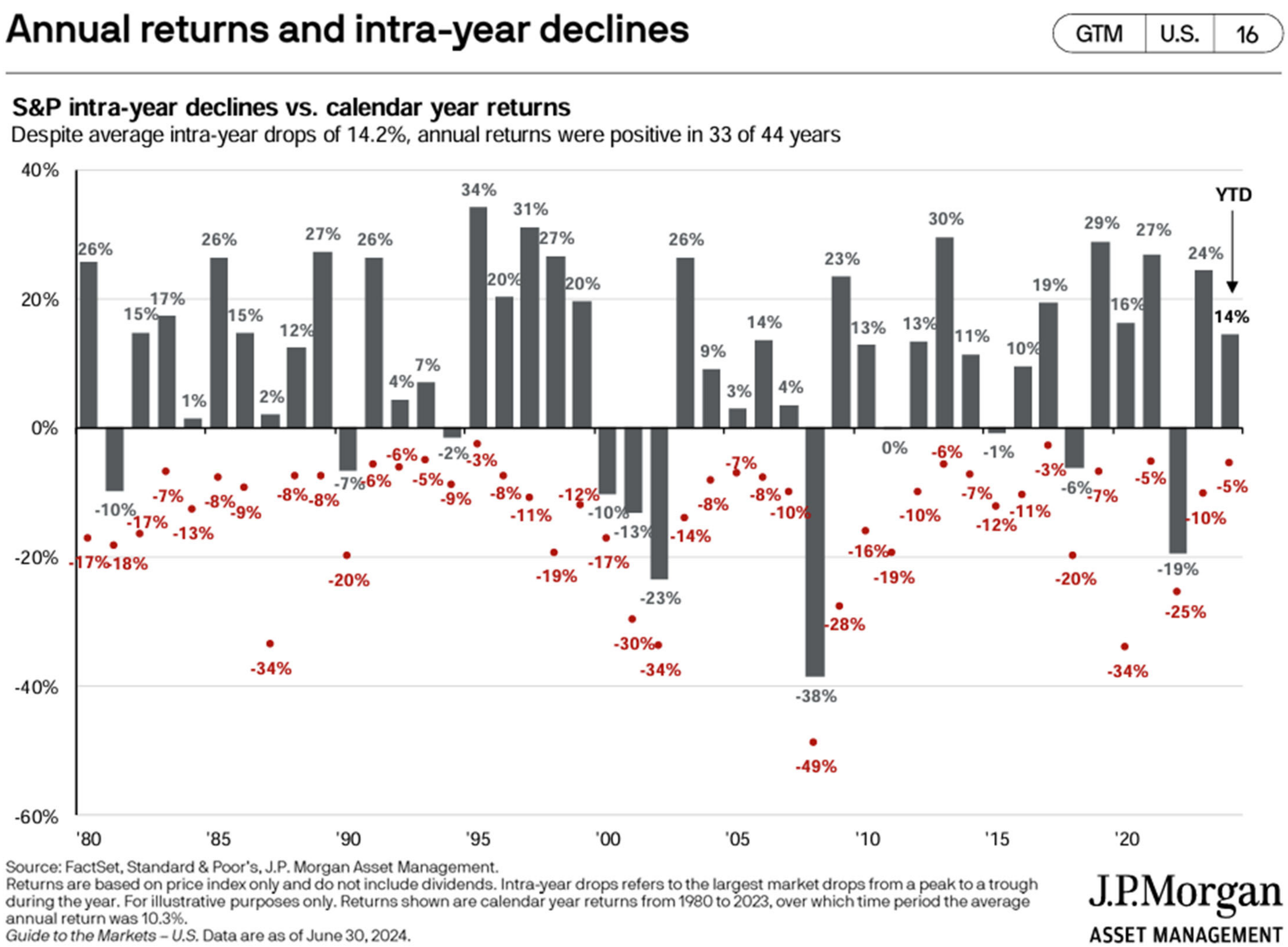
IN CHARTS: MANAGING VOLATILITY APPROACHING A PRESIDENTIAL ELECTION (CONT'D)

Here's a data point[3] always worth repeating: the longer the investing time frame, the less volatility RE stock market returns.



IN CHARTS: MANAGING VOLATILITY APPROACHING A PRESIDENTIAL ELECTION (CONT'D)

And here's an oldie but goodie[4] that reminds us not to get discouraged, even during what seems like down years. As you can see, even when markets have great years, they often have a period within that same calendar year where they were down.



ARE BOND RETURNS STILL RELIABLE?

We often refer to bonds as the relatively safer side of portfolios. We use bonds in portfolios for many reasons, including reducing volatility (bonds typically do not have the same volatility as stocks), providing income (bonds typically provide more interest income than the dividends provided by equities), and as a reservoir for cash (it is relatively simple to sell short-term bond funds to satisfy both short-term and unexpected cash needs).

A commonly used bond return index is the Bloomberg U.S. Aggregate Bond Index, a broad-based index that tracks US investment-grade bonds. For approximately the past 50 years, the Bloomberg U.S. Aggregate Bond Index's average annual return has been approximately 6.6%[5]. (Please note that this index includes investment-grade bonds of all maturities: short-term, intermediate-term, and long-term.)

Over the past few years, however, we've seen unusual bond volatility, with most of it occurring in 2022. That year, the Bloomberg U.S. Aggregate Bond Index fell 13%, an almost breathtaking loss in the bond market. The drop was attributed to numerous interest rate increases by the Federal Reserve as it fought to control inflation.

(A quick primer on bonds: If you pay $1,000 to buy a bond with a 5% coupon and interest rates rise to 6%, the value of the bond will fall. Simply put, why would someone pay you $1,000 for a bond paying 5% when they can get 6% from another bond for the same $1,000? Bond funds must price their inventory at the close of each trading day, so the overall bond market showed a significant decline in value as interest rates increased in 2022.)

Recently, we have seen the opposite occur as markets anticipate the Fed will begin to lower interest rates at its September meeting. Thus, the bond funds we own have increased in value year-to-date as of the drafting of this letter as the individual bonds each fund owns are priced at higher and higher valuations.

The chart below depicts annual returns and intra-year declines for the Bloomberg U.S. Aggregate Bond Index. Looking at the net loss in 2022, you can see the performance anomaly relative to the past 48 years.

To further demonstrate how the bond market has moved in just the past few months, the year-to-date (YTD) performance shown on the chart for 2024 is through June 30th. It shows a loss of approximately 1%. But the Bloomberg U.S. Aggregate Bond Index is actually up 3.2% through August 2, 2024[6]

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ARE BOND RETURNS STILL RELIABLE? (CONT'D)

In response to the question regarding the reliability of bond income as part of a portfolio, the answer, in our opinion, is still a resounding "yes." Aside from price fluctuations due to interest rate changes, don't forget that bonds pay ongoing income, which is quite useful for cash flow purposes.

Bloomberg U.S. Agg. annual returns and intra-year declines

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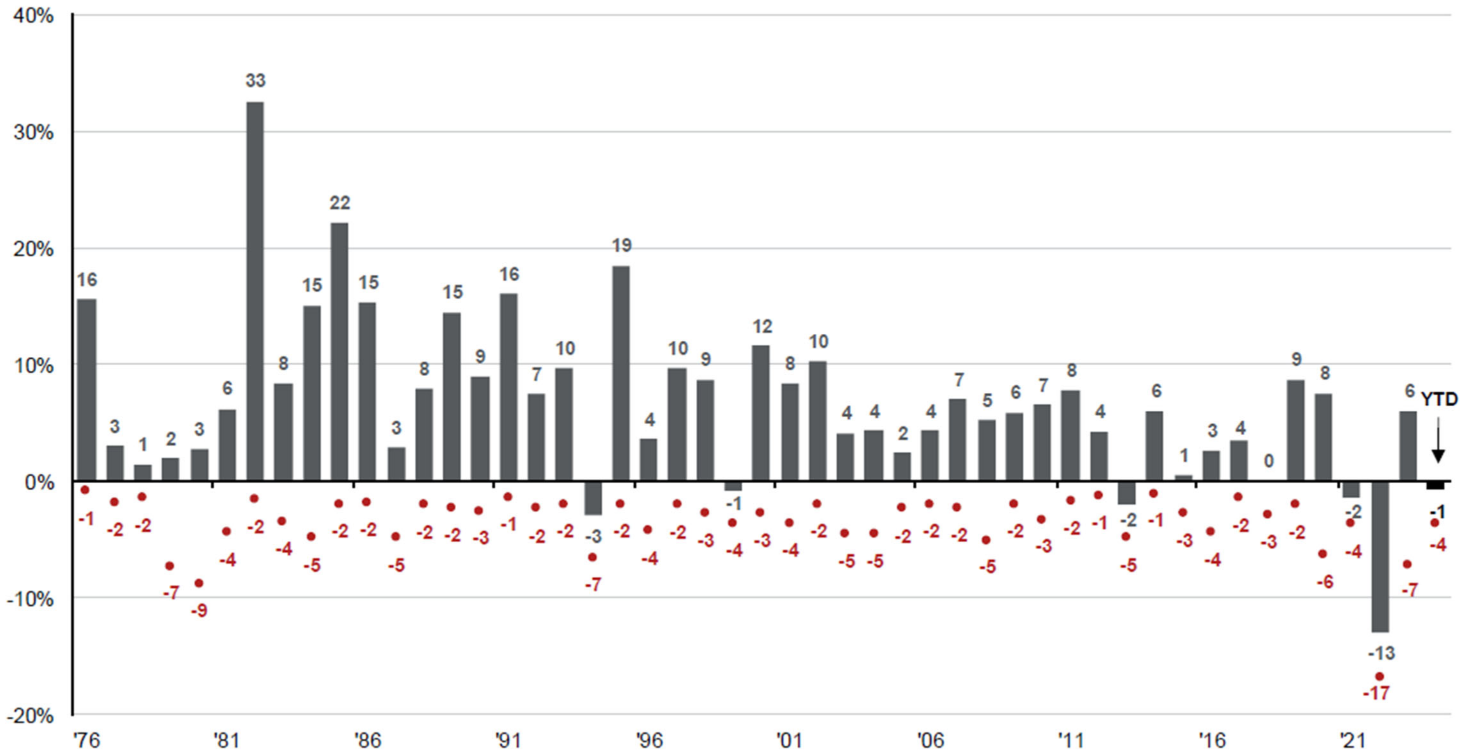
Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.5%, annual returns were positive in 43 of 48 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2023, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterward.
Guide to the Markets – U.S. Data are as of June 30, 2024.

J.P.Morgan
ASSET MANAGEMENT

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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] "Consumer confidence by political affiliation," Slide 68, Guide to the Markets, J.P. Morgan. June 30, 2024.
[2] "Don't Get Political." Bespokepremium.com, April 30, 2024.
[3] "Time, diversification and the volatility of returns," Slide 65, Guide to the Markets, J.P. Morgan. June 30, 2024.
[4] "Annual returns and intra-year declines," Slide 16, Guide to the Markets, J.P. Morgan. June 30, 2024.
[5] "Bloomberg U.S. Agg. annual returns and intra-year declines," Slide 40, Guide to the Markets, J.P. Morgan. June 30, 2024.
[6] Morningstar Office, return calculations available upon request.