S.F. EHRLICH
ASSOCIATES, INC.

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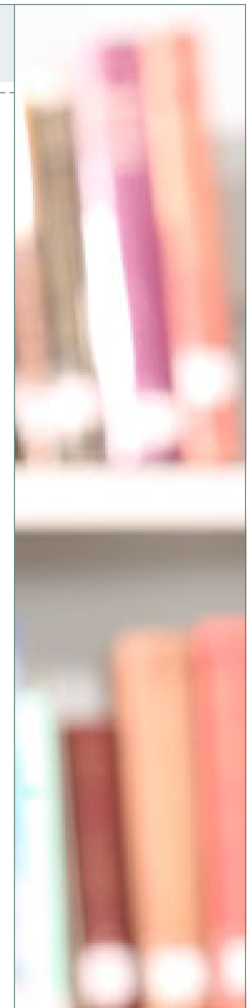


# Managing Your Money

## STAN'S WORLD — MANAGING FEARS

Everyone loves acronyms. When it comes to stock market investing, for example, FOMO is often used to explain why investors suddenly jump in when the market rises at a breakneck pace. (FOMO = Fear of Missing Out.) When investors have FOMO, they're desperate to get on board so they don't get left behind as the market keeps going higher. (I think we know how that always ends for latecomers.)

Along the lines of FOMO is TINA, which stands for There Is No Alternative (to stocks). I guess people who have FOMO eventually come to realize they must invest in stocks because they develop TINA. Of course, if you think about some of these acronyms for too long, you're apt to develop NAUSEA, which means exactly what it spells.

For retirees, there's a relatively new acronym for those of us who won't, or can't, spend the assets we've accumulated over our lifetimes: FORO (Fear of Running Out). As a (mostly) retiree, I understand that fear. (Since we're acronym-tossing, I guess the opposite of FORO is YOLO, or You Only Live Once. My guess is the YOLO crowd doesn't care what happens tomorrow and throws dollars around like confetti. Please, please don't become one of them.)

The point of a financial plan is to take as many significant factors as possible into consideration when a person retires. How much will you spend? How will retirement be funded? Is the plan likely to endure future market downturns? What if you live longer than projected? What if you need care in your later years? A financial plan is designed to allow retirees to enjoy retirement, not endure it.

The fear in FORO (again, Fear of Running Out, for those keeping track) is that employment income has ended. The fear is that the stock market may go down and take too many years to recover. The fear is that a family member may need your financial assistance, and you will want to help. The fear is that you'll live a long life and ultimately call upon your family to help you to finance your needs after all your funds are exhausted.

## STAN'S WORLD — MANAGING FEARS (CONT'D)

Sometimes, our fear of exhausting our funds is self-inflicted. When I was client-facing and held one-to-one meetings with retirees, I always feared hearing unexpected news, especially about health issues. On some occasions, there were what I can best refer to as 'uh-oh' moments, when I would worry whether the financial plan that we had so carefully crafted would be put in jeopardy.

Some examples of uh-oh moments:

- "My grandchild needs money to pay for college tuition." Uh-oh.
- "My adult son/daughter lost his/her job." Uh-oh.
- "My neighbor made a fortune from a rental property, so I was thinking about…" Uh-oh
- "My brother-in-law was telling me about his vacation home, so I was thinking about..." Uh-oh
- "My son-in-law just got a job with this great new start-up, and they're looking for investors." Uh-oh

You get the point. The list of uh-oh moments can go on and on, and with each case, I worried that a plan that was on target was going to fall apart. Sometimes I was able to avert disaster with my persuasive personality and good-looking boyish looks. Other times, the barn door had flown open, and the horse was gone.

I often envisioned the mental sequence that got us to uh-oh moments: the bills are being paid, we have money in the bank, life is good, let's do something crazy.

A financial plan is an attempt to peer into the future. Admittedly, planning would be so much easier if we knew our date of death, or whether we will ever require assisted living or home care aides, or whether our health will dictate where, and how, we'll live. But we don't know those things, and we shouldn't always assume the worst, because the worst may never occur.

I always used to joke that after completing a financial plan, there were some clients I had to push towards the window ledge (e.g., "You can spend a little more than you're currently spending.") while others had to be pulled back (e.g., "This is not going to work, so tell me how much your kids love you and whether they have a spare bedroom."). If you're in the FORO camp, and worried that you will outlive your assets, let me leave you with a thought for your consideration.

If you're a retiree with a financial plan, you likely know approximately how much you're going to spend each year, and where those funds will come from. You also have a (hopefully) conservative expectation as to how your portfolio will perform.

## STAN'S WORLD — MANAGING FEARS (CONT'D)

When the year ends, look at your numbers. If you spent less than you thought you would spend, and/or your portfolio went up more than you thought it might, collect those excess dollars and spend some of them. Buy something; go somewhere; give gifts to your children and grandchildren; take your family on a vacation; donate to charity. Use those 'surplus' dollars now, while you're able to use them; while you're able to watch your family members enjoy your largesse. Those 'excess' dollars represent 'No Regrets.'

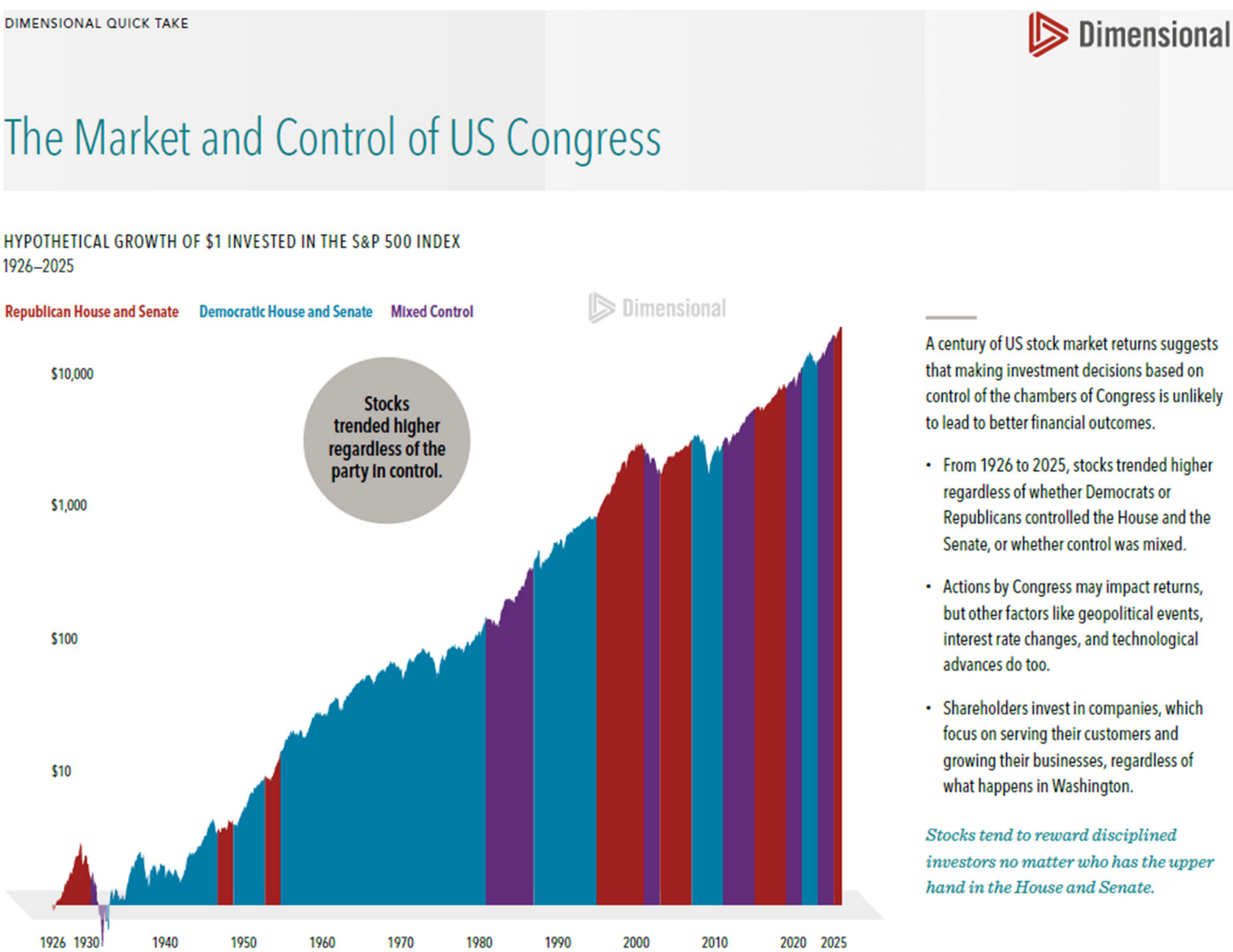
As my mother aged, she was fond of saying: "We're nearer than further." She knew to spend each year's 'allocated' dollars, because she had too many friends who didn't get the chance to do so. Yes, the markets may drop next year, but we can't live every year in constant fear that bad tidings are coming. It's not a healthy way to live. Let's use the time we have doing what we enjoy, and let's leave FORO in the dust.

## FUN WITH CHARTS!

### The Upcoming Election

With midterm elections coming up this November, control of Congress may, or may not, change. If you've taken note of market gains over the past three-plus years, you may be wondering if a change in control of Congress would impact market performance. The chart below shows how one stock market proxy, the S&P 500, performed over the past 100 years under all combinations of political control. (All combinations are defined as a Democratic House and Senate; a Republican House and Senate; and each party controlling one chamber).

As the chart shows, the market doesn't perform better with one party in control of Congress vs. the other, or when control is split. As we've often noted, corporate profits ultimately determine stock prices. To quote the Dimensional chart, "Stocks tend to reward disciplined investors no matter who has the upper hand in the House and Senate."



## FUN WITH CHARTS! (CONT'D)

### Inflation

If your primary concern is inflation and how an increase in inflation may impact your portfolio, well, we have a chart for that. Examining inflation and market performance over the past 30 years "…does not show any reliable connection between periods of high (or low) inflation and US stock returns." Of note is the comment showing the S&P 500 "…posted an annualized return of 7.16% after adjusting for inflation."

DIMENSIONAL QUICK TAKE

Dimensional

# Will Inflation Hurt Stock Returns? Not Necessarily.

STOCKS VS. INFLATION
1996–2025


Investors may wonder whether stock returns will suffer if inflation keeps rising. But a look at equity performance in the past three decades does not show any reliable connection between periods of high (or low) inflation and US stock returns.

- Stock returns can be strong, or weak, or in between when inflation is high. For example, returns were relatively strong in 2021 but poor in 2022.
- Twenty-three of the past 30 years saw positive stock returns even after adjusting for the impact of inflation.
- Over the period charted, the S&P 500 posted an annualized return of 7.6% after adjusting for inflation.

*History shows that stocks tend to outpace inflation over time—a valuable reminder for investors concerned about rising prices.*

## FUN WITH CHARTS! (CONT'D)

### The War With Iran

Over the past 100 years, America has engaged in such noteworthy military conflicts as World Wars I and II, Korea, and Vietnam, along with assorted other shorter-duration skirmishes. Will a conflict with Iran change market dynamics?

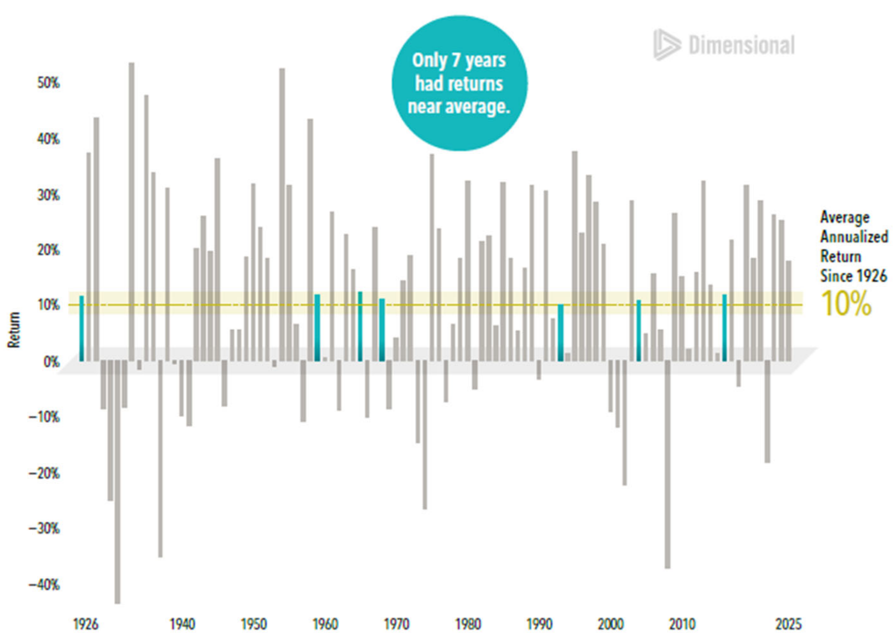
We've preached, and will continue to preach, that investing is a long game. We never know when markets will soar towards the heavens or sink to the depths. What we do know, as evidenced by the chart below, is that over the past 100 years, investors who had the courage and commitment to remain invested in the equities markets have benefited greatly. Yes, the road is often bumpy, but the results have handsomely rewarded patient investors.

DIMENSIONAL QUICK TAKE

Dimensional

## The Bumpy Road to the Market's Long-Term Average

ANNUAL RETURNS FOR S&P 500 INDEX
1926–2025




Since 1926, the US stock market has rewarded investors with an annualized return of about 10%. But returns in any given year may be sky-high, extremely poor, or somewhere in between.

- Annual returns came within two percentage points of the market's long-term average in just seven of the past 100 years.
- Yearly returns have ranged as high as up 54% and as low as down 43%.
- Since 1926, annual returns have been positive 74 times and negative 26 times.

*Understanding the range of potential outcomes can help you stick with a plan and ride out the inevitable ups and downs.*

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

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

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


1 Dimensional Quick-Takes, "The Market and Control of U.S. Congress," 2026.
2 Dimensional Quick-Takes, "Will Inflation Hurt Stock Returns? Not Necessarily.," 2026.
3 Dimensional Quick-Takes, "The Bumpy Road to the Market's Long-Term Average," 2026.

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