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Managing Your Money

STAN'S WORLD – ZONING PROBLEMS

We moved to the Town of Westfield with the idea that we would stay for 10 years and then move on to the next step of our lives. We never defined that next step because 10 years is a long time, and perhaps that explains why our former 10-year plan will soon be 20 years old.

Why didn't we move after 10 years? The reasons probably sound familiar to why so many of you stay in your homes: doctors, family, and the house fits our needs. (If you're younger, you might also be thinking: the schools are good, and it's an easy commute to work.) In a word, things are comfortable. Moving is an unknown; some things might be better, others less so. It's time to take advice from Paul Simon: "Make a new plan, Stan." (Google it...)

A few years ago, we called the building department to ask if we could build a deck over the footprint of our existing patio. The official said we can't add more above-ground footage to what's already built on our lot, but we're certainly welcome to enlarge our patio.

For what it was worth, I explained the reasoning behind a deck vs a patio: We're getting older, and we want to eliminate the steps down to the patio. We want to age in place, and steps should be avoided whenever possible. I got a sympathetic ear, but the code is what the code is, rules are rules, formulas are formulas, and the answer was still no.

The next step was a meeting with an attorney to talk about a variance. He was cautiously optimistic that we could get a variance and gave us the name of an engineer who could tell us what, if anything, we could build.

In April 2024, the engineer came out to our house to talk decks. He looked at the back yard and asked why we wanted a deck. We explained we're growing older, we want fewer steps, yatta, yatta. He informed us that the procedure for getting approvals to build a deck is the same as for a porch. Why not just build a three-season room? Why not indeed! He was cautiously optimistic that we could get a variance and gave us the name of an architect who could draw the plans.



STAN'S WORLD — ZONING PROBLEMS (CONT'D)

A few weeks later, we met with an architect about drawing up plans for a porch to be built over the footprint of our existing patio. As he looked around the backyard, he said he also was cautiously optimistic that we could get a variance.

It takes a while to draw plans. Measurements and photos are to be taken. Lots of photos. There are sketches, changes, and first and second drafts. Along the way, there were a few computational errors by the engineer and/or the architect, a few remeasurements, and more photos. Did I fail to mention invoices?

Eventually, we had a set of drawings that we could bring to our attorney so he could complete the paperwork to apply for a variance. Of course, we had to write a few more checks and sign a few forms. We were cautiously optimistic.

The town got the forms, but they required some corrections. The forms came back. Corrections were made, and the paperwork was resubmitted. After a lengthy review, we finally got a date for a hearing. But wait; the municipal official who reviewed the application found a few more errors, so the date had to be changed. These things happen.

Finally, and I mean finally, a hearing date was set for August 2025, approximately 16 months after our initial visit with the engineer. We were ready to go. We had the architect, the engineer, and the attorney. And then they added a planner because, well, I don't know why. It didn't matter; it was almost showtime.

On the day of our hearing, it started to rain. And rain. And rain. Streets flooded; roads were closed; arks were built. Against my wife's better judgment, I drove to the municipal building through a truly torrential downpour. I walked to the doors, only to find them locked. A woman ran from her car and told me she was the board secretary. The hearing was postponed; didn't I get the email she sent 5 minutes ago?

I told her how long I had waited for that night, and she was very sympathetic to my plea. But board secretaries record proceedings at meetings; they don't set the hearing agenda. She'll get back to me.

A week later, we got a notice for a new date. Because the in-person meeting was cancelled and their next meeting was already booked, our hearing would be held virtually.

I logged in at the appointed time and dutifully sat with my notes in front of me. The board president noted that one of the cases before us was cancelled, but they had an emergency hearing for the food pantry.



STAN'S WORLD — ZONING PROBLEMS (CONT'D)

During the approximately two hours of testimony and questions during the hearing for the food pantry, I perked up when I heard their presenter, a member of the clergy, note that one of the changes that was being requested was being sought so their senior volunteers wouldn't have to walk up and down a set of steps. Who needed an attorney, an engineer, an architect, and a planner; a messenger from God was on our side!

Around 10 pm, they called our case number. When it was my turn to testify, I quoted the clergy member from the food pantry. We want to stay in our house, enjoy it, and try to keep ourselves as safe as possible. After hearing from me, the attorney, the planner, and the architect, the board unanimously agreed. (In truth, I believe it was so late they were too tired to argue.) We did it! We had a variance to build a porch!

It's now mid-February, and the excitement from that late August night has been somewhat tempered. You see, once you have a variance, you must find a builder. And builders must review plans before they can quote a price for a project. And then the builder needs sealed drawings from the architect, and permit applications must be completed, but the paperwork isn't always perfect, so it may have to be resubmitted. The builder finally prevailed and called to say he had the permits in hand.

But then it snowed, and the snow turned into ice. And other jobs were almost finished, but not quite. And we're on the list. And then it snowed some more.

The other day, the builder put his sign on our snow-covered lawn. He's either almost ready to start or he just needed a place to put an extra sign. There's still ice and snow, but we have a sign!

April 2026 will mark two years from when this saga officially started, and who knows when it will end. (Perhaps the next Stan's World will be a diatribe about how the builder ordered the wrong windows.) Regardless of the fate of our porch, take note that change takes time, and nobody, and I mean nobody, is on your schedule.

GETTING ORGANIZED FOR THE AFTERLIFE

When we speak with clients about their legal documents, clients often question why they need wills, powers of attorney, or health care proxies. The answer is we don't know how life will unfold. Sadly, we've witnessed calamitous events happening to people of all ages.



GETTING ORGANIZED FOR THE AFTERLIFE (CONT'D)

If a family with a minor doesn't have a will and something happens to the parents, a judge will likely decide who will get custody of the child. While it's often difficult to decide which family member, or friend, will be assigned custody in a will, it's unlikely that a lot of couples look at each other and say: "Let a judge decide who will raise our kids." Lacking a will, a stranger, who knows nothing about the couple, their family, or their child(ren), will make a very significant decision because the parents didn't have a will to express their wishes.

As we periodically do, here's a partial list of documents you should retain^{1,2}.

- **Will:** "A will is a legal document that lays out who will inherit your assets...and who will assume guardianship of children and pets." Everyone should have a will. Even if you don't have a family, it's still likely you own something of substance, like a checking account, or a car, or even a pet. (Nobody thinks about pets when they say they don't need a will.) You don't necessarily have to hire an expensive estate attorney to prepare a will, as there are plenty of sites online where a simple will can be quickly and easily prepared. Guardianship issues aside, in some states, if the deceased has no living relatives, the state will inherit all the assets. How many people would willingly choose that option? Regarding where to store your will, two recommendations: ensure someone knows where it is stored, and make sure the executor has legal access to the document.
- **Healthcare proxy:** "To specifically allow a designated person to make health care decisions if you cannot, you need a medical power of attorney or a health care proxy." If you want to "specify the treatments and end-of-life care options you do or do not want," you need a legal document so your decisions are known. (An advance directive may also be used to outline treatment preferences, but it may not be as binding in some states as a healthcare proxy.) Of utmost importance is selecting someone to carry out your wishes.
- **Power of attorney:** This document gives a person you trust the legal authority to act on your behalf – for example, by managing business and financial decisions. A durable power of attorney allows your designated person to continue to manage your affairs, even if you become incapacitated. The operative words: a person you trust.
- **Letter of instruction:** Life is about so much more than the mere contents of a will, and a letter of instruction can clarify how and why you made some of the decisions that were included in the will. When it comes to dividing assets among children, for example, fair doesn't always mean equal. A well-crafted letter can help to explain why one child received more (or less) than a sibling, or why certain assets were allocated for charitable purposes.



GETTING ORGANIZED FOR THE AFTERLIFE (CONT'D)

- **Social and digital media:** “Create a document stipulating how you want your online accounts and all digital content handled when you die and designate a representative, like a family member, to take control.” You’ll also have to “create a list of usernames and passwords to help your representative log into your accounts.” While this list should be safely stored, your representative will ultimately need to access it to carry out your wishes, such as turning off recurring monthly payments.
- **Watch those beneficiaries:** After you’re done signing your will and have a good understanding of how your estate will be distributed, go to all your accounts that have a beneficiary, such as an IRA or a 401(k). The beneficiaries of IRAs and 401(k)s are not governed by your will, so make certain the beneficiaries listed on those accounts align with your wishes. (Sadly, you wouldn’t be the first person whose 30-year-old IRA went to an old boyfriend or girlfriend because the beneficiary designation was never updated.

FUN WITH CHARTS

When you hear the phrase ‘the market is rich,’ it refers to the stock market having a high P/E ratio. A P/E ratio is a stock’s price divided by its earnings over the past 12 months. Thus, if the share price of a stock is \$100, and the annual earnings for that stock are \$10, the P/E ratio is $100/10 = 10$.



FUN WITH CHARTS (CONT'D)

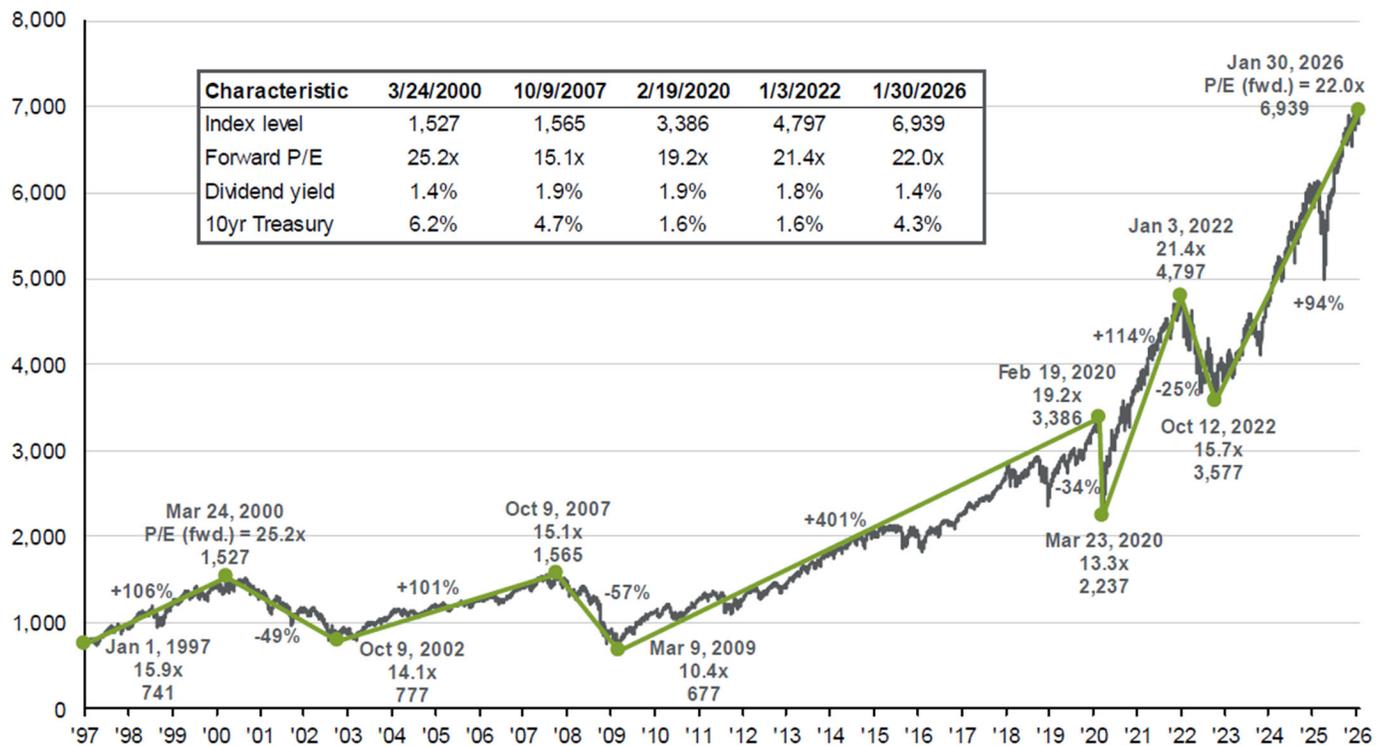
Stock valuations matter. The chart below³ shows the correlation between P/E ratios and future returns. Notice, for example, what happens to stock prices when P/E ratios peak. Over succeeding years, stock prices often go down. They'll eventually bottom, rise, and peak again. (As the chart shows, these cycles recur over and over, for various lengths of time.)

As shown on the graph, the term P/E fwd (forward) is the price of the S&P 500 Index divided by its projected earnings over the next 12 months.

S&P 500 index at inflection points

GTM U.S. 4

S&P 500 Price Index



Source: FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus analyst estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. Forward P/E ratio is the most recent S&P 500 index price divided by consensus estimates for earnings in the next 12 months, provided by IBES since January 1997 and FactSet since January 2022. Returns are cumulative and do not include the reinvestment of dividends. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of January 30, 2026.



FUN WITH CHARTS (CONT'D)

The chart below⁴ shows the 30-year average forward P/E ratio is 17.1, while the chart above shows the forward P/E ratio as of 1/31/2026 was 22.0. Seeing that, your first reaction might be to sell everything and head for cash.

Yes, we're heading towards a peak, or may even be near a peak, but we don't know where the top is. And selling too early may mean 'leaving money on the table.' Rather than randomly picking peaks and valleys, we address record-setting stock prices by rebalancing and building up the fixed-income sides of portfolios. But that's not new news; you already know that.

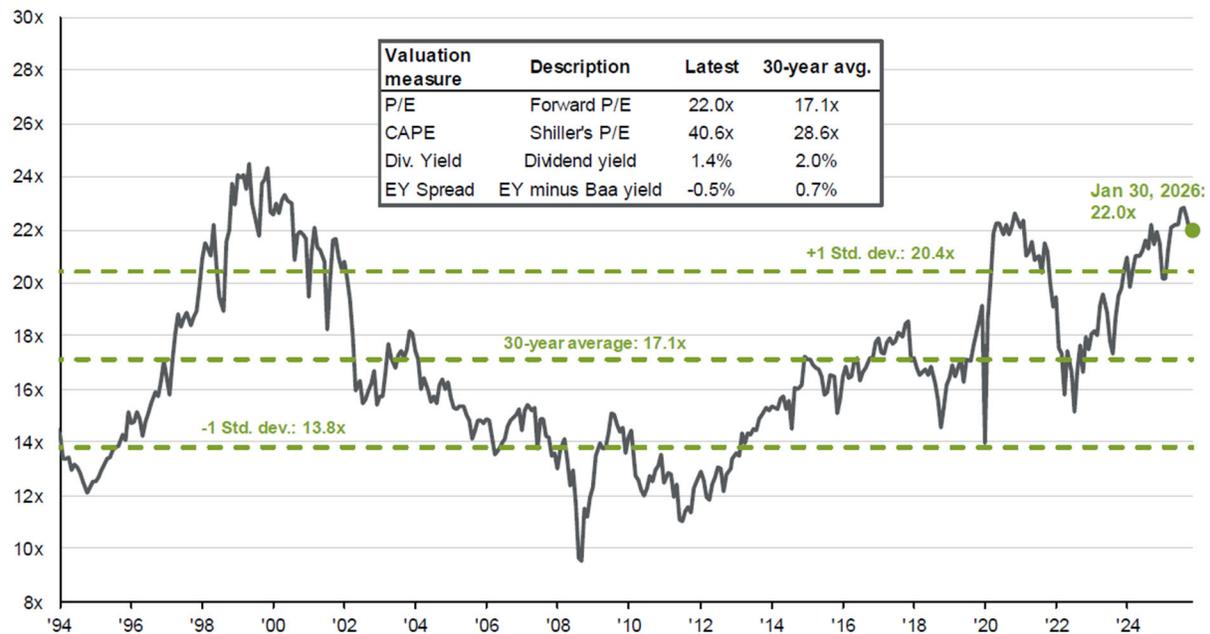
One caveat worth noting about current stock valuations. There is a significant concentration of mega-cap technology stocks within the S&P 500, and tech stocks often have higher P/E ratios because they tend to grow faster.

We've witnessed outsize valuations by formerly dominant companies in the past (e.g., GE, IBM, General Motors), and we've also seen those once-great companies lose their leadership positions. While some may argue "This time it's different," we've also heard those words uttered far too many times.

S&P 500 valuation measures

GTM U.S. 5

S&P 500 index: Forward P/E ratio



Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. *Guide to the Markets* - U.S. Data are as of January 30, 2026.



FUN WITH CHARTS (CONT'D)

The takeaway from high P/E ratios is to temper your expectations for market returns over the next few years as the cycle plays out. Yes, the average return of the S&P 500 may be approximately 10% over the past 100 or so years, but history also shows it's never a smooth ride.



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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.

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1 Schupak, Amanda. "Let's Talk About Death." The New York Times, 17 July 2025.

2 Feinberg, Shaina. "Death, and Preparation for It, in an Age That Avoids Both." The New York Times, 16 Mar. 2024

3 "S&P 500 index at inflection points," Slide 4, Guide to the Markets, J.P. Morgan. Jan 31, 2026.

4 "S&P 500 valuation measures," Slide 5, Guide to the Markets, J.P. Morgan. Jan 31, 2026.



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