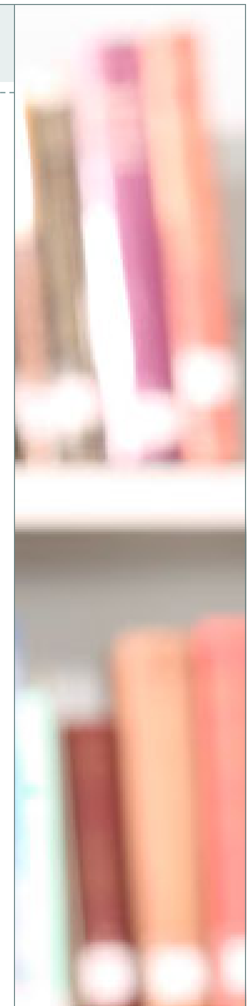
S.F. EHRLICH
ASSOCIATES, INC.

June 30, 2025



Managing Your Money

STAN'S WORLD — PLANNING PEONIES

Now that I'm semi-retired, I'm on the prowl for rewarding activities to fill gaps of time in my days. Where can I contribute skills I've acquired over the years? Who wants to hear from this (gently) aging genius?

Fortunately, I didn't have to answer any ads for my latest endeavor, nor did I have to sit for any interviews. One could say my latest 'job' fell into my lap.

What is my next volunteer opportunity in my quest to save the world? Drum roll, please: I am an (unpaid) advisor to a flower farmer. I help with marketing, payroll, bookkeeping, banking, and financial reporting. In other words, I do a lot of what I do/did for S.F. Ehrlich. I've essentially gone from discussions about AUM (assets under management) to discussions about PUM (peonies under management).

While that may sound at odds with how I've spent my entire adult life, you might find I've been preparing for this role for quite a long time. And therein might lie a lesson for those of you contemplating what you might do in retirement, or even for those of you who are not retired but wondering about your next job. Sometimes, your next gig is right before your eyes. It's also likely you're more qualified than you realize. To wit:

- **Marketing:** Doesn't every business require some form of marketing? Whether it's in the form of social media or customer relations, every business must work hard to both retain existing clients/patients/customers and to add new ones. To some degree, every business must continually grow to survive. If you've owned virtually any type of business, or worked for almost any type of company, you've been involved, to some degree, in marketing.
- **Payroll:** I already know how to process checks and calculate withholding taxes through ADP (our payroll processor), so processing checks for people who work on a farm involves the same language. Yes, there are distinctions between how people are paid in various roles (i.e., salary vs hourly), but payroll is still payroll.

STAN'S WORLD — PLANNING PEONIES (CONT'D)

- **Maintaining a general ledger:** Every successful business understands which elements work better than others. If you're a builder, do you make more money from remodeling kitchens, or remodeling bathrooms? If you're a flower farmer, are you making more money from selling to florists or selling to wholesalers? Can you make more money selling retail? Do you get more for peonies than for dahlias? Every decision in every business is based upon a calculation, and people who were financial planners (or accountants, warehouse managers, etc.) are usually pretty good at calculations.
- **Banking & debt management:** Who better than a financial planner to understand cash flow and debt analysis? Who better than a financial planner to project monthly expenses and how to fund them? Frankly, it's a lot simpler to plan for a growing season than it is to prepare a 30-year plan for clients.
- **Insurance:** Every business requires insurance, whether it's business insurance in case of a fall or accident, or worker's compensation for employees. If a vehicle is going to be used for work-related tasks, are you covered in case of an accident?
- **Compliance:** Compliance for financial planners covers two primary areas: compliance with SEC regulations, and compliance when reporting income and expenses to the IRS. For all businesses, it's important to report income correctly, and to provide your accountant with access to your record-keeping system. It's also important to know how and when to submit the proper paperwork to the state where the business is domiciled. The same way payroll is still payroll, forms are still forms.

Think of what you do (or did) for a living and then consider how your skillset might impact on your work with a non-profit. Or a for-profit? Do you have the skills to help run a soup kitchen or a food pantry? Can you run a store for Habitat for Humanity? The skills we acquire during our working lives can be used across industries, sectors, and a range of organizations, be they for-profit or not. Our talents don't dissipate when we age. Rather, we get the choice, and hopefully the chance, to apply them elsewhere.

The more I looked around for tasks to help fill my days, the more evident it became that the opportunity for pro bono work was right before me. My new boss is a budding flower farmer who also happens to be my oldest daughter, Jennifer.

I never worked at a stand to sell financial planning, but it was fun to work at a stand at the farm the day Jennifer held an open house to allow people from far and wide to walk amidst her 4,600 peony plants. And you know what else was fun? It was fun to learn that this old dog could still learn a few new tricks.

FUN WITH CHARTS

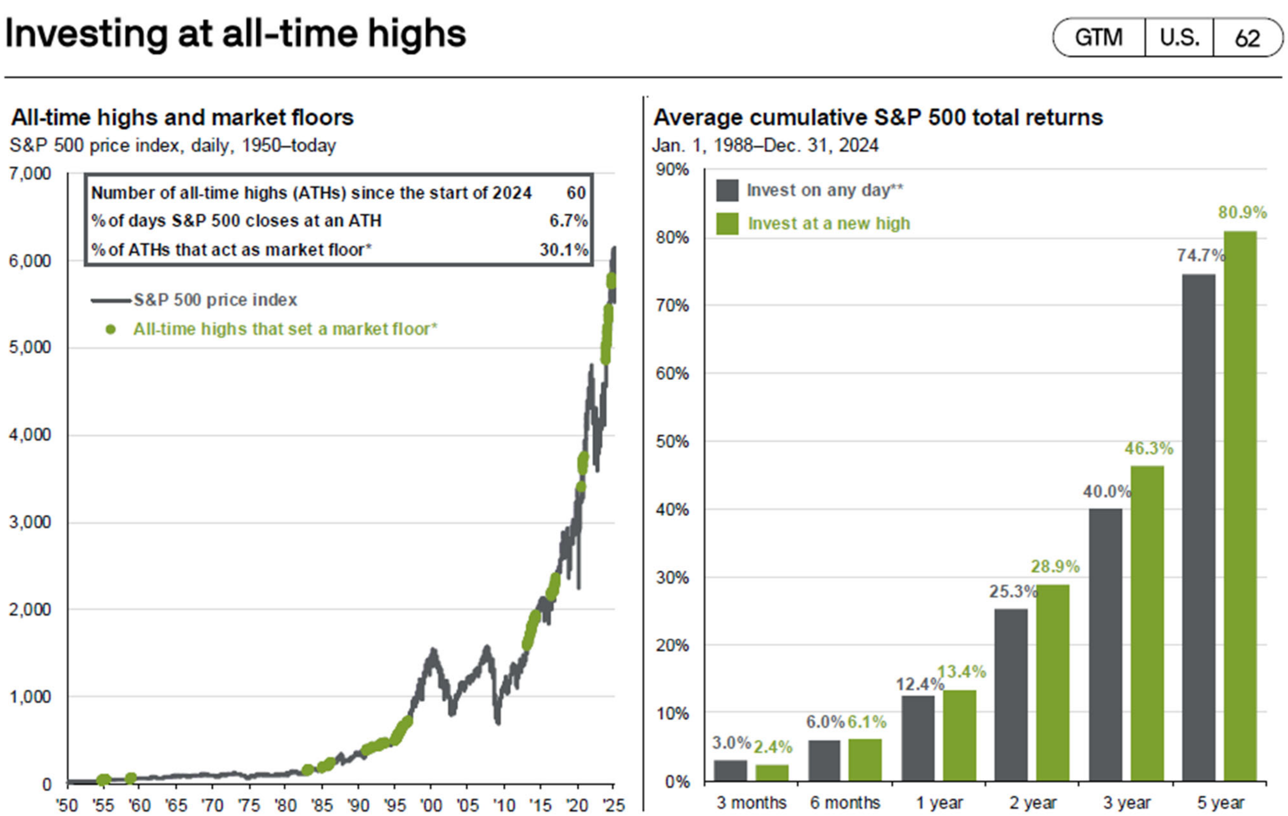
When is the right time to invest?

When it comes to investing, who among us doesn't like a winner? If you're old enough to remember when the Fidelity Magellan Fund was the talk of the town, then you might remember its manager, Peter Lynch, talking about ten-baggers. Ten-baggers were stocks Lynch bought that appreciated in value 10 times. Rightly so, Lynch was proud of his ten-baggers.

While most of us may not have Lynch's stock-picking abilities to find ten-baggers, there's still the goal to buy low and sell high. Thus, when stock markets reach new highs, it's understandable if we have a little reluctance to invest. After all, why not wait until the market drops before committing new funds?

Well, there's a chart for that, and our friends at JP Morgan produced a chart[1] showing investment returns if you were to invest at an all-time high as opposed to investing on any day. (If you're interested, see the small print below the chart for the definitions for 'invest at a new high' and 'invest on any day.')

Based upon the data, investing at an all-time high doesn't necessarily mean lower returns. Rather, it often means greater returns over time as market highs often lead to even more market highs.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
(Left) *Market floor is defined as an all-time high from which the market never fell more than 5%. (Right) **"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-month, 6-month, 1-year, 2-year and 3-year intervals, with data starting 1/1/1988 through 12/31/2024.
Guide to the Markets – U.S. Data are as of March 31, 2025.

J.P.Morgan ASSET MANAGEMENT

FUN WITH CHARTS (CONT'D)

Why a financial plan is so crucial to retirement success

Retiring successfully means living the type of life you planned to live once your working career comes to an end. For many, that means a life comparable to their pre-retirement life. For others, it might mean more charitable work or spending more money on travel.

Obviously, a solid financial plan takes future spending into consideration and also projects how spending may be impacted due to health and other considerations. Absent a financial plan, you're left with a lot of conjecture, speculation, and, unfortunately, hope.

It may be hard to believe, but a retirement plan can literally go off the rails in Year 1 if the retiree spends more than was planned. And yes, there's a chart that can help to clarify that comment.

In the 1990's, Bill Bengen, a fellow NAPFA member (a professional fee-only financial planner organization we belong to), proposed the 4% rule. Bill calculated that if retirees withdrew no more than 4% of their portfolio in Year 1, and adjusted withdrawals annually for inflation thereafter, they would have a very high probability of not outliving their money. Bill's working hypothesis has withstood the test of time over the past 30 years.

Effects of withdrawal rates and portfolio allocations

GTR | 32

Likelihood of success after 35 years in retirement
Various initial withdrawal rates and diversified asset allocations

Initial withdrawal rate	Cash	20/80	40/60	50/50	60/40	80/20
1%	95-100	95-100	95-100	95-100	95-100	95-100
2%	95-100	95-100	95-100	95-100	95-100	95-100
3%	95-100	95-100	95-100	95-100	95-100	95-100
4%	0-5	85-90	90-95	90-95	85-90	85-90
5%	0-5	45-50	60-65	65-70	65-70	70-75
6%	0-5	10-15	30-35	35-40	40-45	50-55
7%	0-5	0-5	10-15	15-20	20-25	30-35
8%	0-5	0-5	0-5	5-10	10-15	20-25
9%	0-5	0-5	0-5	0-5	5-10	10-15
10%	0-5	0-5	0-5	0-5	0-5	5-10

High Confidence
Medium Confidence
Low Confidence

Find your balance

At both the highest and the lowest confidence levels, you may want to consider adjusting your spending and/or asset allocation.

An overly conservative withdrawal rate may require unnecessary lifestyle sacrifices. While a more equity-heavy portfolio may lead to higher likelihoods of success, the magnitude of the failures may be greater due to increased volatility.

A well-diversified portfolio with a dynamic withdrawal strategy is typically optimal.

Source: This chart is for illustrative purposes only and must not be used, or relied upon, to make investment decisions. Portfolios are described using equity/bonds. For asset allocation details, see "Model Portfolio Details" on the Disclosure page. J.P. Morgan Asset Management's (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions (first 15 years) and equilibrium returns (20 years). The resulting projections include only the benchmark return associated with the portfolio and do not include alpha from the underlying product strategies within each asset class. The yearly withdrawal amount (1% to 10%) is set as a fixed percentage of the initial amount of $1,000,000 and is then inflation adjusted over the period (2.4%). The percentile outcomes represent the percentage of simulated results with an account balance greater than $0 after 35 years (e.g., "95-100" means that 95-100% of simulations had account balances greater than $0 after 35 years). Overlap percentiles are included in the lower bracket (e.g., 80 is included in "75-80"; 85 is included in "80-85"). Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

J.P.Morgan
ASSET MANAGEMENT

FUN WITH CHARTS (CONT'D)

While a 4% rate of withdrawal may not apply to everyone due to a variety of circumstances (e.g., age at retirement; portfolio size at retirement; investment returns during retirement; lifespan; other income; to name a few), it's clear that higher withdrawals from a portfolio can add uncertainty to retirement planning.

The chart[2] shows the effects of higher withdrawal rates as linked to portfolio composition. A more conservative portfolio, for example, means lower returns over time, and a higher risk of outliving your money if annual withdrawals are too high. In contrast, lower withdrawal rates with a more balanced portfolio results in a much higher probability of success.

In the chart, high initial rates of withdrawal almost always lead to a lower confidence of success in a financial plan, regardless of the stock/bond ratio in a portfolio. What the chart also reveals, however, is that even the most conservative portfolios (i.e. 100% cash) start to fail with an initial 4% rate of withdrawal. It's evident that portfolios that combine both stocks and bonds, along with a modest initial rate of withdrawal, have very high probabilities of success.

Withdrawal rates are obviously critical to a successful retirement plan. In essence, when funds are withdrawn, and the source of new funds has been eliminated (i.e., because you're no longer employed), the retirement 'pot' can't be refilled. When withdrawal rates are too high, that problem is exacerbated year after year after year.

When it comes to withdrawing funds from a pot of money, start slowly; that offers the best opportunity to be successful. Spend too much, and there are few opportunities to recover.

SHOULD CRYPTOCURRENCY BE IN YOUR PORTFOLIO?

Occasionally, we receive questions from clients about cryptocurrency. Clients either want to own some or ask if it should be included in their portfolio. We're very consistent in our response, so we'll share our thinking on the subject.

- **What is cryptocurrency?** We can easily explain things like large cap stocks, emerging market stocks, and short-term bonds—traditional investments that many people are familiar with. But when it comes to alternative investments, like cryptocurrencies, the picture gets a little less clear. Put simply, a cryptocurrency—like Bitcoin or Ethereum - is a type of digital money. It isn't issued by any government or controlled by a bank. Instead, it runs on a kind of shared online system (called a blockchain) that keeps track of every transaction in a secure and transparent way. This technology has made it possible for people to send money, invest, and even build new types of financial tools—all without needing a traditional middleman.

SHOULD CRYPTOCURRENCY BE IN YOUR PORTFOLIO? (CONT'D)

- **Who backs cryptocurrencies?** No one single person, company, or government "backs" most cryptocurrencies. Their value comes from what people are willing to pay for them, much like gold or art. Some newer digital currencies are tied to real-world assets (like the U.S. dollar), but most—including Bitcoin—are based on trust and demand in the market.
- **Who mints, or produces cryptocurrencies?** Most cryptocurrencies are created by computer networks. For example, new Bitcoins are produced through a process called mining, where computers solve complex puzzles to earn coins as a reward. Other cryptocurrencies might be issued all at once or over time by the developers who created them. Mining cryptocurrency is an expensive and technically challenging process.
- **How can you use a cryptocurrency?** In order to use a cryptocurrency, you would create an on-line, or digital wallet. This on-line wallet stores your encryption keys that confirm your identity along with the cryptocurrency you hold. You could then either trade your cryptocurrency on a crypto exchange or use it to purchase a good or service by transferring some of your cryptocurrency to a company that accepts it. Alternatively, you could also sell your cryptocurrency and convert it to cash.
- **Should you buy cryptocurrency as an investment?** We recommend that most investors do not purchase cryptocurrency as an investment. Not only are cryptocurrency prices often highly volatile, but your ability to profit depends entirely on someone else being willing to pay more than you did. When you buy stock in a company, you're investing in that company's future—if it grows and earns more money, your investment becomes more valuable. When you buy a bond, you're lending money in exchange for regular interest payments. Cryptocurrencies offer neither of these benefits. Their prices are largely driven by hype, speculation, and market sentiment rather than underlying financial performance. One of the key selling points of cryptocurrency is security—transactions are designed to be protected and difficult to tamper with. But in practice, the technology is still evolving, and the space has not yet earned widespread regulatory oversight or consumer protection. If the security of any individual cryptocurrency is compromised—whether through hacking, coding flaws, or operational failures—it could quickly erase substantial value, both in that currency and across the broader crypto market. Until the ecosystem matures and is more thoroughly vetted, we believe a cautious approach is best.

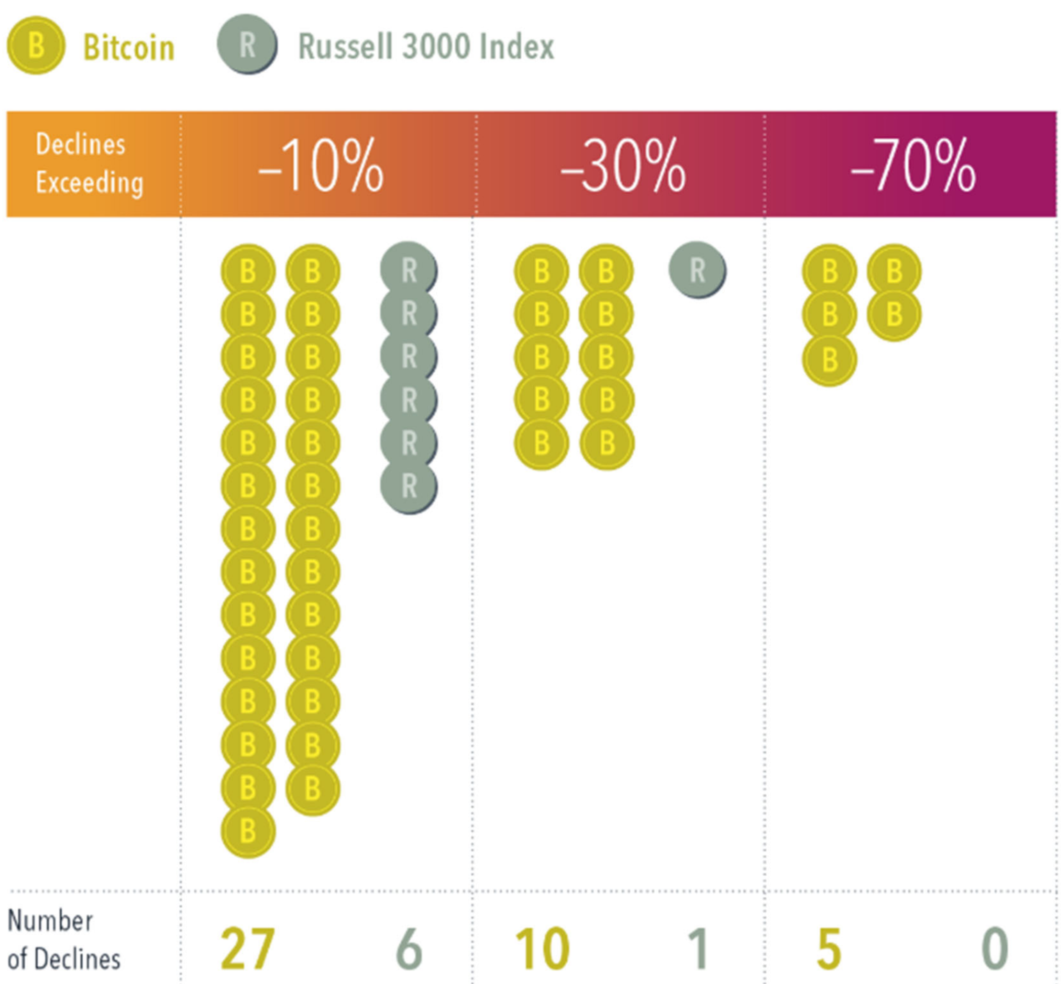
SHOULD CRYPTOCURRENCY BE IN YOUR PORTFOLIO? (CONT'D)

Per Dimensional[3], "Over the past decade, Bitcoin's annualized volatility has been nearly five times higher than that of the Russell 3000 Index—76.9% compared to 15.8%.1 Since its first recorded market price in August 2010, Bitcoin has taken investors on a volatile ride, with 27 peak-to-trough declines exceeding 10%, 10 declines exceeding 30%, and five declines exceeding 70%."

While sentiment towards cryptocurrencies is currently high, who knows whether that sentiment will continue going forward? Should sentiment change, how much financial destruction will be left in its wake?

Bitcoin vs. Russell 3000 Index Peak-to-Trough Declines

August 2, 2010–December 31, 2024



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] "Investing at all-time highs," Slide 62, Guide to the Markets, J.P. Morgan. March 31, 2025.
[2] "Effects of withdrawals rates and portfolio allocations," Slide 32, Guide to Retirement, J.P. Morgan. March 31, 2025.
[3] "Higgins, Kristi. "Bitcoin: A Crumby Way to Save for Later." Dimensional, 10 June 2025.