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## Managing Your Money

### STAN'S WORLD—PRACTICING PATIENCE

Across the board, businesses in America were ill-prepared to power down when COVID hit and were even less prepared when the economy started to reopen a few months later. Once supply chains were effectively shut down, ratcheting up has proven far more difficult.

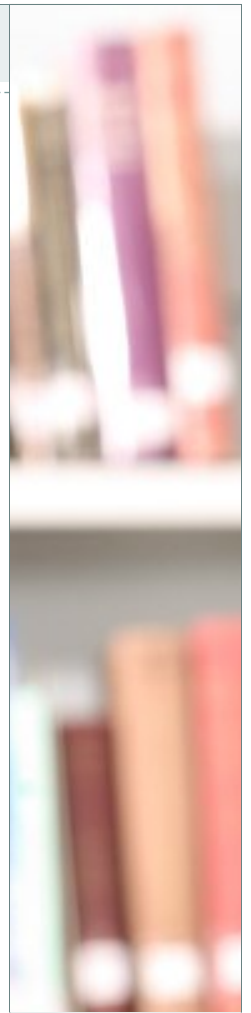
First, businesses stopped ordering because their markets disappeared. Who was going out to buy a car? Or a couch? Or an appliance (other than a freezer for the garage to stock up for Armageddon). As Americans sheltered at home, factories closed. Sure, demand for hand wipes soared, but even the folks who make Lysol weren't prepared for the extraordinary demand for their products. Even if they had the raw materials (and they did not), they couldn't produce enough to meet demand.

As the number of vaccinations increased, people like me decided it was okay to go out again. As we tried to re-stock our homes with items whose purchases we had postponed, we quickly learned the goods we wanted to buy weren't always available. It's hard for manufacturers to go from sixty to zero when they're running a factory, and it's even more difficult to go from zero to sixty.

When the water dispenser on our refrigerator stopped working, we were told the parts would take time once they were ordered. The parts were on a boat, coming from somewhere. Three months later, they landed onshore.

When the control panel on the dishwasher gave out, we were told the parts would take time once they were ordered. After all, as any car manufacturer will tell you (see below), computer chips are hard to find. In fact, the chip we needed was on a boat, coming from somewhere. Six weeks later, it landed onshore.

In the last *Stan's World*, I wrote about my dilemma: continue driving an 11-year old car lacking some now common safety features, or spend money to buy a new car packed with safety from stem to stern. As we were ready to hit SEND on the last newsletter, you may recall the story ended with a late addendum: my car's transmission decided it had lasted long enough.





## STAN'S WORLD—PRACTICING PATIENCE (CONT'D)

While I briefly debated getting the transmission fixed (though the parts were probably on a boat, coming from somewhere), I ultimately decided not to put thousands of dollars into an 11-year old car. (That's the advice I would have given a client.) Thus began the soon-to-be new TV show titled: COVID car-buying with Stan.

Let me start by stating that I've never enjoyed buying cars. My best car-buying days were when a friend owned a few car dealerships, and I had the good fortune to deal with him. No haggling; no problems; car-buying for me was indeed a pleasure. When he sold his business, I was thrown into the deep end of the pool.

As a creature of habit (an understatement when applied to me if there ever was one), when I find a car I enjoy driving, I tend to buy it again. And again. And again. (And again.) Yes, there is still haggling at the time of purchase, but I end up driving away with the exact same car I know how to drive. I know where the controls are placed, and I'm a happy boy.

It should come as no surprise that I started by calling the dealership where we purchased my transmission-less car, along with the car before that and the car before that. They indeed had a car for me, and I could have any color I wanted so long as it was black. Or maybe dark gray. It didn't have all the safety features I wanted, but it had a lot of them. Then came the news I was braced to hear: "You've heard about the computer chip problems automakers are having, right? Your cost is 'only' MSRP (aka sticker price) because we're not marking up MSRP like other dealers are doing."

But then a funny thing happened; I listened to my kids. "Dad, you always drive the same car. There are always two of the same cars in your driveway. It's time to buy something else." (NOTE to self: There really is no requirement that we ever have to listen to our children.)

Thus began the pilgrimage to find our new car. We were told by each dealer about inventory shortages, MSRP (to include MSRP+), and dark gray and black cars. It was a long day, but we finally found a car we liked that had all the safety features we wanted. Except the car was in Maryland.

*"In Maryland? Can you get the car here?"*

*"Maybe. Nobody has inventory. Dealers don't want to give up cars. It may take a few days. We may have to trade a car. We'll work on it."*

It used to be that a dealer wouldn't let you easily walk out the door, let alone tell you to go home and wait. Go home and wait?



## STAN'S WORLD—PRACTICING PATIENCE (CONT'D)

Suffice it to say, it's black. Needless to say, I'm also still trying to figure out what all the controls do and where they're located. (Did I fail to mention that I stood in my driveway one night for 20 minutes trying to figure out how to open the cover on the gas tank? Did I also fail to mention how many times I've told Pearl that I miss my old car?)

If nothing else, COVID is teaching us patience while we're also learning how to settle for Options B or C as we move through life. Personally speaking, I take a little less for granted. When I walk into a store or shop online, I no longer assume they'll have what I'm looking to buy.

Hourly employees are having difficulty securing babysitting services. Many had to spend last year at home while their children attended school online. Others are afraid of getting COVID and no longer want to work in a public-facing setting. I get it; far be it for me to judge whether any or all are doing the right thing. I'm not in their shoes; everyone has to do what's best for them and their family.

I no longer assume there will be adequate sales associates in stores or customer service representatives to answer my call to an 800 number. In fact, when someone does help me, in person or via a phone call, I often thank them for coming in to work to help people like me. (During one call the other day, I came very close to marrying a Capital One rep. I'll never forget you, Joy.)

If you're missing a part for an appliance or need to buy a car, prepare yourself for an experience that will likely take longer than planned and cost more than budgeted. We're all trying to do the best we can navigating through perilous times, so please join me in giving everyone working in a service role the benefit of the doubt.

And if you see a black car on the side of the road with the driver standing next to it reading the manual, pull over and give me a hand. There's a high probability I can't get the wipers on. Or off.

## RETHINKING RETIREMENT: NOT WHEN, BUT HOW...

Whether you're a retiree, on the cusp of retirement, or anticipate that you someday will retire, there's a good chance either (a) retirement didn't turn out the way you thought, or (b) the retirement you're anticipating will be dramatically different than what actually will occur.

When a client, or prospective client, comes to us and talks about retiring, we routinely ask: "What are you going to do?" Sometimes, the answers are clear, concise, and well-considered. Other times, the answers are vague, which leaves us to wonder whether the decision to retire was ill-timed. (We recognize, of course, that retirement decisions are not always the decision of the retiree. Health, staff reductions, and spousal issues, among other reasons, may dramatically impact when a person retires.)



## RETHINKING RETIREMENT: NOT WHEN, BUT HOW... (CONT'D)

Ken Dychtwald, who has been studying aging and retirement for over 45 years, recently published his 17th book on the subject, which was based on surveys with over 100,000 boomers. In an interview with *The New York Times*<sup>1</sup>, Dychtwald parsed some of his findings and conclusions.

- **Changing views of retirement:** “It used to be that in retirement, people sought to do things that they always liked, but didn’t have time for during their working years, like taking an extended vacation, playing more golf, socializing with friends, or reading some good books. That changed for me when I realized that retirement was getting longer – and longer. In addition, our studies were showing that many retirees were feeling bored and irrelevant for decades. And I also began to notice that what was emerging was that some of the most successful role models for me weren’t winding it up when they turned 65. In fact, they were reinventing themselves and starting charities or organizations, or staying longer with their companies – with many even doing their best work.”
- **Life’s Third Age:** “For our first 30 years of life, our focus is on biological development, making friends, identity formation, and seeking a partner. Then, from 30 to 60, it’s a period occupied with building a family and a productive career. However, because of medical breakthroughs...what is now emerging is a whole new stage of life between 60 to 90...We know for sure that it offers far more than the limited retirement arrangements that our parents and grandparents pursued. This new Third Age is about reinvention of oneself...It’s about continuing to grow, learn, meet new people, try new things and even discover new purpose.”
- **A sequence of shifts over time:** “People have traditionally thought of retirement as an off-on switch. You’re working, and then you’re retired. I see it as a series of stages. There’s the pre-retirement ‘anticipation’ period when folks are imagining what they’ll do and who they’ll be when they no longer work. Then the immediate period of retirement is like a liberation, a honeymoon period where people are usually exhilarated. That only lasts a year or so, and then there is another shift toward reorientation where people explore those big questions of what am I going to do all day long and what will matter to me?...Going forward, I think that there will be even more shifts for retirees...Some people will become either bored or curious and will consider going back to school, or starting a nonprofit, or learning a foreign language or writing a memoir or training for a marathon. And, of course, there are unexpected subplots. Someone you love gets sick and you have to spend your time caregiving, or your adult kids move back home. Bingo – all your plans change.”



## RETHINKING RETIREMENT: NOT WHEN, BUT HOW... (CONT'D)

- ***What should retirees think about?*** “The importance of interdependence alongside independence – we all would do better in our later years if we’re connected and not isolated. And how do I maximize my health span, not just my life span.”
- ***The biggest mistake retirees make?*** “Far too many think too small. I have asked thousands of people from all walks of life over the years who are nearing retirement what they hope to do in retirement. They tell me: ‘I want to get some rest, exercise some more, visit with my family, go on a great vacation, read some great books.’ Then most stall. Few have taken the time to study the countless possibilities that await them or imagine or explore all of the incredible ways they can spend the next period of their lives.”

## JUST IN CASE YOU NEED YET ANOTHER REASON NOT TO TIME THE MARKETS...

Over the years, we’ve written frequently about the potential perils of trying to time markets. Often, we refer to the need to make two critical decisions, both at precisely the right time: when to sell and when to re-buy. Both decisions are equally important, and erring on either (or both) can be costly. A new study adds yet another reason, which might be surprising to learn: moving in and out of stocks actually adds volatility to a portfolio.

As noted in *The Wall Street Journal*<sup>2</sup>, “Researchers have amassed plenty of persuasive evidence in recent years showing that market timing – or moving in and out of stocks based on where you think the market is headed – often leads to lower returns.”

“Although active investors tend to ‘chase stability’ – they are trying to minimize volatility by market timing – they end up doing the exact opposite...as they invest in stocks after past volatility is low and before future volatility is high.” In fact, the current research finds “the volatility of the actual investor experience is nearly 50% higher than the corresponding volatility of stock returns.” And volatility increases over time. “...a typical investor with a 30-year time horizon experiences a 71% increase in volatility, at least relative to those who just buy and hold investments.”

Armed with this information, it’s natural to ask why investors continue to try to time the market? “Researchers who have explored this question suggest that some investors – particularly men – are convinced the results don’t apply to them. Others simply enjoy playing the market; trying to pick winners is more fun than sticking with long-term investments....” That sounds a lot like a mentality similar to gamblers in a casino, who all believe they’re smart enough, or lucky enough, to beat the house. And we all know how that usually ends.

When we talk about patience in investing and the benefits of periodic rebalancing, we do so because of research (like the aforementioned) that supports those methods as one of the most reliable ways to grow a portfolio over time.



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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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<sup>1</sup> Hannon, Kerry. "Rethinking Retirement." The New York Times, 15 Oct. 2020.

<sup>2</sup> Benartzi, Shlomo. "A New Reason Investors Shouldn't Try to Time the Stock Market." The Wall Street Journal, 23 Jan. 2021.

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