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Managing Your Money

STAN'S WORLD—WHERE TO NEXT?

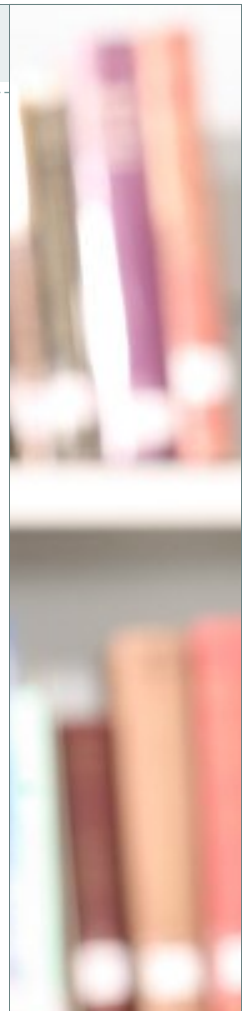
Though I like to believe it's my Honest Abe appearance that encourages total strangers to reveal things to me that wouldn't normally be discussed with other strangers, it's more likely that we're all so desperate for social contact that people are willing to talk to anyone. Even me.

While waiting in a doctor's exam room recently, I had an interesting conversation with a nurse. It started when he told me how tired he was from working so hard. I told him I was sorry. Then he told me how lucky I was that I was retired. I revealed that I still worked...as a financial planner. He then shared that he didn't know where to retire because living in Jersey was so expensive. (FYI: If you live in New Jersey, when we talk amongst ourselves, we usually use the term Jersey. We also call the beach 'the shore.' I would get into the whole Taylor ham vs. pork roll debate, but there's not enough time.)

Even a five-minute pro bono client gets my juices flowing, so I opined that people who live and work in New Jersey often retire in New Jersey because they want to be near their family. That insightful comment was met with: "I don't care about my family."

As I don't have a degree in counseling, and considering there were numerous scalpels within arm's reach, even I was quick to realize I should tread carefully. He wasn't leaving (he was seated with his legs crossed), the doctor couldn't come in until the nurse completed the screening questions, and it was apparent to me that the conversation wasn't over. My new BFF realized he was sitting in front of a person who could potentially render worthwhile advice (or so he thought), and advice would be forthcoming. (Did I mention the scalpels?)

As his mask repeatedly kept drooping below his nose, and as all I wanted to do was get treated and get out, it took me mere moments to reveal the benefits of living virtually anywhere in the lower 48. I started with the obvious (Pennsylvania & Delaware), went through the Carolinas, passed through Florida, and was quickly in the Southwest. The room felt like it was getting warmer, and it appeared to be growing smaller.





STAN'S WORLD—WHERE TO NEXT?

He nodded as I completed my tour of the states, reached for a scalpel, and tore off the sterile sheathing. I didn't think my advice was that bad and felt markedly better when he laid it on a sterile gauze for the doctor to use. Mission accomplished?

My conversations with clients about their retirement destinations seem to span the globe, or at least the lower half of the lower 48. Admittedly, I am intrigued as to how some destinations are ultimately decided.

Moving closer to family or friends is a fairly common objective, as is the desire to live in warmer weather if you're from a colder climate. Other obvious attractions: affordability, good medical care, lower taxes, indoor and outdoor activities, sports and other entertainment.

When it's your turn to find a retirement destination, consider the advice I give to anyone sitting in front of me: do a dry run. Do your research, find a destination (or two), and then go and spend a week in a hotel in that specific locale. If the one-week trial goes well, return and rent a home or condo for a month. Meet with a realtor; talk to the locals in restaurants; find a supermarket where you would enjoy shopping. After that degree of exposure, you should be able to conclude whether the community is for you. And if you're still uncertain, go back and rent for a few more months. That advice is the same if you're moving across the state or seven states away.

Figuring out your next move should take more time than a chance conversation in an exam room. Considering whether or where to relocate is a really big deal. I promise you that the cost of making a mistake is far more than paying for a few weeks of rentals.



THE SECRET TO SUCCESSFULLY INVESTING IN THE STOCK MARKET

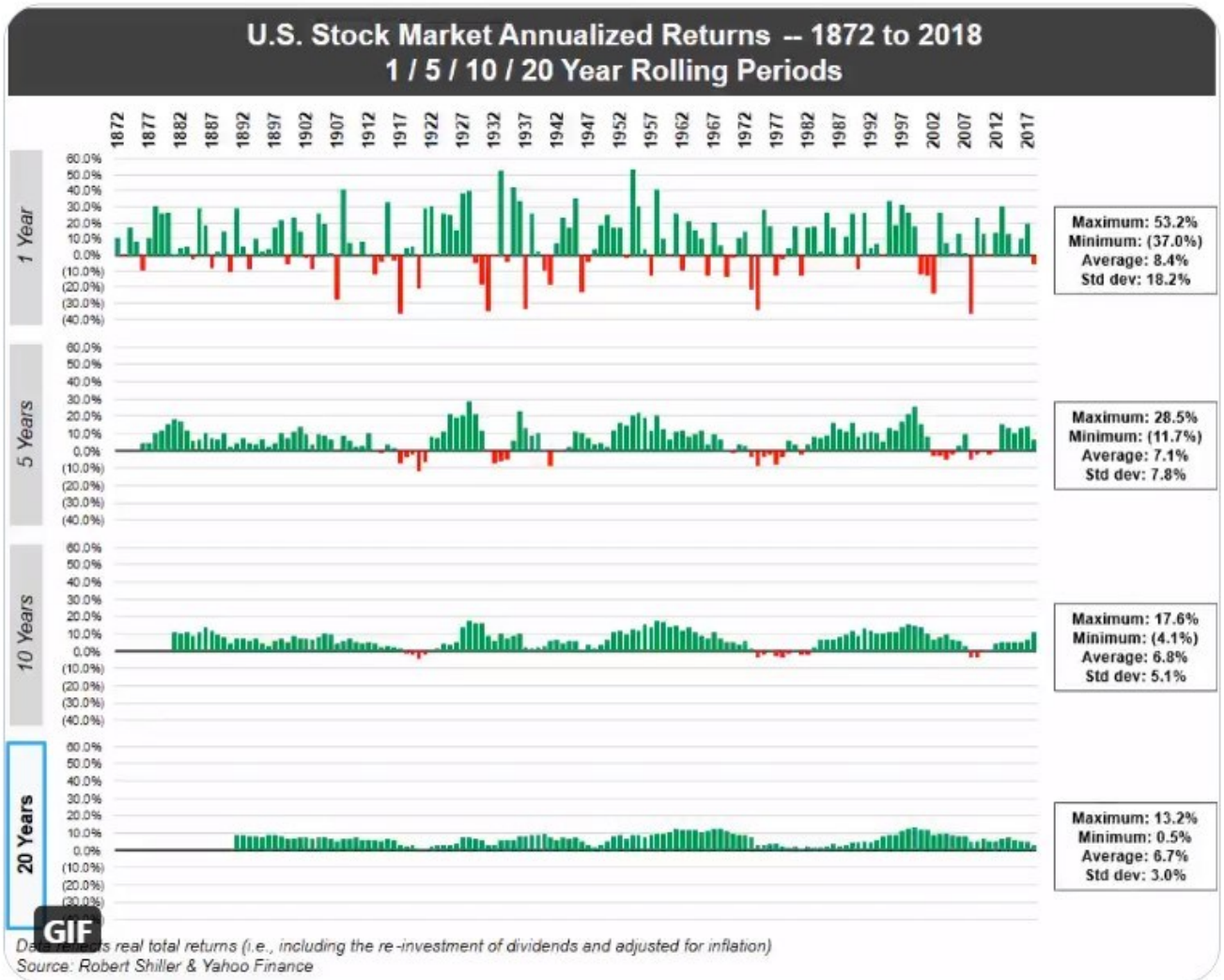
For a hundred years or more, investors have been seeking the holy grail of investing: how not to lose money in the stock market. Finally, MONEY.com¹ has revealed the answer, and it can be condensed into two words: Don't sell!

The chart below highlights how markets have performed over 1, 5, 10, & 20 year periods from 1872-2018.



Daniel Crosby @danielcrosby · Mar 29

The less you look, the easier it gets.





THE SECRET TO SUCCESSFULLY INVESTING IN THE STOCK MARKET (CONT'D)

The article points out, “The long-term advantage of stocks versus other assets, like bonds, is hardly a new concept.” But the reason why “so many well-intentioned investors continue to lose money in the stock market” is due to “a lack of patience.”

By examining stock market returns over longer intervals, one can more easily understand why it's so important to STAY invested during market ups and downs. As graphically depicted above, periodic returns for the four periods shown are (from top to bottom):

- 1-year: From -37.0% to 53.2%
- 5-year: From -11.7% to 28.5%
- 10-year: From -4.1% to 17.6%
- 20-year: From 0.5% to 13.2%

While not every 10-year interval was positive, returns were positive 94% of the time.

If the odds favor long-term investors, why don't investors stick to the 'stay invested' approach? Notes the author: “...the hardest thing for many investors to do is just that: give the market time to recover from one of its inevitable rough patches...Because even a rational person could make irrational decisions during a stressful time....”

There is a positive return in the stock market over time because there's risk, and that risk comes with volatility (as in price swings). While emotions run high during market swings - exuberance when the market soars; fear when the market drops – it's precisely those emotions that push investors off their game. Everyone wishes they were all-in when the markets are setting new highs, while the sentiment is exactly the opposite when the markets go into free-fall. It's human nature, and we're all susceptible to acting on our emotions.

What makes staying invested easier to handle? Rebalancing. Yes, rebalancing means winners will occasionally get sold, while losers will occasionally get bought. Most importantly, over time, staying invested while occasionally fine-tuning a portfolio really does work. The proof is in the numbers.



WRITE IT DOWN...WRITE IT ALL DOWN

There are certain documents that EVERY adult should have. While we don't know when any will be required, there is a certainty they will be needed. The must-have list starts with four documents:

- *Last Will and Testament*: The purpose of a will is not only to tell your heirs how your assets are to be allocated, but also to assign that responsibility to an individual who you trust will ensure your wishes are carried out. Assets aside, if you are a parent with young children, who have you entrusted with the responsibility to raise them if you and your spouse are unable to do so? (By the way, did you get the approval of the parental successors before putting their names in your will?) Should you ever want to update or change your will, you can easily do so by adding a codicil. As most attorneys would urge, if you write it yourself, make sure the codicil is signed in the presence of witnesses.
- *Durable Power of Attorney (DPOA)*: The purpose of a DPOA is to allow another person to handle financial and other matters on your behalf if you're unable to do so. It's one of those documents where, when needed, it's probably too late to write it. A DPOA is absolutely critical for anyone who is unable to make suitable decisions for him/herself due to health or other reasons.
- *Advanced Health Care Directive*: This relates to end-of-life care and the type of end-of-life health care you either want to receive or elect not to receive. Absent a health care directive, your care may be left to the hospital's policies where you have been taken in the event of a serious accident or illness.
- *HIPAA Release Form*: Ever try to call a doctor or lab and ask for the medical records of a spouse? Or an adult child? Or even your own child? A HIPAA Release Form allows for information to be shared where/when appropriate.

When you're done with the attorney who prepared all the above, sit down and write a personal letter. While the legal documents noted above are all necessary and cover a lot, a personal letter can cover so much more.

A letter that is maintained with your legal documents can include such topics as your preference for where you want to die to explaining why one heir will receive more assets than a second heir. It's not a chance to get even with hurtful comments, but an opportunity to explain why you did what you did in your will. It's a chance to express your true feelings, to extend gratitude, and to leave your heirs with a better understanding as to your actions. While it's certainly not obligatory, it can help your family to better understand your thinking with asset distribution or end-of-life care.



WRITE IT DOWN...WRITE IT ALL DOWN (CONT'D)

Most attorneys will caution clients not to control too much from the grave. Thus, adding clauses like “no money unless the heir has completed college” or “no money unless the heir is married” means you are dictating standards to be reached before your estate can be liquidated. In fact, sometimes, it puts an executor in a very uncomfortable situation in trying to determine whether or not an heir took action just to receive a check.

What about the costs? A properly written set of documents can cost anywhere from \$1,000 for an individual to \$3,000 for a couple (and beyond!). Is it really worth it? Yes, yes, and (for good measure) yes. While it may be more costly, working with an attorney who specializes in estate planning will help you avoid common pitfalls that a software program or general practitioner may not catch, especially in a part of the law (trusts and estates law) that is constantly changing (and will likely continue to change in the years to come).



**S.F. EHRLICH
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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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¹Jackson, Anna-Louise. This Chart Shows the Secret to Never Losing Money in the Stock Market, Money, 5 May 2021, www.msn.com/en-us/money/savingandinvesting/this-chart-shows-the-secret-to-never-losing-money-in-the-stock-market/ar-BB1goDCN.

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