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## Managing Your Money

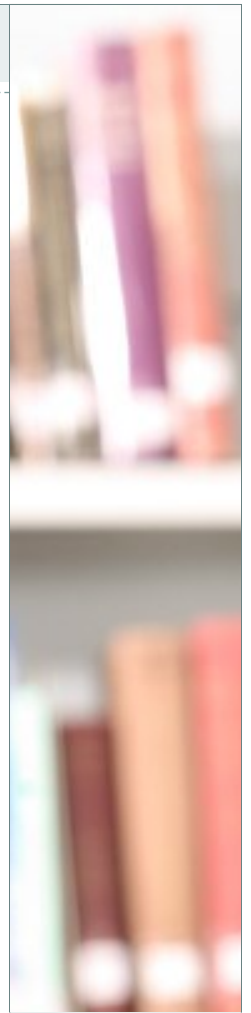
### STAN'S WORLD—PAY ME NOW OR PAY ME LATER

Within a four-hour time span, two seniors gave me identical advice, word for word: “Don’t grow old.” In turn, I used the same words to reply to both: “I don’t like the alternative.”

Being told not to grow old is a line frequently used by seniors. In my experience, it’s often said by someone with health issues, which can range from mere aches and pains to a more severe condition. It’s a succinct way to explain how hard it can be to age.

But aging doesn’t mean giving up; it’s merely the start of the next chapter. In fact, we possess the ability to fight back against many of the effects of aging. For a change, let’s talk about something that has nothing to do with money. Rather, let’s spend a few minutes discussing a way that might allow you to enjoy the fruits of your labor as you (gently) age. We’re not going to talk about getting your portfolio in shape; we’re going to focus on getting you in shape. It’s time to spend your money on a very worthwhile cause: YOU.

On a scale of 0-100, my family would grade me a minimum of 105 on a stubbornness scale. I may listen, and I may even make believe I’m pondering, but in the end, I’m going to do what I want to do. I tell you this because I want you to understand how long it has taken me to accept that I needed help if I wanted to age gracefully. If you’re a senior, take notes. And if you’re an adult child with senior parents, get out your pencil, as well. While I’m certainly not qualified to be your guide, I can at least share my story.





## STAN'S WORLD—PAY ME NOW OR PAY ME LATER (CONT'D)

### The ingredients to my aging gracefully fitness stew

- Home 'gym': We don't have a home gym. Rather, we have a room that includes some tools necessary to exercise, including light weights, stretch bands, balance boards, etc. My pride and joy, however, is my NordicTrack bike, and it would bring me more joy if you were to buy one. (No, I don't own stock in the company.) I'm not a walker, and I'm not a treadmill person, but I enjoy riding a bike on the road. I ride during warm months very early in the morning, with my lights flashing to ward off approaching cars. But when I can't ride outside, the NordicTrack bike is my go-to option. Similar to a Peloton bike, you can view a 'trainer' on your monitor who's biking in a national park, on a country road, or through the downtown of a major city. As you ride, the program controls the resistance (e.g., how hard it is to peddle). But the difference between NordicTrack and Peloton is my bike also elevates. If I'm following a trainer who's going up a hill, I go uphill with her. It's great! I bought this bike during the darkest days of COVID, and owning it has changed my attitude about exercise. While everyone was trapped indoors, I got to 'visit' many locations around the world, getting fitter with each journey.
- Personal Trainer: I've used personal trainers for many years, though almost always on a somewhat random basis. If he/she could come to my house, fine; if not, another time. In his/her own way, each helped me, but there was never an ongoing fitness program. Prior to COVID, Pearl finally convinced me to join a gym, which I had never done in my life. Part of the motivation to join a gym was to get a new trainer, as I had been trainer-less for a while. Fortunately, the trainer was agreeable to Zoom training sessions when COVID hit, which kept Pearl and me going. On top of that, as I only see him once per week, he gave me a program to follow on the days I don't see him. I became a man with a plan!
- Physical therapy: Due to numerous orthopedic surgeries and injuries, I've been to physical therapy many times over the years. I'm a big fan, in direct contrast to all the people who have told me how they went to physical therapy and it hurt, so they never went back. My latest round started with a visit to an orthopedist last April who recommended physical therapy for some neck and shoulder issues. I started, and I'm never leaving. (Why would I leave? The pain stopped!) Even when insurance ends, I'm willing to pay out-of-pocket to retain a professional who can not only help me to heal, but can keep me from getting hurt. By example, I coordinate what my trainer tells me with my physical therapist to ensure I'm doing the exercises correctly. When my physical therapist is done with my neck and shoulder, we're moving on to other joints. I meant what I said; I'm not leaving.



## STAN'S WORLD—PAY ME NOW OR PAY ME LATER (CONT'D)

- *Pilates*: My physical therapist suggested I start Pilates, thinking it could be a valuable tool in my growing fitness arsenal. I never knew about Pilates, but I learned it's a program that increases muscle strength and tone. My Pilates instructor engages me in relatively simple exercises. The first time I went, I thought it was the easiest thing I ever did. The next morning, however, I felt the soreness, since I used muscles that hadn't been used in forever. (By the way, I've learned there's a difference between pain and soreness. And I've also learned that the expression "No pain, no gain" is dead and gone. Should you ever meet a professional who utters those words, head for the door!) As an aside, if you ever try Pilates, you'll be amused when you see a piece of equipment that looks like a hospital bed with a dozen cables and springs attached to it. Upon first sight, you're likely to say: What??

There's a cost to everything I've described, so I must note that you don't have to spend any money to stay in shape. You can walk, swim, bicycle, or take classes online. In my case, I need someone to make sure my posture is correct and that I'm doing the exercises correctly. When I exercise solely on my own, I count repetitions too fast, never stand properly, and tend to emphasize only those activities I like to do the best. I'm not disciplined; thus the need for me to get help.

Of course, there is an alternative to exercise; being sedentary. There's no pain when you do nothing – until it gets difficult to get up out of a chair. Or to get up off the floor after a fall. Or to walk up or down stairs. Or to pick up a grandchild. In other words, being sedentary is fine, until it's not.

Consider this Stan's World as your Fram oil filter moment. (Those of a certain age may remember the Fram oil filter commercials of the '70s and '80s, with their recurring tag line: "You can pay me now or pay me later.") The Fram oil filter commercial implied that if you don't change the oil filter in your car regularly, you'll pay a lot more later when you need a new engine. In this instance, you can spend the time now to prepare your body for the future or potentially pay a hefty price by doing nothing.

I would be happy to have a conversation with anyone thinking about starting or enhancing a fitness program. (Full and complete disclosure: this is not, and will never be, a prelude to me announcing my new career as a fitness instructor.) Yes, following my lead may cost a few shekels each week, and it's definitely a long-term commitment. This is about me trying to stay upright for as long as I can. (More disclosure: I haven't lost a single pound, even with the almost daily use of my beloved NordicTrack bike. Regretfully, this has not been a weight loss program for me.)

If you're in or approaching retirement, worked hard, and been fortunate to save a nest egg, wouldn't it be nice to have enough energy to truly enjoy the money?



## INFLATION IS BACK. DON'T I HAVE TO DO SOMETHING?

When market conditions change, investors often feel compelled to do something. To that end, we can agree on one point: it's challenging to stand by and watch events transpire. The typical working assumption is: Something I own must be sold; something I don't own must be bought, because, well, things are going to change. But what if doing nothing is the best thing you can do?

By owning assets that don't track or exceed inflation, purchasing power diminishes over time. It's one of the arguments against fixed pensions or fixed payment annuities; as prices continue to move higher, income of that nature is stagnant. While inflation will cause you to need more money to buy gas or bread or to pay for healthcare, a fixed payment doesn't provide higher income. A fixed pension of X dollars buys considerably less 10 or 20 years after it started, even if inflation is relatively tame.

From a historical perspective, one of the main benefits of owning equities is their value increases over time. It's the reason why we use a bucket approach when investing client funds; less volatile assets are used for short-duration cash needs, while more volatile investments (e.g., equities) are invested to grow over time. So, what needs to change when inflation rears its ugly head?

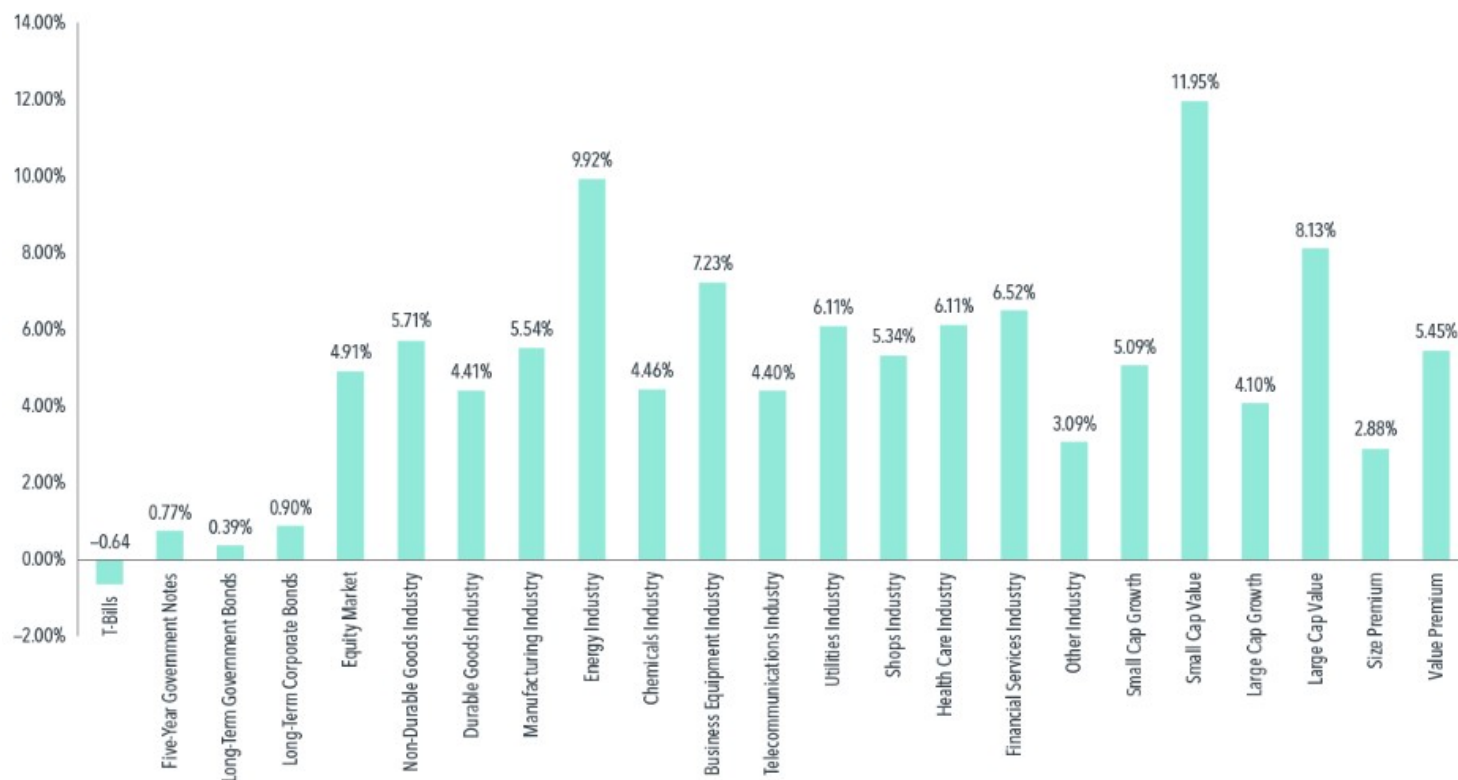
Writing in the Wall Street Journal<sup>1</sup>, Jason Zweig notes that "Taking on more risk to fight rising prices can do more harm than good." Examples of taking on more risk include flocking to buy Bitcoin, gold, energy stocks, or commodities without understanding what is being bought or whether or not what you're buying is truly an inflation hedge.

Zweig quotes Savina Rizova, the head of research at Dimensional Fund Advisors, who notes that energy stocks and commodities "are not effective hedges against inflation. That's a big myth out there."

As Zweig notes, "the stock market overall has outpaced moderate rises in the cost of living. From 1927 through 2020...U.S. stocks as a whole outperformed inflation by an average of 4.9 percentage points annually in years when rises in the cost of living were above the median." He adds: "If your stock portfolio is already well diversified, it should be able to keep pace with modestly rising prices." (See chart on next page.)

## INFLATION IS BACK. DON'T I HAVE TO DO SOMETHING? (CONT'D)

*Average annual real returns in years with above-median US inflation, 1927–2020*



Source: Dimensional Fund Advisors

## INVESTING GREEN: WHAT SHOULD I BUY? WHO CAN I TRUST?

Over the years, various terms have been applied to explain ways to invest 'more responsibly.' Terms such as SRI (Socially Responsible Investing) and ESG (Environmental, Social, and Governance Measures) were early to the market. Now, almost any combination of the words Sustainability, Green, Ethical and/or Eco will attract investment dollars.

If you're an investor who has thought about moving some dollars towards this category of investments, the question is how to make an appropriate investment decision. Unfortunately, as happens all too frequently to investors, not all products and individuals who have jumped into this investment category have been responsible themselves.



## INVESTING GREEN: WHAT SHOULD I BUY? WHO CAN I TRUST? (CONT'D)

Trying to invest responsibly can cross many boundaries. Is it important that a company treats its employees with dignity by paying fair salaries and providing appropriate benefits? Does it matter if a company is carbon-neutral or not? (Carbon-neutral refers to offsetting carbon dioxide emissions with countering strategies, such as planting trees.) Does the company replenish resources at a faster pace than it depletes them? If it's a manufacturing company, are there by-products that are harmful to the water? Or to the surrounding community? Or the community at large? Does a company's board of directors include diverse representation? Is senior management diverse? While the list isn't endless, it can go on for a while.

Investors often have multiple objectives, such as saving for retirement, or education, or for legacy reasons. Regardless of individual objectives, there's one over-arching goal that is common to all: growing the portfolio over time. Some investment strategies may be more aggressive than others, but long-term growth is always at the core. That begs the question: Do ESG funds/stocks/ETFs perform as well as other equity funds? Might the performance of your portfolio be negatively impacted if you were to add an ESG or similar investment to your portfolio?

FORTUNE Magazine<sup>2</sup> recently ran a piece on the "alt-milk favorite Oatly." The article highlighted an attack against Oatly by a New York investment firm (Spruce Point). Spruce Point "alleged that Oatly doesn't practice what it preaches when it comes to ESG ... and especially to sustainability. The world's hottest vegan milk it insinuated, just isn't that green." That's in stark contrast to the fact that Oatly constantly reminds consumers "that oat milk is more earth-friendly than cow's milk."

Spruce Point wrote: "The company had produced abnormally high levels of wastewater at a New Jersey plant...And what about the environmental impact of transportation? Oatly, after all, had been shipping oat milk halfway around the world – from Sweden to China, most notably – in a feverish grab for new customers."

If you were an investor who purchased stock in Oatly because of its sustainability story (their milk is better for the environment than milk produced by cows), you probably would have been upset to: (a) learn that Oatly wasn't as environmentally friendly as you thought, and (b) that the stock dropped 21% after the Spruce Point report. How long can a portfolio 'sustain' losses like that?

FORTUNE cites a professor at MIT who admits, "We don't have a very good way to measure ethical behavior." Further, "depending on which lens observers use, and what kind of ethical behavior they prioritize, the same company can look like a hero or a villain." With almost 5,000 funds in this investment space, the stakes are high indeed.



## INVESTING GREEN: WHAT SHOULD I BUY? WHO CAN I TRUST? (CONT'D)

If you have been considering adding an ESG investment to your portfolio, you probably won't add any clarity to your thinking when you learn that "some ratings bodies give BP, one of the world's biggest producers of petroleum, higher ESG scores than Tesla, whose mission is to make petroleum obsolete." Huh?

The bottom line is while we may be able to help find you funds that tout themselves as green or any other descriptor noted above, it's very difficult to confirm that every holding within the fund is actually operating in a way that's good for the environment. After all, if you buy a sustainable fund, only to learn that it's biggest holding is BP, how carbon friendly would you feel?





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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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<sup>1</sup> Zweig, Jason. "Deflating Your Inflation Fears." The Wall Street Journal, 29 Oct. 2021.

<sup>2</sup> Dunn, Katherine. "Oatly Learns That It's Not Easy Being 'Green.'" Fortune, 11 Oct. 2021.

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