S.F. EHRLICH
ASSOCIATES, INC.

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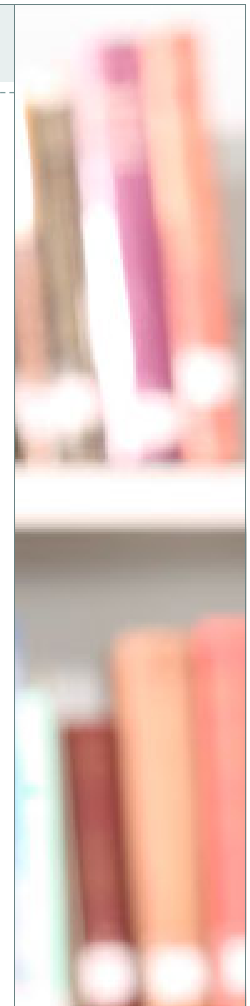


Managing Your Money

STAN'S WORLD — WHAT A YEAR IT'S BEEN…AND IT'S ONLY MAY!

Admittedly, this has been a tumultuous year for investors. And when I say investors, I'm referring to anyone who invests hard-earned money into the stock market. Or the bond market. Or any other market you can name.

But if we're going to be honest with each other, what year hasn't felt like a tumultuous year to be an investor? When was the last time you announced on January 1st: "I am not going to look at my stock market portfolio until one year from today?" That's not normal investor behavior.

If you've been in this business long enough, you hear it all, or think it all:

"I wish I owned more stocks."

"I wish I owned more bonds."

"I wish I owned only US stocks."

"I wish I didn't own any US stocks."

And let's not forget the years where one might ponder, perhaps only half-jokingly: "Why don't I just keep all my money under my mattress?" (As an aside, should you ever consider that mattress thing, make sure the premium for your homeowner's insurance policy is current. And include a rider on your policy that says something like: "Cover me for stacks of cash in case of a house fire.")

When it comes to investing, who doesn't want to own winners and jettison the losers? Me included. But every time I think I've got it, every time I think there's a glimmer of hope that I'm smarter than everyone else, I get a reminder that I'm wrong.

From my experience, those people who think they're smarter than everyone else are more inclined to place bets. (It's not called investing when you think you know who the winners will be. That's called betting.) And when we place bets, one of two things is likely to happen: we win (big), or we lose (big).

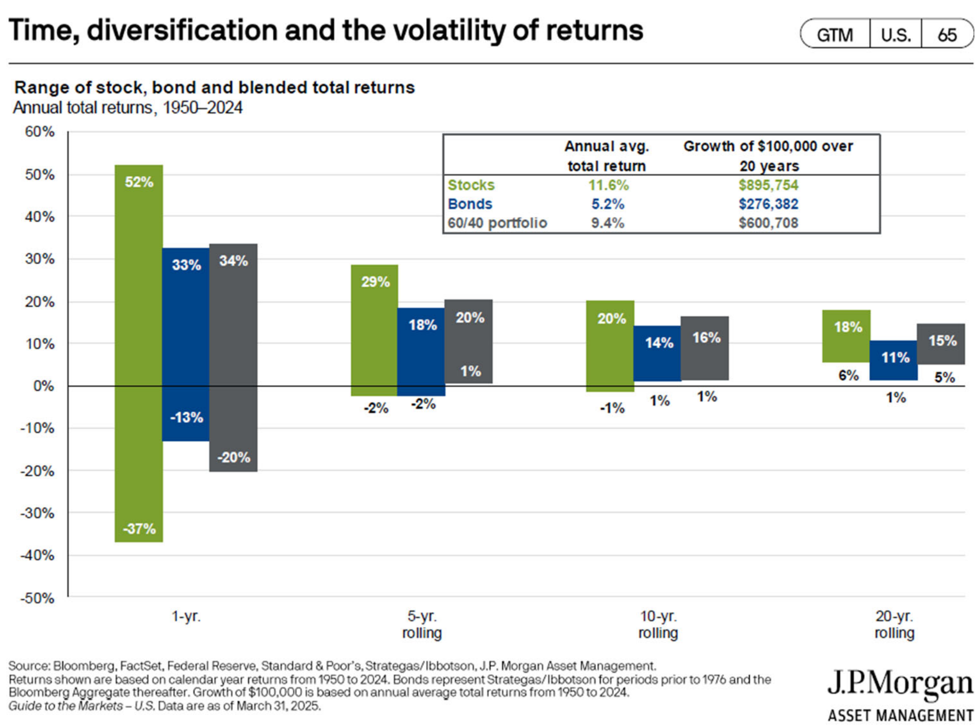
STAN'S WORLD — WHAT A YEAR IT'S BEEN…AND IT'S ONLY MAY! (CONT'D)

In the simplest of terms, the more risk we take, the greater the potential return. But there's also an inverse logic to that; the greater the risk, the greater the potential for significant loss. If you had invested all your money in Microsoft over the years, you would have done pretty well. But if you had placed those same dollars in a former blue-chip stock named Enron, the outcome would have been exactly the opposite.

We really do understand client trepidation when watching the wild swings the stock market brings. While it may sound ironic, some volatility is necessary to achieve long-term results. Not only is volatility built into portfolios, it's also built into financial plans. We know markets will occasionally go crazy; we just don't know when.

As you watch the markets ebb and flow, may I suggest you watch them less, or even not at all. It's not worth the aggravation. If you must watch, and you have any concerns about your money, just call. Yes, if your portfolio is down, it can be disheartening. (Remember: down is still down.) But if you're retired and need ongoing income, it's built into your portfolio. If you have dozens of years before retirement and short-term swings will have no impact on your long-term goals, your portfolio is built for that. And so on, and so forth.

We periodically include a chart in our newsletter or attach it to quarterly memos that graphically depicts annual volatility, and we've included it below[1]. As you can see, the potential for volatility in any given year is substantial. In any single calendar year, the S&P 500 has provided returns that ranged from -37% to +52%. But extend the range of years and watch how returns begin to moderate. Over any five calendar years, for example, the range of the S&P 500 on an annualized basis ranges from -2% to +29%. Over ten years: -1% to +20%. And so on.



STAN'S WORLD — WHAT A YEAR IT'S BEEN…AND IT'S ONLY MAY! (CONT'D)

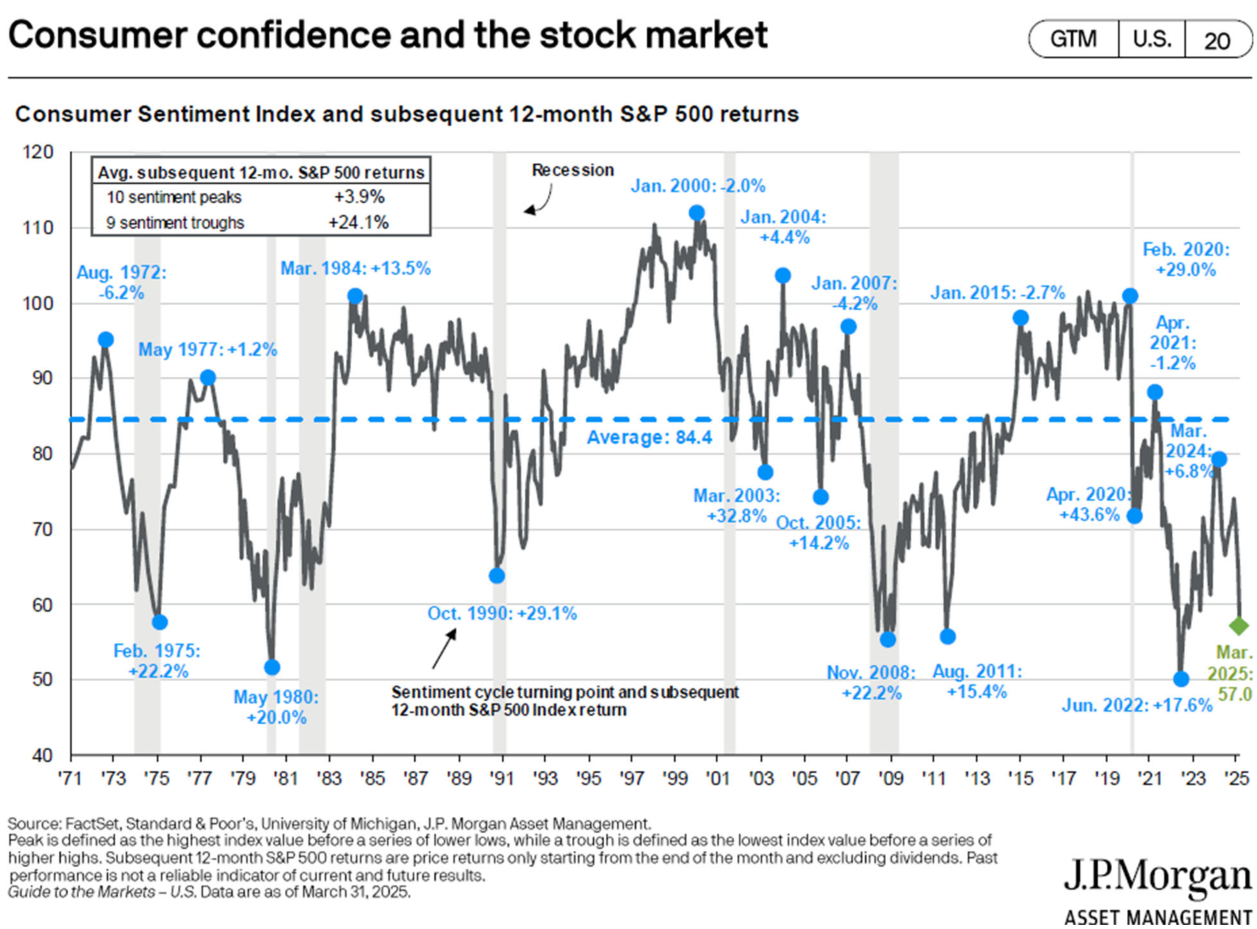
I've often described our investing style as like watching grass grow. Sexy? No. Boring? Absolutely. In fact, if I didn't have a fear of heights, I'd stand on the highest rooftop and shout: "Diversify! Rebalance!"

But if you're really into betting, and we're still doing the whole honesty thing with each other, let me share what I believe would be the safest bet you could ever make. Should I ever wind up on a rooftop, in any city, at any time, you can bet my first screams will not include the words "diversify" or "rebalance." That's my definition of a safe bet.

FUN WITH CHARTS!

Consumer confidence and finances are two critical components of the economy.

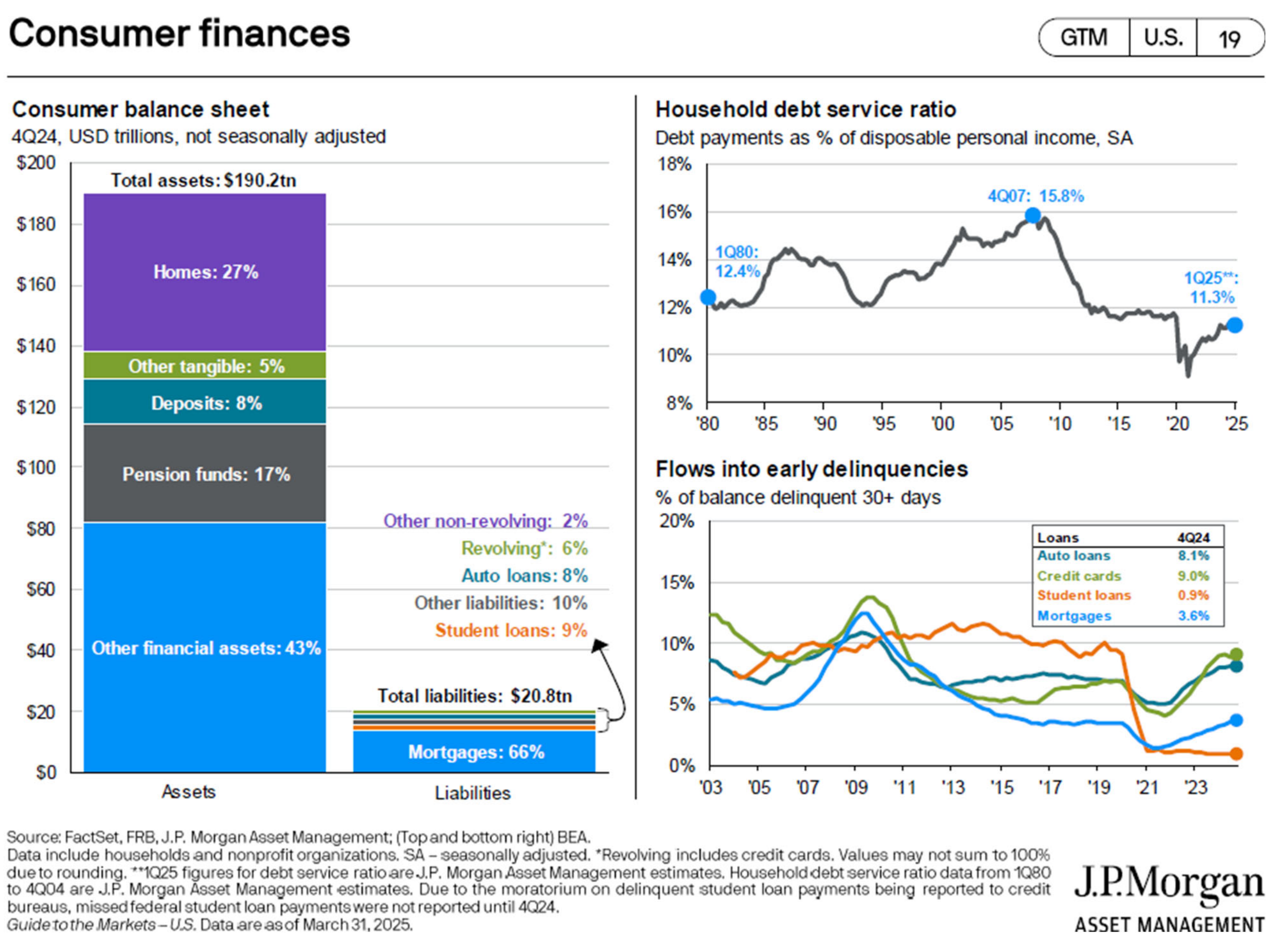
Notice how consumer sentiment and the stock market are linked on the chart below[2]. When consumer confidence peaks, the subsequent 12-month return for the stock market tends to be lower. Conversely, when consumer sentiment bottoms, notice the returns for the S&P 500 are higher. (Unfortunately, peaks and troughs are only known after the fact. We don't know if consumer sentiment is currently low and heading lower, or if this represents a trough, indicating that sentiment and markets are about to move higher.



FUN WITH CHARTS! (CONT'D)

If consumers are doing well financially, they pay their bills on time. When our financial situation gets more precarious, things can change.

The chart below[3] shows what comprises the "consumer balance sheet," which is effectively a compilation of all our individual balance sheets. As can be seen by the graphs on the left side, consumers have far more assets than liabilities. Cash flow, however, is a different issue.



__Household debt service ratio (chart)__: shows debt payments as a percentage of disposable income. The graph illustrates the percentage of our income allocated to paying ongoing debts. Suffice it to say that as we spend more of our income on debt, we have less money to spend on buying goods and services.

FUN WITH CHARTS! (CONT'D)

Flows into early delinquencies (chart): an indicator of how much consumers are likely to spend in the coming months. (If consumers can't pay their debts, they're unlikely to increase spending on goods and services.) Note how the graphs are rising, which depicts higher delinquency rates. Look at the numbers in the small box: delinquency rates for auto loans (8.1%), credit cards (8.0%), student loans (0.9% as of 3/31/25 due to loan deferment programs, but now being reported as close to 25%), and mortgages (3.6%).

WHY HOMEOWNERS INSURANCE DESERVES A SPOT IN YOUR SUMMER PLANS

Summer's here! Time for sunshine, cookouts, and pretending your lawn doesn't need mowing every three days. But amid the fun, there's one thing that often gets left out of the summer checklist: homeowners insurance.

Not exactly beach reading, we know (be on the lookout for our annual summer reading list – it's coming soon!) - but when summer fun turns into summer mishaps, your insurance policy can save the day.

Summer can be Risky Business

Does anyone remember the 1983 movie *Risky Business*, starring Tom Cruise? Cruise's character, Joel, is left alone by his parents while they take a summer vacation. Sparing you a plot summary, the movie spirals out of control, leaving the home in shambles and the parents wishing they had better coverage for all the damage done.

We're sure none of you have little Joels to worry about. However, summer accidents can manifest in various forms. Here's a quick look[4] at some of the most common summer-related claims:

Summer Risk	Avg. Claims per Year (U.S.)
Grill Fires	10,600
Boating Property Damage	5,000
Swimming Pool Accidents	7,800
Storm & Wind Damage	15,000
Vacation Home Burglary	4,200
Trampoline Injuries	6,300

WHY HOMEOWNERS INSURANCE DESERVES A SPOT IN YOUR SUMMER PLANS (CONT'D)

It may be worth examining how your policy addresses some of these scenarios:

- Managing a boat: What happens when your vessel takes out your dock—or worse, your neighbor's? Your homeowners insurance might cover some boat-related damage at home, but usually with strict limits. For regular boating, you'll want a dedicated policy.
- Have a summer home?: If you have a vacation home, don't assume your main home's insurance has it covered. Seasonal properties are more prone to theft and storm damage, especially when vacant. Most carriers require a separate policy or endorsement for second homes. Before you head back to your full-time home, make sure your vacation property is properly protected.
- Backyard fun: Pools, trampolines, and the annual "dad tries a flip off the diving board" event all increase liability risks. If someone gets hurt on your property, you could be on the hook. Your standard policy includes liability coverage, but now's a great time to review your limits. An umbrella policy may offer extra peace of mind (and cushion your wallet).
- Storm season approaches: From surprise downpours to falling tree branches, summer weather can do serious damage. The good news? Most standard homeowners policies cover wind and storm damage. Just be sure your coverage limits are enough to fully rebuild or replace.

Some suggestions to consider to stay safe and covered:

- Inspect your home before summer – clear gutters, trim trees, check your roof.
- Secure your home with cameras, lights, or a monitored alarm.
- Review your policy with a trusted advisor (that's your cue to call us – we work with property and casualty agents who can review existing policies and provide input).
- Raise liability limits if you host guests or have high-risk features, such as a pool or trampoline.

Before summer gets into full swing, give your homeowners insurance a quick tune-up. It might not be as exciting as a new grill, but you'll be happy you did so if an accident steers your way.

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] "Time, diversification, and the volatility of returns," Slide 65, Guide to Retirement, J.P. Morgan. March 31, 2025.
[2] "Consumer confidence and the stock market," Slide 20, Guide to Retirement, J.P. Morgan. March 31, 2025.
[3] "Consumer finances," Slide 19, Guide to Retirement, J.P. Morgan. March 31, 2025.
[4] Insurance Information Institute. Facts + Statistics: Homeowners Insurance. III, 2023, https://www.iii.org.