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## Managing Your Money

### STAN'S WORLD—DOWN ON THE FARM

While my life may not be as varied as others, I've still been fortunate to have enjoyed a lot of interesting experiences. But even during my college fraternity days – when my judgment may have been occasionally impaired due to weekend merriment – I never recall thinking that I should try farming.

Perhaps the reason for this career deficit is rooted in my childhood; we just didn't have a lot of farms where I grew up in Flushing, Queens. (The apartment complex where I lived was actually built on landfill, so that's as close as I got to farmland.) Nor do I recall stories of farming on the street where I was born in The Bronx.

Thus, you can imagine my surprise when I found myself on my hands and knees on a windswept field in Connecticut, engaged in planting peonies. If you know me, this is about the time when you're allowed to squint your eyes and say, "WHHHHAT?"

My involvement is family-related. After a few years of research and study, my oldest daughter, Jennifer, decided to fulfill a dream and start a flower farm. (Her day job is as a teacher.) Being the ever-supportive parents, Pearl and I loaded up the car with our best planting gear (e.g., our oldest shoes, jeans, sweatshirt, not to mention Advil, heating pads, and Celebrex) and joined in the planting festivities.

You may wonder why Jennifer selected peonies, and why did she buy 4,800 roots? (Yes, you read that correctly.) The answer lies in the research that Jennifer undertook when planning her flower farm. On the plus side, peonies are a popular flower to sell. The downside is it takes 2-3 years after planting before the stems are ready to cut and go to market. They make perfect sense if you look at peonies as a long-term investment.





## STAN'S WORLD—DOWN ON THE FARM (CONT'D)

To prepare for my first farm experience, I, of course, watched a YouTube video on how to plant a peony root. It looked easy enough, and I concluded I could do about four a minute. Of course, you get to plant four a minute when the root is six inches long, and the ever-important eye of the root is on the horizontal surface. Not much digging involved for that; scrape the ground, lay the root down, turn the eye up, and cover with two inches of soil.

To my dismay, I later learned that perhaps one of the 4,800 peonies that were unloaded from the FedEx truck looked like the peony root on the YouTube video. In reality, they were almost all massive in size, with each requiring quite a deep hole.

During our first day in the fields, we planted about 125 roots. Since peony roots require planting within about two weeks of receipt, we knew we had to adapt our planting strategy.

On our second day, with the aid of a power augur to drill the holes (handled by my still-vibrating son-in-law, Izzy, who's also a teacher), we were able to put about 850 roots into the ground. By the end of the second day, I looked, and felt, like a farmer. (Upon hearing that I was going to take part in a farm experience, a friend sent me a John Deere cap. I faithfully wore it each day, even when I moseyed to town – an expression we farmers use – to pick up grub. I mean lunch.)

Helping my daughter and her husband fulfill a dream has been a joy, and I share the story with far too many people in far too much detail. Lest you be surprised, I believe there's a valuable lesson to be learned from this experience.

The fragility of life becomes more and more apparent the older we get. If you, or a family member, have a dream, let's sit down and talk about it. Maybe it won't make you (or them) rich, but if it will be fulfilling, (potentially) pay the bills, and bring joy, isn't it worth pursuing?

I have to go. As I write this, I'm preparing for another weekend of planting, and I have to remember to apply two critical lessons I learned from my first planting adventure: take pain meds preemptively and don't forget to bring the ice packs.

## LIKE THE PHOENIX, THE 60/40 PORTFOLIO WILL RISE AGAIN

This article speaks to concerns that some investors have due to the performance of both the stock and bond markets in 2022.



## LIKE THE PHOENIX, THE 60/40 PORTFOLIO WILL RISE AGAIN (CONT'D)

As noted by Vanguard<sup>1</sup>, "...market, economic, and geopolitical conditions all appear fraught. Inflation is hitting 40-year highs, the Federal Reserve is sharply reversing monetary policy, the pandemic hasn't gone away, and supply chain woes have been exacerbated by COVID-19 lockdowns in China and Russia's invasion of Ukraine...Not surprisingly, this perfect storm of negative market drivers has pushed stock and bond prices south in lockstep, impairing the normal diversification of risks in a balanced portfolio."

**Stock-bond diversification in historical context:** "Brief simultaneous declines in stocks and bonds are not unusual...Viewed monthly since early 1976, the nominal total returns of both U.S. stocks and investment-grade bonds have been negative nearly 15% of the time. That's a month of joint declines every seven months or so, on average."

"Extend the time horizon, however, and joint declines have struck less frequently. Over the last 46 years, investors never encountered a three-year span of losses in both asset classes." For portfolios comprised of 60% stocks and 40% bonds, "one month total returns were negative about 14% of the time, or once every seven years or so, on average." (Losses were mainly due to the fact that stocks are more volatile and comprise the larger percentage of a 60/40 portfolio.)

**The math behind 60/40 portfolios:** While some may decry the death of the 60/40 portfolio due to its performance year-to-date, it's important to remember:

- "The goal of the 60/40 portfolio is to achieve long-term annualized returns of roughly 7%. This is meant to be achieved over time and on average, not each and every year. The annualized return of 60% US stock and 40% US bond portfolio from January 1, 1926, through December 31, 2021, was 8.8%." (The aforementioned goal of a 7% return is lower than historical average returns due to the fact that projected returns for equities markets over the next 10 years are slightly lower as a result of the 2009-2020 bull market. In other words, a lengthy period of high returns is typically followed by a period of lower returns, and vice versa.)
- "The average return can still be achieved if periods of negative returns (like this year) follow periods of high returns" (like the past three years).
- "On the flip side, the math of average returns suggests that periods of negative returns must be followed by years with higher-than-average returns." (In fact, lower performance this year helps to explain why the projected 10-year outlook for a 60/40 portfolio has actually increased from the end of 2021.)



## LIKE THE PHOENIX, THE 60/40 PORTFOLIO WILL RISE AGAIN (CONT'D)

- “Market timing is extremely difficult even for professional investors and is doomed to fail as a portfolio strategy...Chasing performance and reacting to headlines are doomed to fail as a timing strategy every time since it amounts to buying high and selling low.”

**No magic in 60/40 but in balance and discipline:** “Prominent and useful as a benchmark though it is, 60/40 is not magical...The broader, more important issue is the effectiveness of a diversified portfolio, balanced across asset classes, in keeping with the investor’s risk tolerance and time horizon. In that sense, 60/40 is a sort of shorthand for an investor’s strategic asset allocation, whatever the target mix.”

“Whatever one calls a target asset mix and whatever one includes in the portfolio, successful investing over the long term demands perspective and long-term discipline. Stretches like the beginning of 2022 – and some bear markets that last much longer – test investors’ patience.”

“This isn’t the first time the 60/40 and the markets, in general, have faced difficulties – and it won’t be the last...Like the phoenix, the immortal bird of Greek mythology that regenerates from the ashes of its predecessor, the balanced portfolio will be reborn from the ashes of this market and continue rewarding those investors with the patience and discipline to stick with it.”

## 15 FANTASTIC USES FOR YOUR SMARTPHONE

Thanks to the AARP Bulletin for their article<sup>2</sup> on how all of us can better use our smartphones. For purposes of brevity, we’ve only included examples for iPhones. If you have an Android device, you can likely accomplish the same tasks though you may want to Google instructions on how to do so. Also note these uses will likely only function if you’re using the latest iPhone software version.

Try a few of these examples because they really are quite useful.

1. Weather Reporter: “Launch the Apple Weather app on an iPhone...”
2. Video Camera: “Open the Camera app. Swipe right so the Video option appears in yellow. Tap the red button to start and stop.”
3. Radio: For all smartphones, “You can download free apps that stream on-the-air stations from around the world or special online-only stations.”
4. Document Scanner: “Open the Notes app. Tap the icon in the lower right corner. Tap the camera icon at the bottom of the screen and select Scan Documents. Place the document in view of the camera. If your device is in Auto mode, your document will automatically scan.”



## 15 FANTASTIC USES FOR YOUR SMARTPHONE (CONT'D)

5. Kitchen Timer: “Open the Clock app. Tap Timer. Also in the app...Set an alarm, run a stopwatch or check the time in cities around the globe.”
6. Flashlight: “Tap the Flashlight icon found in the Control Center (on newer phones, access by swiping down from the upper-right corner of your home screen; on older phones, swipe up from the bottom edge).
7. Library: “Hoopla, Libby, and OverDrive are three popular free apps that allow you to borrow e-books with your library card.”
8. Voice Recorder: “Open the Voice Memos app. Tap the red Record button to start and stop.”
9. Emergency Broadcast System: “You can receive Amber alerts, extreme weather alerts, or public safety alerts from your local government. These are turned on by default when you get your device.”
10. Tape Measure: “Open the Measure app. Tap the Measure icon at the bottom of the screen. Point your phone camera at the object you want to measure, lining up a circled dot on your screen with the starting point. Tap the + (plus) button. Move your phone to the end of the measurement and tap + again. The app also includes a level function.”
11. Calculator: “Open the Calculator app. You can perform basic math functions when holding the phone vertically. Rotate the phone on its side to summon a scientific calculator.”
12. Restroom finder: “You may be able to find the nearest public restroom through a third-party app, such as Flush, Bathroom Scout, or Sit or Squat. Some listings rate the quality of restrooms and indicate whether they are accessible and whether a fee or key is required.”
13. Magnifying Glass: “Open the Magnifier app (it’s automatically loaded on phones with up-to-date operating software). Zoom in on small type. Swipe up to find other controls.”
14. Pedometer: “The pedometer built into your iPhone’s Health app automatically counts the steps you take while your phone is in your pocket, in your hand or strapped to your arm. To check how far you’ve gone, click on the Health app, click Edit, make sure Steps has been clicked and keep your phone with you when you walk.”
15. Navigation System: “Google-owned Waze, Google Maps, and the Apple Maps apps (all free) are leaders in this category, but you can download more than 50 alternative apps.”

As an aside, we have read articles about younger adults joining AARP in order to qualify for AARP discounts. (Apparently, there is no requirement that a person be 50 or older to become an AARP member.) If you have family members under AARP age, tell them to check the AARP website for discounts and determine whether or not joining makes sense.



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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.

**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> Aliaga-Diaz, Roger. "Like the Phoenix, the 60/40 Portfolio Will Rise Again." *Vanguard*, 1 July 2022.

<sup>2</sup> Baig, Edward C. "15 Fantastic Extra Uses For Your Smartphone." *AARP Bulletin*, Dec. 2021, p. 27.

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