



S.F. EHRlich
ASSOCIATES, INC.

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Managing Your Money

A CHANCE TO RESET?

If you spent the past five months in lunar orbit and recently opened your brokerage statement, your reaction was probably akin to ho-hum. For the rest of us mere mortals, it's been an incredible whipsaw. Lacking sports and social lives, watching the stock market became its own entertainment.

With industries shedding jobs by the gazillions and retail stores closing at a record pace, one can certainly understand if you have some doubts about the recent market recovery. In fact, conjecture about the disconnect between Main Street and Wall Street is widespread, though there are reasons to explain how this has occurred and why it may even continue. On the other hand, many are probably speculating how long until the market collapses, yet again.

Whether you believe the economic recovery is taking shape or that we're a day away from financial doomsday, you might be wondering whether or not you should turn your beliefs into actions. Rather than spending time wondering how the market got here or whether or not it will stay at this level, think of the market recovery as an opportunity to reflect on how you felt when the market took that awful drop in March.

If, for example, you didn't pay any attention to your portfolio because you're committed to investing for the long haul, then you may have already answered the question. Alternatively, if your reaction to the slide in the market was closer to panic and sleepless nights, it might be time to reassess your risk tolerance. In other words, with the market and your portfolio resetting back to near pre-COVID levels, it might be worth discussing whether you should move to a less volatile mix of holdings.

Taking risk out of a portfolio comes with potential consequences. A portfolio with less volatility is built with more dollars going into fixed income. With interest rates at or near historic lows, one consequence of reducing risk is an expectation of less income generated by bond funds. Cash investments, for example, to include money market funds, are paying virtually no interest. Even ultra-short or short-duration bond funds struggle to pay interest worthy of mention. Relative to stocks, however, they're considered 'safer' investments. With current returns from fixed income far less than the historically higher returns generated by equities, less risk may be costly.



A CHANCE TO RESET? (CONT'D)

The follow-up question, of course, is how much growth do you require? Using a simplistic example, if you have \$1,000,000 in your portfolio, withdraw \$50,000 year, and have a life expectancy of 20 years, you may not require a lot of risk. If your portfolio is currently invested 50% in equities and market volatility cost you restless nights back in March, then you might be able to modestly move the volatility meter by allocating more money to fixed income. Consequently, that probably means fewer dollars going to your heirs and a potential shortfall should you require expensive long-term care during your later years. Without question, it's a difficult decision to make.

A far worse decision, however, is panicking during the next market crisis – and there will be a next one – and making a potentially costly investment decision driven purely by the emotion of the moment. Hence why, with the market recovery, there's a chance for a reset should you desire one.

During times of extreme market volatility, many clients, especially retirees, find comfort knowing they have X years of cash flow in fixed income investments. Knowing that keeps them from panicking when they open brokerage statements that show significant drops in portfolio value. They also know that time is on their side; markets eventually recover and being able to wait out a market downturn by staying invested is in their best interest.

Then again, there's logic, and there's emotion, and the subconscious can be immensely powerful. Our ability to make rational decisions is sometimes overwhelmed by fear, fear that can't be overcome by historical charts, graphs, or verbal reassurances. If you've ever felt that level of fear during a market crisis, you know how difficult it is to suppress.

There's an old expression in the financial planner biz: You can either sleep well, or you can eat well, but you can't do both. In practical terms, it may cost you a few sleepless nights along the way but investing for the long haul should result in eating well (e.g., having enough money) throughout your retirement years. The alternative is sleeping well now, but then possibly having a cash shortfall should you live too long or have unexpected expenses along the way.

The dilemma is real; worrying about the best solution for you is what keeps us up at night.



STAN'S WORLD—LAUGHTER IS THE BEST MEDICINE

Raise your hand if you share one of my many idiosyncrasies: I don't like change. (Let me qualify that comment. When Dunkin Donuts added sprinkles to their double chocolate donut, I didn't register a complaint.) Back to the subject at hand: What's wrong when things are OK staying just the way they are?

If you're a baseball fan, perhaps you've heard of Bob Uecker, the voice of the Milwaukee Brewers for the past 50 years. Having appeared in films and television after his unremarkable baseball career (most notably dozens of appearances on the old Johnny Carson show), his great sense of humor could have landed him in the media glare on the east or west coasts. Instead, he chose to stay in Milwaukee because he said being there is OK. And if the Uke says things don't need to be changed because they're OK, then OK is just fine with me. But OK or not, the coronavirus pandemic continues to teach us that we're not always in control, which leads me to an amusing story about our office relocation.

When the pandemic hit, John and I moved out of our offices in Westfield and into my house, where we worked for almost five months. Realizing that the pandemic will not end soon, and recognizing that working from my home was functional but not always desirable (it's hard to turn off work when you always walk by your work desk), we decided it was time to find office space that is better suited for a pandemic.

With safety in mind, we decided to relocate our offices from Westfield to Cranford. Aside from such upgrades as an elevator for client usage and bathrooms that have fixtures from the 21st century, the new offices are also a little more secluded in the sense that we won't see too many faces while walking into, out of, or through the building. (For the record, my personal commute has now increased from 1.1 miles to 1.9 miles. It's a pandemic, so I'm trying to be stoic about it.)

The day after our move, a 'little' tropical storm hit the east coast, so we sheltered in place (yet again!). When the debris was cleared from my driveway, to include the once pretty ornamental cherry tree that found comfort by lying across my car, we headed back to Cranford to await our phone and Wi-Fi installation.

While the installation by Verizon was scheduled weeks earlier, I suspected the widespread storm damage might change the schedule. I'll admit to being very excited when I saw a FIOS truck park out front, and then got a tad deflated when I saw the installer walk into the building across the street; the building that coincidentally happens to say "Verizon" on the signage.



STAN'S WORLD—LAUGHTER IS THE BEST MEDICINE (CONT'D)

When our 8-10 am time slot came and went, I called Verizon to inquire as to our status. The representative was kind, even when she told me, “I have bad news for you.” I braced myself. It was then that I discovered that Verizon rep, Kelly, and I have different definitions of the term “bad news.” Her bad news was that the installer would be delayed only until the next day, Friday, August 7. I could handle that kind of bad news.

On Friday, August 7, we dutifully gazed out the window from 8-10 am, scanning the horizon near and far for a FIOS truck. When our new time slot came and went, I again called Verizon. Verizon rep, Matt, put me on hold to check with dispatch, and then Matt told me he had bad news.

I quickly learned that Matt and I have the same definition for the term “bad news,” as he said that all installers were working on repairs, and the next open date was in 25 days on September 1. Matt assured me he would check for any cancellations (though we both knew he wouldn't), and John and I tried to figure out how to work without Wi-Fi. We can't, but more on that later.

Surrounded by boxes while waiting for the never-to-appear Verizon installer, John and I decided to get our desks in order. It was then that we noticed that a chunk of John's desk had been damaged during the move and that his desk was also not properly reassembled. Poor guy. I thought about his desk problems as I leaned against my desk and watched the top move up and down under my weight. At least the movers were consistent; neither desk was properly reassembled. Nor were the drawers properly reinstalled. We were phone-less, Wi-Fi-less, quasi-desk-less, shelf-less, and drawer-less, but safe, nonetheless.

People depend on us; we need Wi-Fi. Fortunately, iPhones come with hot spots, so you can link your computer to your phone and set up your own Wi-Fi network. Except, of course, when you want to talk on the phone while using the computer. We were able to speak to clients, or look-up client accounts, but we couldn't do both simultaneously.

That realization resulted in a trip to the Verizon Wireless store to buy a hotspot. The Verizon Wireless sales rep assured me that not only would John and I be able to work on the single hotspot he sold me, but perhaps thousands of others would be able to do the same (provided they had the password to access our network, of course). His statement proved true, until John tried to log on at the same time as me. That's when we learned that what the Verizon Wireless rep really meant to say was the new hot spot would work great for thousands of people if they worked sequentially, one at a time. Naturally, that meant a return trip to buy yet another hotspot.



STAN'S WORLD—LAUGHTER IS THE BEST MEDICINE (CONT'D)

While working hard on desks, phones, and Wi-Fi, I hadn't spent a lot of time standing at my desk and actually working at my job. When I had previously asked our landlord why our large windows didn't have shades or blinds, he told me the building faced north and there was no sun glare. That answer is true unless one arrives as early as I do. After nearly burning out my retinas one morning, I solved the problem by taping file folders to the window to block the blinding, early morning sun. Now we were phone-less, Wi-Fi-less, quasi-desk-less, shelf-less, and shade-less. (But still safe!)

I share this long tale because it's the same tale we're all living. Whether it's about getting a dishwasher delivered, logging onto a Zoom call, or moving to a new home, office, or apartment, we're all having our own pandemic adventures. What's imperative is that we should try to keep smiling if we're going to get through this together. As Reader's Digest pointed out so many years ago, laughter really is the best medicine.

AVOIDING SCAMS IN THE AGE OF COVID

Times like these are rife with opportunities for potential fraudsters. While the unsuspecting public spends a lot of energy these days on things like trying to remember a face mask when walking out the door, checking in on at-risk family members, or keeping youngsters entertained while working from home, scam artists recognize that we may not be as focused as we should be on protecting our personal finances.

As of August 4, 2020, the Federal Trade Commission (FTC) reports that there have been 152,129 coronavirus-related fraud cases since the start of 2020, costing Americans nearly \$98 million. "Online shopping scams were the most common, with 23,482 cases...Unsuspecting victims were swindled out of \$13.8 million. Travel and vacation scams account for even bigger losses, totaling \$33.71 million since the start of the year, with US citizens reporting 17,659 travel and vacation complaints, according to the FTC."¹

So what can you do to protect yourself?

First and foremost, if you ever encounter anything that resembles suspicious activity on one of your Schwab accounts, let us know immediately. If we're not available, your next call should be to the Schwab Alliance Team (800-515-2157). Don't wait; it's always better to be safe than sorry when it comes to protecting your personal data.



AVOIDING SCAMS IN THE AGE OF COVID (CONT'D)

A recent article by Megan Leonhardt at CNBC provides some additional helpful suggestions²:

- *Educate yourself on the latest scams* - "The FTC has been keeping on top of the latest schemes and issuing consumer alerts about what they're finding. You can sign up for the emails or simply visit the FTC's coronavirus scam page."
- *Block robocalls* - "Most mobile service providers, including the 'Big Four' — AT&T, Sprint, T-Mobile and Verizon — have free software or apps that block robocalls. Some, like Verizon, have software that automatically blocks some of the worst robocalls throughout their network, while others have separate options that consumers can install. It's worth reaching out to your provider to see what they offer."
- *Don't respond* - "Don't respond to unknown text messages or pick up calls from unfamiliar phone numbers. Instead, let them roll into voicemail for further scrutiny. Illegal robocalls are being used to pitch consumers everything from low-priced health insurance to Covid-19 "cures" to work-from-home schemes, the FTC says. If it's an important robocall, say from a pharmacy or doctor's office, they'll usually leave a message or contact you another way, such as through email or an app."
- *Reach out through legitimate contacts* - "If you do receive an email or text message that you feel you do need to respond to, don't click on the link provided. Instead, go directly to the government or company website by typing its name in your browser. Contact it through an official phone number or email address. Links in emails or text messages are a particularly common way for fraudsters to gain access or lure you into a scam. Hackers send what's called a phishing email, in which they mimic the look or feel of communications sent by companies or the government and include a link to a false portal asking for your information."

When it comes to accessing your personal data, fraudsters will leave no stone unturned. When it comes to protecting yourself, we encourage you to do the same.



**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.

S.F. Ehrlich Associates, Inc.

15 Alden Street, Suite 12

Cranford, NJ 07016

Fax: (908) 789-1115

Stanley F. Ehrlich
Phone: (908) 789-1100
stan@sfehrlich.com

John Zeltmann, CFP®, CFA
Phone: (908) 789-1944
jzeltmann@sfehrlich.com



¹ Shein, Esther. "COVID-19-Related Scams Cost Americans More than \$98 Million since the Start of 2020." TechRepublic, 5 Aug. 2020, www.techrepublic.com/article/covid-19-related-scams-cost-americans-more-than-98-million-since-the-start-of-2020/.

² Leonhardt, Megan. "Coronavirus Scams Have Cost Americans \$39 Million so Far-Here's How to Protect Yourself." CNBC, 25 May 2020, www.cnbc.com/2020/05/25/americans-have-lost-39-million-dollars-to-coronavirus-scams-how-to-avoid-them.html.

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