S.F. EHRLICH ASSOCIATES, INC.

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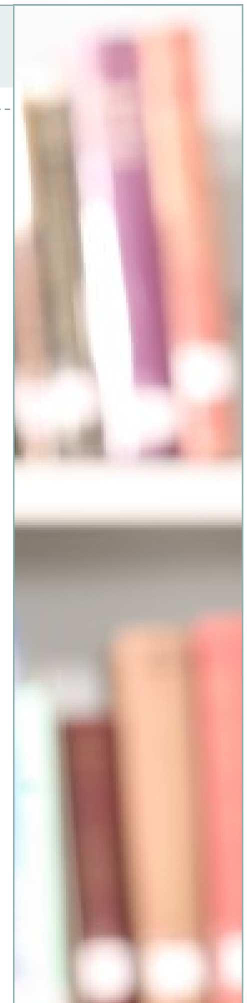


Managing YOUR Money

STAN'S WORLD

Over the past few years, a lot has been written about the transfer of inter-generational wealth. The premise is that the Baby Boomers – or even the parents of the Baby Boomers – have amassed significant sums of money that they will not spend during their lifetime. Thus, these mini-fortunes will presumably pass on to their heirs.

But if you're a Baby Boomer or a member of a younger generation who's banking on an inheritance to make your financial plan whole, let's not count those dollars just yet. In fact, if your own heirs are pegging their retirement plan on your unspent dollars, you may want to suggest that they continue working, as well. Frankly, this is a potentially catastrophic planning problem for all parties concerned.

With our senior populations living longer, portfolios increasingly run the risk of being spent down. In fact, rather than inheriting money from a formerly well-to-do parent, it's even possible their adult children may have to spend their own money so that they can maintain their parents' standard of living. Far fetched? Here are two cases that hit close to home.

Case 1: A senior approaching age 98. (Coincidentally, my mother is approaching age 98.) This senior lives in an independent living community in Northern New Jersey with the help of home care aides working 13 hours per day. (Coincidentally, my mother lives…) At 13 hours per day, the annual cost for aides is a mere $118,625. If we increase the aides to 24 hours per day, the math becomes quite impressive: 24 hours x 7 days x 52 weeks x $25/hour = $218,400. A year. And that's in addition to the monthly fee to live in the community.

I have one sibling. If/when our mother lives long enough to run out of money, how do you think my now 76-year-old retired brother will feel when I tell him we have to split the cost of our mother's aides so she can continue living where she is? While I've never asked my brother if he had any thoughts about the inter-generational transfer of wealth, I doubt he ever considered he may have to pay more than $100,000 per year to support his mother, when he approached 80.

STAN'S WORLD (CONT'D)

Case 2: My wife's mother is 98. She lives in a nursing home outside of Philadelphia. Her care costs approximately $9,500/month x 12 months = $114,000. A year. The same math applies to the same family: my wife and me.

Take a minute to do a mental calculation on how quickly mini-fortunes can be spent down with spending rates like those noted above. And if Boomers are expected to live even longer than their parents, how long will their savings last should they require home or nursing care? (What an argument for longevity planning strategies, like long-term care insurance, extending Social Security collection, or fully funding Health Savings Accounts during working years!)

Numbers like these reveal the imperative that you sit down, sooner than later, with: (a) your parents (if still living), and/or (b) your children/heirs, to explain the realities of spend-down for the elderly who may ultimately require additional care due to a longer than anticipated life span. Monetary surprises after retirement can be devastating because the opportunity no longer exists to work longer and recover dollars that were spent unexpectedly.

To those who think investment returns are more important than financial planning, think again. Trying to figure out a path through a murky future is the biggest challenge of all.

SOCIAL SECURITY SCAMMERS

By: John Zeltmann

Recently I received a very helpful email from Social Security, filled with tips on how to avoid scams related to my Social Security account. Everything in the email seemed legit:

"If you get a suspicious call from Social Security, hang up and report it!" (A helpful link was even provided so I could easily report scams.)

"What to look out for in a scam: a Social Security agent requesting your Social Security number, someone asking you to pay a fine or debt to Social Security due to earnings reconciliations, calls threatening arrest" (Once again, another helpful link was provided.)

It was almost as though it was explicitly designed to put me at ease, inviting me into thinking whoever wrote the email had my best intentions in mind.

That's because it was.

Social Security identity theft scams come in many shapes and sizes. In my case, I received a spoof email masquerading as the Social Security Administration, also known as phishing.

SOCIAL SECURITY SCAMMERS (CONT'D)

How did I know it was a spoof? I hovered my mouse pointer over the links provided and looked at the link preview in the lower left-hand corner of my screen. (IMPORTANT: hovering over is not clicking on, the latter of which can potentially result in viruses being downloaded to your computer) It was an unrecognizable mishmash of letters and numbers that did not include anything that resembled the Social Security Administration's website. If I were to click any of those "helpful" links, the outcome likely would have ranged from the innocuous (e.g., my email being added to a marketing list) to the catastrophic (e.g., a virus downloaded to my computer).

According to AARP's website[1], here are some helpful tips to consider when navigating Social Security phishing attempts directed at you:

Warning Signs

- <u>You get an unsolicited call from someone claiming to work for the Social Security Administration</u>: Except in rare circumstances, you will not get a call from Social Security unless you have already been in contact with the agency.
- <u>The caller asks for your Social Security number</u>: Why would anyone working at Social Security need to ask you for your number?
- <u>A caller or email threatens consequences, such as arrest, loss of benefits, or suspension of your Social Security number, if you do not provide a payment or personal information</u>: This would never happen from an agency employee.

Do's

- Do hang up if someone calls you out of the blue and claims to be from SSA.
- Do be skeptical if a caller claims to be an "officer with the Inspector General of Social Security." Scammers create official-sounding and often actual government titles to make a ruse seem authentic.
- Do set up a My Social Security account online (at ssa.gov) and check it monthly for signs of anything unusual, even if you have not yet started collecting benefits.
- Do install a robocall-blocking app on your smartphone, or sign up for a robocall-blocking service from your mobile network provider.

Don'ts

- Don't call a phone number left on your voice mail by a robocaller. If you want to contact SSA, call the customer service line at 800-772-1213.
- Don't assume a call is legitimate because it appears to come from 800-772-1213. Scammers use "spoofing" technology to trick caller ID.

SOCIAL SECURITY SCAMMERS (CONT'D)

- Don't give your Social Security number or other personal information to someone who contacts you by email. SSA never requests information that way.
- Don't click links in purported SSA emails without checking them. Mouse over the link to reveal the actual destination address. The main part of the address should end with ".gov/" — including the forward slash. If there's anything between .gov and the slash, it's fake.

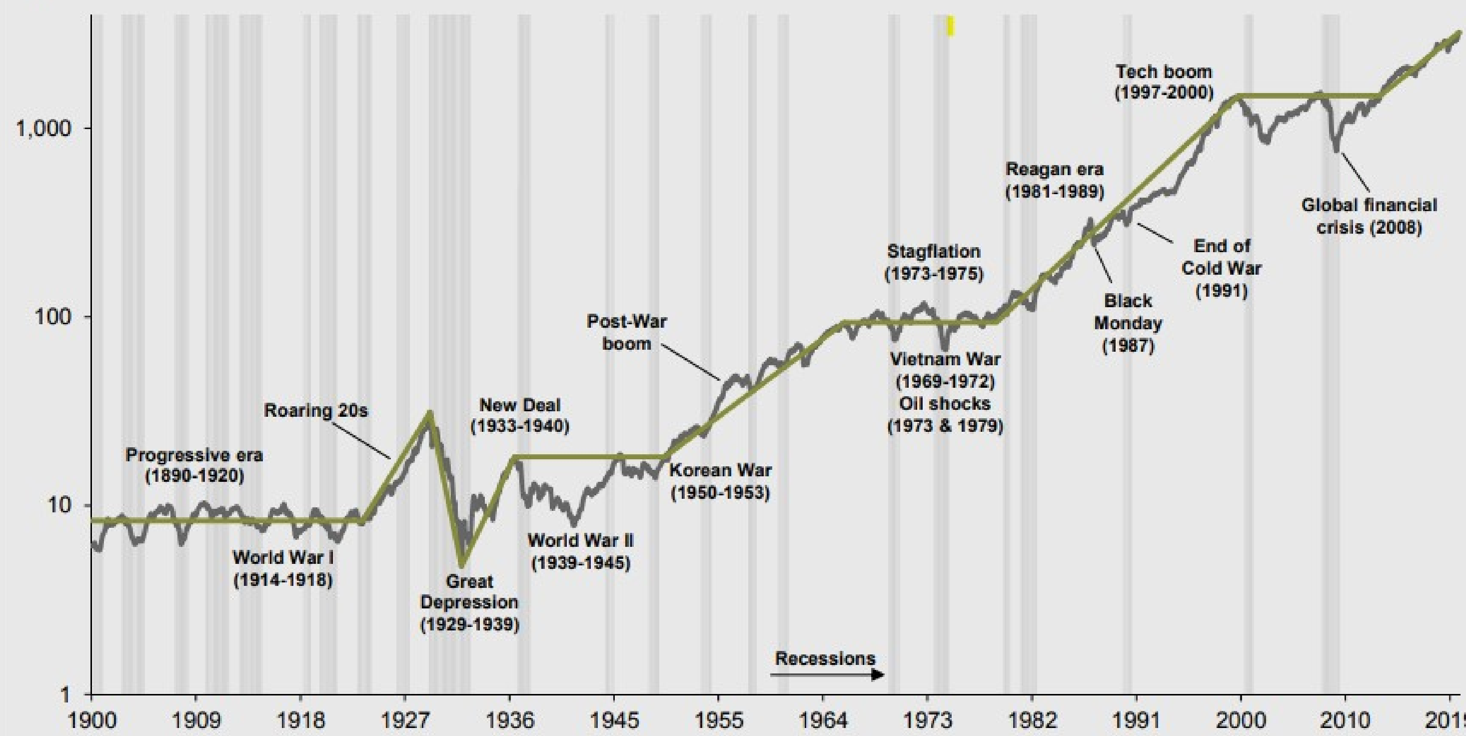
THE SKY IS FALLING! IS THE SKY FALLING? WILL THE SKY EVER FALL?

In this instance, the word "sky" refers to the stock market, and all that happens when markets fall. As we haven't had a so-called bear market (i.e., a loss in value of more than 20%) in more than ten years – though we came within a whisker in the fourth quarter of 2018 – there are undoubtedly millions of investors who believe the bear is around the corner. Or maybe it's the next corner.

With history as our guide – because we still are unable to predict the future – it might be informative to highlight past bear markets and how long it took to recover from peak to peak. (We concede this knowledge may not feel as reassuring amid a correction.)

The table below[2] shows the performance of the S&P since 1900, to include significant historical events along the way. As can be seen, the direction of the market is upward, with market corrections along the way.

S&P Composite Index
Log scale, annual



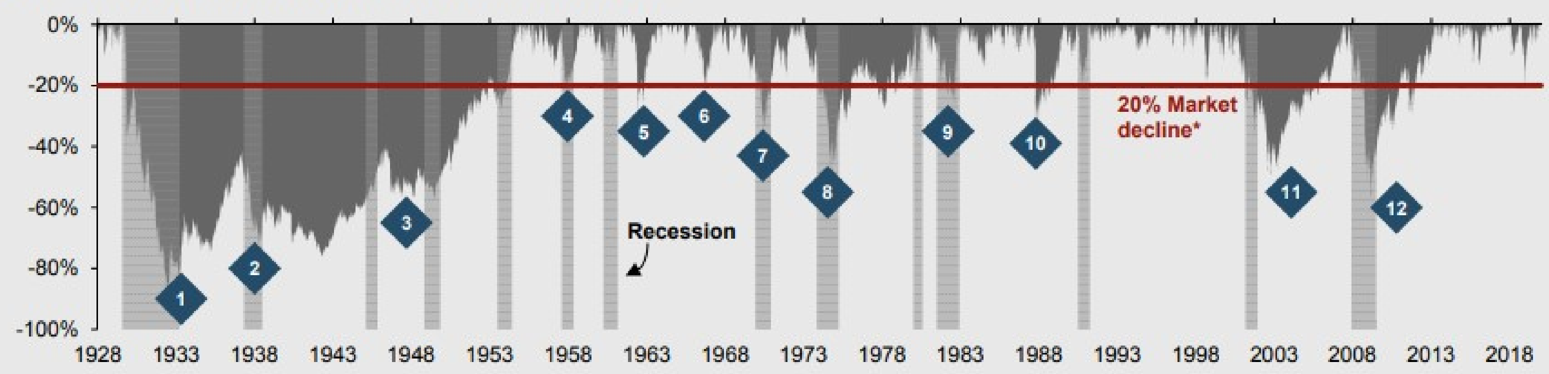
Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of December 31, 2019.

THE SKY IS FALLING? IS THE SKY FALLING? WILL THE SKY EVER FALL? (CONT'D)

While none of us have a 100-year time horizon, focus on 20- or 30-year periods (or longer, for younger folks) because those are most likely the investment periods for the dollars you have invested in the equities markets. More importantly, it's that 20- or 30-year+ time horizon that supports the argument against market timing, even when markets perform horribly (see the 2008-09 global credit crisis). If you know you have a very high probability of winning over a long time horizon, why gamble in the short-term? In the long run, what happens in any given year (or two) is mitigated when a market cycle completes its recovery.

In addition, the chart below details how long markets take to recover when things go sour. Markets mend; it just takes time.

S&P 500 composite declines from all-time highs



Characteristics of bull and bear markets

Market Corrections	Bear markets: Market peak	Bear markets: Bear return*	Bear markets: Duration (months)*	Macro environment: Recession	Macro environment: Commodity spike	Macro environment: Aggressive Fed	Macro environment: Extreme valuations	Bull markets: Bull begin date	Bull markets: Bull return	Bull markets: Duration (months)
1 Crash of 1929 - Excessive leverage, irrational exuberance	Sep 1929	-86%	32	◆			◆	Jul 1926	152%	37
2 1937 Fed Tightening - Premature policy tightening	Mar 1937	-60%	61	◆		◆		Mar 1935	129%	23
3 Post WWII Crash - Post-war demobilization, recession fears	May 1946	-30%	36	◆			◆	Apr 1942	158%	49
4 Eisenhower Recession - Worldwide recession	Aug 1956	-22%	14			◆	◆	Jun 1949	267%	85
5 Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	Dec 1961	-28%	6				◆	Oct 1960	39%	13
6 1966 Financial Crisis - Credit crunch	Feb 1966	-22%	7			◆	◆	Oct 1962	76%	39
7 Tech Crash of 1970 - Economic overheating, civil unrest	Nov 1968	-36%	17	◆	◆	◆		Oct 1966	48%	25
8 Stagflation - OPEC oil embargo	Jan 1973	-48%	20	◆	◆			May 1970	74%	31
9 Volcker Tightening - Whip Inflation Now	Nov 1980	-27%	20	◆	◆	◆		Mar 1978	62%	32
10 1987 Crash - Program trading, overheating markets	Aug 1987	-34%	3				◆	Aug 1982	229%	60
11 Tech Bubble - Extreme valuations, .com boom/bust	Mar 2000	-49%	30	◆			◆	Oct 1990	417%	113
12 Global Financial Crisis - Leverage/housing, Lehman collapse	Oct 2007	-57%	17	◆	◆	◆		Oct 2002	101%	60
Current Cycle								Mar 2009	378%	129
Averages	-	**-42%**	**22**					-	**164%**	**54**

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12 months' P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and Bull returns are price returns.
Guide to the Markets – U.S. Data are as of December 31, 2019.

S.F. EHRLICH ASSOCIATES, INC.

S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 20 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 (a) if there are any changes in your financial situation or investment objectives, (b) if you wish to impose, add or modify any reasonable restrictions to our investment management services, or (c) if you've changed your permanent residence.*

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[1] AARP. "How to Tell If Calls From Social Security Are Scams." AARP, 10 Dec. 2019, www.aarp.org/money/scams-fraud/info-2019/social-security.html.

[2] Kelly, David, et al. "J.P. Morgan Guide to the Markets, December 31, 2019 Ed."