



## Managing Your Money

### STAN'S WORLD

You're welcome to call me a skeptic (or worse) but I fall into the camp that says we'll be battling a second wave of COVID-19 when it revisits us in the Northeast at some point in the fall. To make matters worse, I also believe the lockdown for the second round will occur faster (and possibly feel harsher) than it did in Round 1. We're just beginning to enjoy a modicum of freedom after almost four months, and removing those freedoms will sting.

Seven weeks ago, when writing the last Stan's World, I wrote about lessons I learned mid-COVID that I hoped to improve upon if we really do move into the so-called second wave. While New Jersey has done an incredible job in flattening and reducing the curve vis-à-vis hospitalized COVID patients, there continue to be hundreds of fellow Jerseyans who are being diagnosed and hospitalized every day. Even while writing about a second wave, the battle against the first wave is still being fought.

Since opening this financial planning practice in 1996, I've always seen myself as more than just a financial advisor. When I write about things we're doing to stay safe (and fed) during these difficult times, I want you to think about what else you might consider doing to stay safe. We've heard from clients who experienced COVID-19, and I'd rather not hear any more of those unpleasant stories. (Sadly, I even knew someone who passed from it.)

With that introduction, here are the steps we've taken to protect us even while our state moves through its reopening phases. Similar to buying batteries to power your flashlights if weather forecasters predict a hurricane is on the way, taking steps to protect yourself and your family should a possible second wave develop doesn't make us preppers...it makes us planners.

- **Supplies stockpiled:** When the pandemic began, we experienced some difficulty obtaining numerous products from our local supermarket, not to mention issues finding time slots for delivery or curbside pickup. (It was like trying to buy Cabbage Patch dolls, but every day. If you're younger than me, Google it. If you're my age or older, I can see you nodding your head.) As stores have mostly restocked their shelves with paper towels, toilet paper, tomato sauce, pasta, hand wipes, face masks, et al., so have we. (While I would probably be content living on cereal and canned tuna fish for a while, doing so would probably end a 48-year marriage.) The suggestion is to have a few of those hard-to-get items in your pantry should spot shortages reoccur. (Our daughter in Los Angeles advised us the other day that spot shortages of certain products is occurring now.)



## STAN'S WORLD (CONT'D)

- **Still shopping from home:** I know that many will find this difficult to believe, but I have yet to return to a supermarket. While I keep telling everyone that I will soon, there just hasn't been a reason to do so. Frankly, as more and more people start to go out, it's easier than ever to shop from home, and our local ShopRite has given new meaning to the word convenience. I'm able to log into the website, order anything they have in store, quickly schedule a convenient time slot, drive over at the designated hour, pop the tailgate, and drive away loaded with bags of food. (Yes, I've heard all the arguments about not wanting others to touch your fruits and vegetables. But how exactly did your melon get on the shelf?) If shopping from home is available to you, why not consider it?
- **Freezer purchased:** I've previously suggested that clients consider buying a freezer to store some items that were previously in shortage (think chicken and pork). If you're considering a purchase, be forewarned there's probably a three-month backlog. Should you buy one, don't forget to hire an electrician so that when the freezer is delivered, and you run a long extension cord to plug it in, everything else in your house won't turn off.
- **Schedule those doctor visits:** Going to see my dentist was a new experience. Sign a COVID release form from home; call the office from the parking lot; answer a series of questions asked by a PPE-gowned employee while standing next to my car; get escorted directly to the dental chair. If you live in an area where cases are down and the window to get out and about is open, consider making appointments for every doctor you may need to visit within the next few months. (Aside from doctors, schedule any services you may need completed in your home while you're still comfortable doing so.)
- **Vacation shelved:** For the past 20 years, we've taken the family on vacation to Rehoboth Beach, DE. The days consist of biking around town, going to the beach, shopping for donuts, food, ice cream, chips, and more donuts, and walking downtown each night. Knowing that there will be crowds downtown comprised of people from many states, and knowing that the beaches can get crowded, we sadly concluded that taking everyone on vacation after we all have been so careful about social distancing was probably the most prudent thing to do. If you have a trip scheduled, consider all the risks and how you'll deal with them before loading up the car. (NOTE: As I write, Delaware is reporting its highest number of cases in more than a month.)
- **Volunteerism:** I've previously written about feeling helpless, seeing the long lines of cars filled with people seeking groceries from food pantries. Being in the most vulnerable age group caused my wife and me to make the difficult decision not to volunteer for the food pantry and soup kitchen where we have previously worked. While making donations helped our psyche, I missed the fulfillment I got from stocking shelves and filling bags for food distribution. Absent the ability to hand out bags of food in a COVID-ravaged community where the pantry is located, I got involved with the same non-profit to start a program to offer financial counseling to those who have lost their jobs or had a loss of income. We're hoping to help a lot of people, which will give me the opportunity to contribute from afar. (Also working from afar for the same agency, Pearl calls elderly seniors who have been shut-in during these past few months.) If you're interested, perhaps a religious organization or non-profit has volunteer opportunities. (NOTE: If you're volunteering from afar, those opportunities don't have to be in your community or even the same state.)



## STAN'S WORLD (CONT'D)

- **You read it here first:** When the time comes for us to meet again (in person), don't set your GPS to drive to the old office. No, we're not permanently moving into the temporary digs at my house, but John and I have decided not to return to our offices at 37 Elm Street in Westfield. We concluded that communal bathrooms and sharing a narrow hallway with neighbors who we minimally know are not conducive to social distancing during a pandemic (not to mention that the building is a little dated). Rather, we're in the process of trying to secure space that will not only be more self-contained but hopefully more accessible. (A parking spot or two would be a true luxury.) While we probably won't have face-to-face meetings with clients anytime soon, we hope to be settled in when we're all ready to meet again. For purposes of reaching us, thanks to mail forwarding, you can continue using the old mailing address for now; whenever we get a new mailing address, we'll certainly let everyone know with a more formal announcement.

## IF (THE) STOCK MARKET FEELS SCARY RIGHT NOW THAT'S BECAUSE IT IS

Writing in the Business Section of the New York Times<sup>1</sup>, that's the title of a column by Carl Richards, who has gained fame as the "Sketch Guy", a person who can take complex financial issues and define them through simple drawings. While the column includes a few of Richards' sketches, it also includes five steps that investors might consider as we, along with the stock market, work through these perilous times.

1. **Give yourself a break:** "The fact that you are feeling scared and uncertain is normal. It's human. So the first step is to feel all the feels that come with scary news and scary markets. Just look at the news; how could you not be scared?" In other words: "Give yourself a break for feeling human."
2. **Remember why you invested:** Richards notes that it's important to recall the purpose of a portfolio. For our clients, it's to provide sufficient cash flow to continue the same lifestyle through retirement. To pay for those needs, some investment risk is involved, and that risk comes to us in the form of equities.
3. **Revisit the process:** "Scary markets are quite literally part of the plan, since the stocks that give you decent returns over decades come with risk that their prices will bounce around a fair bit in the shorter term. As long as your goals remain the same, your carefully constructed investment plan still represents your best chance of achieving those goals." If you think this time is different, a fairly common refrain, Richards notes some of the other scary times in the recent past: Y2K, West Nile virus, SARS, bird flu, global financial crisis, Swine flu, Ebola. We got through them all.



## IF (THE) STOCK MARKET FEELS SCARY RIGHT NOW THAT'S BECAUSE IT IS (CONT'D)

4. **Stay in the lifeboat:** With a plan built on your goals, staying in the lifeboat simply means sticking with the market. We're in the lifeboat together, and while this is not a drill, we all know what we have to do even as we're being tossed around by the current storm.
5. **Do something else:** if you feel as if you have to do something, Richards suggests you give yourself jobs to complete. If you're concerned about the markets, redirect your energy. Richards' personal list includes regular walks, making small increases to his savings account, getting outside, reading a new book, calling his mom, and checking on friends. They all represent something to do that you get to control.

While admittedly easier said than done, Richards concludes: "In the end, all we can do is control what we can and learn to accept what we can't."



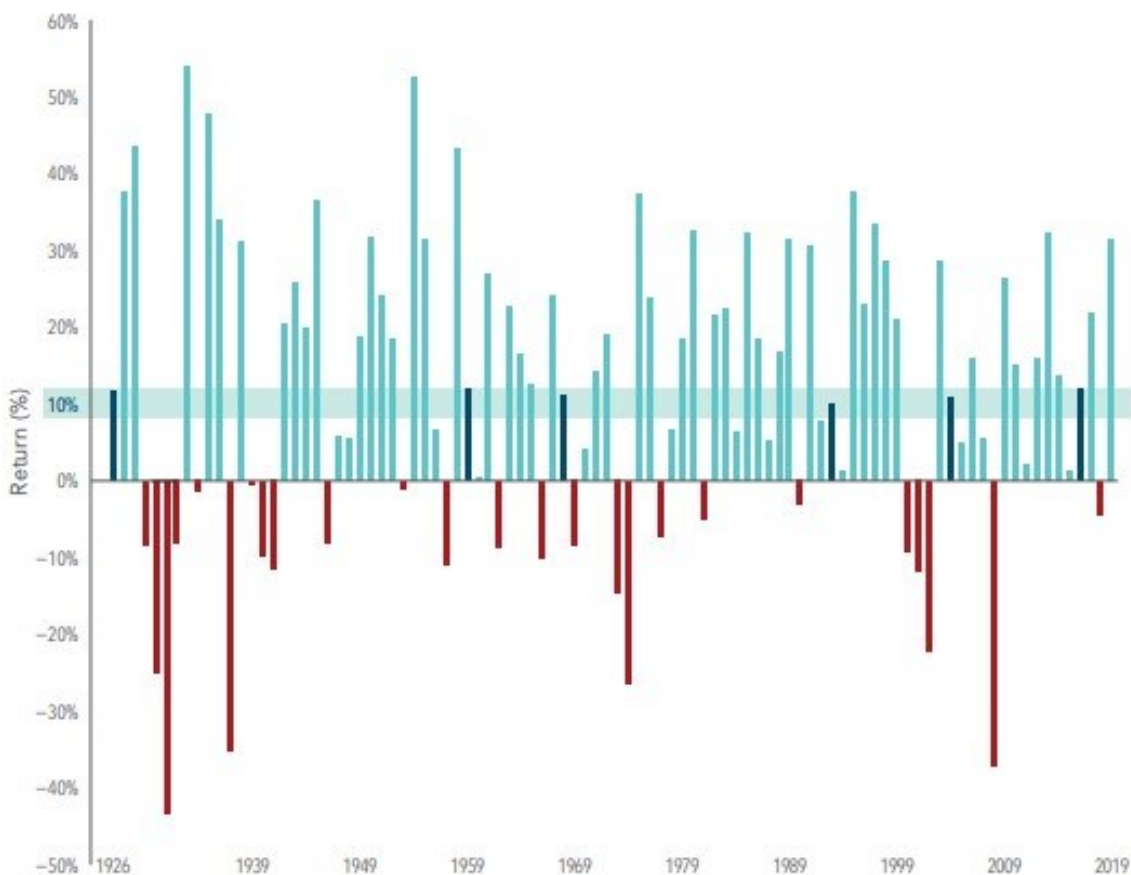
## A PICTURE IS WORTH A THOUSAND WORDS

As part of our efforts to provide financial advice to clients, we're regularly reviewing the latest research on investments, planning, and many other topics related to a successful retirement. Much of that research focuses on investors' ability to stay on course with their asset allocation, through thick and thin. We recently came across a couple of charts we felt did a good job of articulating the benefits of maintaining a long-term perspective when managing a portfolio. Per Dimensional<sup>2,3</sup>:

*"Since 1926, the US stock market rewarded investors with an average annual return of about 10%. But it's important to remember that returns in any given year may be sky-high, extremely poor, or somewhere in between.*

- *Annual returns came within two percentage points of the market's long-term average of 10% in just six of the past 94 years.*
- *Yearly returns have ranged as high as up 54% and as low as down 43%.*
- *Since 1926, annual returns have been positive 69 times and negative 25 times."*

S&P 500 INDEX  
ANNUAL RETURNS 1926-2019



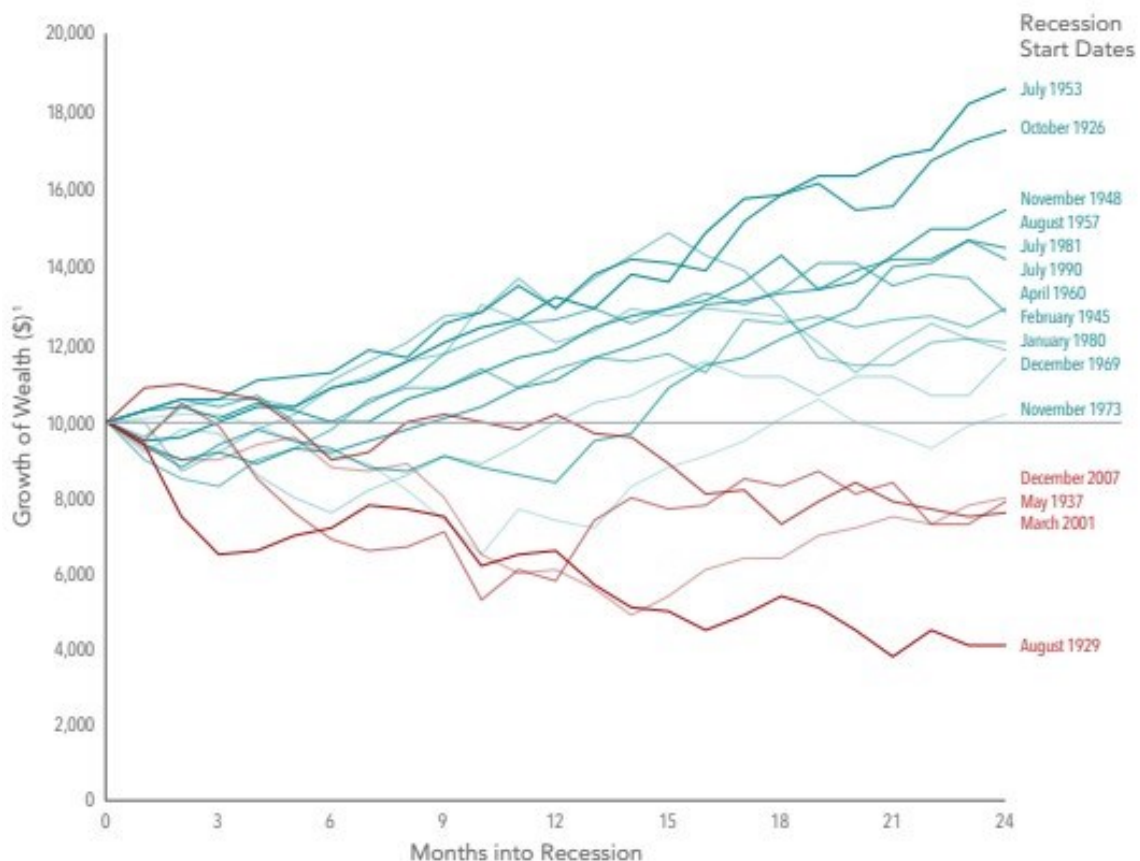


## A PICTURE IS WORTH A THOUSAND WORDS (CONT'D)

*“In the past century, there have been 15 recessions in the US. In 11 of those instances, stock returns were positive two years after the recession began.*

- *Investors may be tempted to abandon equities and go to cash when there is heightened risk of an economic downturn.*
- *But research has shown that stock prices incorporate expectations of a recession and generally have fallen in value before a recession even begins.*
- *The average annualized return two years after the onset of these 15 recessions was 7.8%.*
- *A \$10,000 investment at the peak of the business cycle would have grown to \$11,937, after two years on average.”*

### PERFORMANCE OF A HYPOTHETICAL \$10,000 INVESTED WHEN A US RECESSION BEGAN



Past performance, including hypothetical performance, is no guarantee of future results. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

In USD. Performance includes reinvestment of dividends and capital gains.

Growth of wealth shows the growth of a hypothetical investment of \$10,000 in the securities in the Fama/French Total US Market Research Index over the 24 months starting the month after the relevant Recession Start Date. Index data presented in the growth of wealth chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. Sample includes 15 US recessions as identified by the National Bureau of Economic Research (NBER) from October 1926 to December 2007. NBER defines recessions as starting at the peak of a business cycle. A business cycle is a description of the various stages of economic output.

**Fama/French Total US Market Research Index:** The value-weighted US market index is constructed every month, using all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before. Exclusions: American Depositary Receipts. Sources: CRSP for value-weighted US market return. Rebalancing: Monthly. Dividends: Reinvested in the paying company until the portfolio is rebalanced.

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

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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> "Richards, Carl. "If Stock Market Feels Scary Right Now That's Because It Is." *The New York Times*, 27 June 2020, pp. B3.

<sup>2</sup> *The Bumpy Road to the Market's Long-Term Average*, Dimensional Fund Advisors, May 2020.

<sup>3</sup> *Long-Term Investors, Don't Let a Recession Faze You*, Dimensional Fund Advisors, May 2020.

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