



S.F. EHRLICH
ASSOCIATES, INC.



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Managing Your Money

STAN'S WORLD

Writing “Stan’s World” eight times a year allows me the opportunity to share a story or anecdote that might be of interest to clients who have faced or might experience a similar situation. In some cases, it’s even cathartic, allowing me to explain how I handled some sort of life-cycle event. At this moment in time, however, it seems that all roads lead to the same topic: the coronavirus.

What else is there to write about? Or talk about? Or think about? The coronavirus has changed our lives. While most of us hope the changes are only temporary, they’re obviously far more long-lasting for those who have been the most directly impacted. Think of those who have lost a loved one or a job.

While the rush to find a vaccine or a cure continues to dominate the headlines, many of us are struggling to figure out what’s next. Depending upon where you live, your community may be reopening (or not). Depending upon where you live, your level of fear about going out in public may be high (or not). And depending upon where you live, your ability to earn a living through your chosen vocation may be about to resume (or not).

Many days, it seems as if the stock market is on the same course. Will the economy recover quickly (or not)? Will large retailers be able to make it through the shutdown (or not)? Will the government continue its mission to seemingly throw money at every company or individual who might need it (or not)?

Depending upon the day, or even the hour, the stock market interprets this information as hopeful or fearful. Are the states going to reopen? Look for an up day. Is the U.S. having issues again with China? Down day. Did someone say they found a possible cure to treat the virus? Up day. Too much oil in the pipeline? Down day. And on, and on, and on.

So what should you do?

As I’m neither a medical expert, nor have I ever played one on TV, the answer to this question partially depends on your location and your mindset. As a resident of a state with a coronavirus tally approaching 150,000 cases¹ (and counting), and as a citizen who is among the age-range deemed most vulnerable, I might have a different view of the landscape than you do. I have a profound respect for the coronavirus, not to mention a hefty dose of fear.





STAN'S WORLD (CONT'D)

We've been fortunate to get our groceries through curbside pickup or delivery, neither of which necessitates close personal contact with anyone. Admittedly, not everyone can enjoy that same luxury.

In addition, on many days, someone in a big brown truck walks up my driveway with a box or two and leaves it on the front porch. Inside the box is yet another reason why I don't have to go anywhere. Having been successful at this non-contact sport for two months, I think I can keep this up for a while. But if you live in an area where numbers are down, and most people around you are acting reasonably regarding social distancing, facemasks, and the like, then you may feel emboldened to step out.

Do that which makes you the most comfortable. Along the way, don't forget to do more than the next person to better protect yourself against a potentially horrible illness. Should you need to go into a store that looks too crowded for your comfort level, walk away. When it comes to the coronavirus, discretion really is the better part of valor.

What have we learned?

I've learned a few things during the past two months, and should the virus return in some form by year-end, I'd like to be better prepared than I was for Round 1. (I think there's more than a fine line between a person anticipating and preparing for a potential short-term event and one who is stockpiling for Armageddon, which I loosely define as an individual who goes to Costco to purchase every pallet of toilet paper available for sale within their zip code.)

The food supply chain isn't perfect: Are you still looking for your preferred brand of toilet paper? Paper towels? Chicken? Pasta? Marinara sauce? Flour? Clorox wipes? Yeast? It didn't take long to learn that shortages can quickly occur in certain products that we individually (e.g., yeast) or collectively (e.g., toilet paper) deem essential. If you discovered the same types of spot or lingering shortages that we've seen, then putting a few essentials into personal storage when they become more readily available doesn't turn you in a prepper. Instead, it shows good planning skills.

Short of freezer space? If you have space, consider buying a small freezer for your garage or basement, especially if you recently had trouble buying some items that can easily be frozen. (Best case: You'll have a supply of chicken, beef, frozen fruit, bread, and frozen vegetables if the virus returns and we go back into lockdown. Worst case: You'll have the ability to perennially save money by buying in bulk. That should allow you to fill your cart in Costco with everything but toilet paper, unless you freeze your toilet paper.)



STAN'S WORLD (CONT'D)

Amazon wasn't always the answer: As Amazon pivoted to prioritize the shipping of essential goods, other items in their inventory were pushed to the back of the line. We discovered that Walmart and Target did a great job with a lot of items, with rapid turnaround times. When our local ShopRite didn't have liquid soap refills, the need was met two days later by a box shipped from Target. Similarly, when our local ShopRite ran low on chicken cutlets, Pearl found a small Italian market with plenty of supply. While the prices may have been slightly higher than the supermarket, they also delivered. If you had spot shortages, look around for other suppliers. We even found boxes of produce sold by certain vendors who typically delivered to commercial establishments. We paid online, drove to a designated pick-up location, popped the tailgate, and drove home with a case of fruit.

Short of small bills? Here was an obvious lesson I learned: it's tough to find \$1 and \$5 bills if you're not spending money and aren't getting change. Over the past two months, anyone who put anything into my tailgate or brought something to my front porch got a \$5 bill that was tucked under a brick. (Tip: The brick kept the money from blowing away.) Whether you consider it too large or too small, the tip was a token of my appreciation for the fact that they were working and potentially putting themselves at risk for my benefit. Thus, the next time I walk into a bank lobby or drive up to a bank teller, I'm stocking up on \$5 bills. (Best case: I'll have them available for the next round of social distancing. Worst case: I'll have a stack of \$5 bills if I ever start running illegal poker games in my basement. If I buy enough toilet paper I'll stack them to use as tables.)

Activities: I've heard stories from people who couldn't find puzzles because they were sold out online. If you have a hobby that was impacted by your inability to find materials while you self-quarantined, fix the problem when we have a lull over the summer. Buy some extra games, or puzzles, or books, and set them aside in the event they're needed in the future.

Protective gear and related supplies: Pearl and I have a process we follow when we secure groceries or have packages delivered, including wiping all items with Clorox wipes. During the summer or fall lull, secure supplies you didn't have during this round of the pandemic, which might include hand wipes, Clorox wipes, masks, hand sanitizer, etc. (During the aforementioned 3:15 am shopping trip to the all-night ShopRite on March 14th, I managed to score a now-treasured 5-pack of Clorox wipe containers. Because of that coveted purchase, our home is now under 24-hour per day protection by a pack of trained Dobermans.)

Consider buying a pulse oximeter: For around \$50, this simple device can save your life if you or someone in your family suspects they have COVID-19. From the YALE Medicine website²: "It's an electronic device that clips onto a patient's finger to measure heart rate and oxygen saturation in his or her red blood cells...doctors report that some COVID-19 patients suddenly develop a condition called 'silent hypoxia,' where people look and feel comfortable – and don't notice any shortness of breath – but their oxygen levels are dangerously low." Encouraged



STAN'S WORLD (CONT'D)

by a client who has a wealth of knowledge in this area, I researched and ultimately purchased a pulse oximeter. In simple terms, if your blood oxygen drops and you get to an emergency room long before your condition deteriorates to a more critical state, your treatment and subsequent recovery may be a lot less difficult. Without a pulse oximeter at home or a visit to a medical professional, you may not realize how sick you really are.

Safely volunteer, or support those who are: While we wish we could actively do more to help those in need, I came to the conclusion that handing out food to a line of people in a highly infected community puts me in jeopardy. While I certainly can and will continue to send checks to support those on the frontlines of this country's fragile safety net, I realize that I need to find some other way to help in a contact-less way. One possibility: the food pantry where we volunteer called to say that they're going to reach out to those in need to see if the organization can somehow help with their financial burden. I signed up before I hung up the phone, and I suspect more organizations will think of ways for us to work from afar. (Pearl has a contact-less gig: she calls a list of house-bound seniors each week to both talk to them as well as assess how they're doing.)

Lend a hand: Do you know someone who is unusually stressed due to the current pandemic? Call them. I know there may not be a lot to talk about because each day feels like the day before, but try to do your best. Should you know someone who is suffering from a financial burden, perhaps we can help. In our experience working with pro bono clients, people know they're in dire straits, so there's no need to worry about offering bad news. Rather, what they want to hear is a way to move from their starting point to some future goal. Even if it involves, bankruptcy, relocation, or working multiple jobs, people just want to see a glimmer of hope. If you can do that with a neighbor, friend, or relative, you've done a wonderful deed. Should you, or they, require our help, we urge you to reach out to either John or myself.

Your psyche: When the market rapidly plummeted approximately 34%, what did you learn about yourself? Were you able to handle the drop? If watching your portfolio lose value each day was more unsettling than you could comfortably manage, we should have a conversation about mitigating some risk, a conversation that would also include how that might impact your financial plan over the long term. We can send emails and charts to clients every day to demonstrate that bad times eventually turn into good times and that markets have always recovered in the past, but if you're not sleeping because of the gyrations on Wall Street, it's worth having a discussion.



STAN'S WORLD (CONT'D)

The bottom line is we each have to look out for our families and for ourselves, and we each have to do what we think is best for our personal and collective safety. Being restricted in where we can go, what we can do, and who we can see, is exasperating and tiresome. I hate that I'm not in control of my daily activities, or that getting groceries involves formulating a tactical plan to keep us safe. It took a while, but I've come to accept that I have no control over this situation and that I have to acclimate to the coronavirus if I want to live to fight another day.

HOW BAD CAN IT GET BEFORE IT GETS BETTER?

By: John Zeltmann

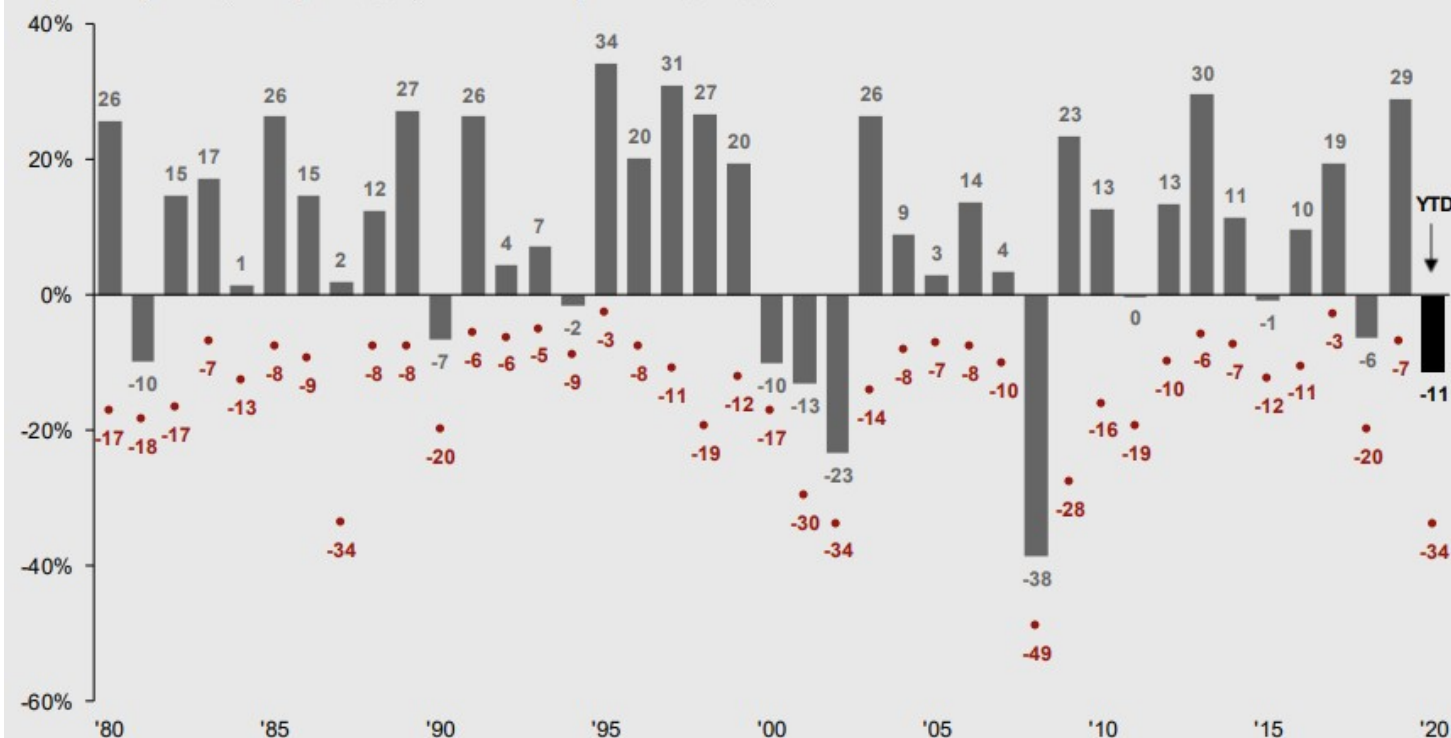
In the midst of a market downturn like we've seen over the past couple of months, and with the daily bombardment of bad economic news, it's easy to think the downtrend will continue. Looking at one's retirement plan over several months rather than several years, it's easy to feel despair, especially during times like these. When will the U.S. re-open? When will kids go back to school? When will grocery stores be safe? What about a vaccine? What will normal look like and when will it get here?

While we can't control when the new normal will arrive, we can control how we handle our portfolios, and the chart below helps to explain that we shouldn't let the extreme emotions of the moment impact how we plan for the long-term.

The table reflects annual calendar year returns for the U.S. large company stocks (represented by the S&P 500 index, dark gray bars) dating back to 1980. Despite average intra-year declines of 13.8% (each year's max downturn is shown by a red dot) annual returns have been positive in 30 of 40 calendar years.

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns positive in 30 of 40 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.

Guide to the Markets – U.S. Data are as of May 15, 2020.



HOW BAD CAN IT GET BEFORE IT GETS BETTER? (CONT'D)

Over the past 40 years, we have experienced our share of traumatic market events: 1987's Black Monday, the tech bubble followed by September 11th in the early 2000s, the Global Financial Crisis in 2008, and the current COVID pandemic. In the midst of each of these crises, a light at the end of the tunnel was barely visible, if at all. What is clear from the chart above, though, is that the market is capable of recovering from intra-year drops and, in many cases, even finishing in positive territory. Will we finish 2020 in the black?

The S.F. Ehrlich Associates brain trust isn't smart enough to know, though we are confident that brighter days will return at some point down the road. While each crisis brings its own unique challenges, bad actors, threats, and potential doors to doomsday, it can also be a breeding ground for innovation, development, and opportunity - we are a capitalist society after all. Imagine the developments and innovations that will come out of industries such as healthcare, technology, energy, hotels, restaurants, and many others.

As long as there's a daily flow of news media, there will always be a reason to get out of the market. Keys to a successful retirement include less time spent on responding to market moves and more time focusing on the things you can do over the long-run to ensure retirement success (e.g., filling your schedule with fulfilling activities, managing cash flow in retirement, saving during your working years, a properly drafted estate plan, smart tax planning).

Lastly: your retirement plans are built for times like this. Each of the financial plans we run for clients assumes investment experiences like we've seen during the crises mentioned above; just because the markets seem broken, remember that your financial plan and the investment strategy we're implementing to achieve your goals is not.



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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“Communicable Disease Service.” Department of Health | Communicable Disease Service | New Jersey COVID-19 Dashboard, www.nj.gov/health/cd/topics/covid2019_dashboard.shtml.

² Katella, Kathy. “Should You Really Have a Pulse Oximeter at Home?” Yale Medicine, 8 May 2020, www.yalemedicine.org/stories/covid-pulse-oximeter/.

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