BURNS INSIGHTS

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STIFEL

The Gap: Perfection Versus Reality

News bulletin: I am bald. I have been bald a long time, and there is a good chance that I will always be bald.

News bulletin #2: I battle my weight. I have battled my weight my whole adult life, and chances are I will always be on some nutrition/fitness program.

In other words, Brad Pitt I ain't! But that's okay. I came to terms with these aspects of my life decades ago as a younger adult. That is a good thing. Can you imagine if I spent the last forty years frustrated at my not having washboard abs and not needing a comb? Not only would I have been miserable, but I would have made everyone around me miserable as well. Also, with my focus on myself, I may have missed out on appreciating all of the blessings that life has to offer.

Unfortunately, the media promulgates an image of perfection and we all, to a certain extent, fall under their spell. Think of all of the people featured in the ads. Are there normal bodies in those commercials? No way. They tend to have what we think of as perfect bodies. You may have seen me in an insurance commercial or as a butcher, but there is no way an ad company will hire me to be the shirtless stud shilling the latest sports equipment. *Their loss!*

In all facets of life, we tend to measure ourselves against the ideal. We laud the most powerful, most affluent, the most beautiful, the most influential, the most, most, most … It never ends! But, unfortunately, when we measure ourselves against these self-imposed mental constructs, we will always fall short. Rather than it being a motivator, it can become a source of frustration that we personalize to our detriment. Bottom line, there will always be someone who is "more" than you or me.

With our finances, we do the same thing. We measure our success against an ideal, whether it be a person like Warren Buffett, Jeff Bezos, or even others in our own community based on where they live or what they drive. We also might measure our portfolio against something we hear in the media, like a particular index or a hot mutual fund. As with other aspects of our lives, this measuring against an ideal often leads to frustration and disappointment. There will always seem be a better result than ours.

We need to use different tools to measure success. In my personal life, I use the scale to keep track of my weight. I also get an annual physical, including blood tests to make sure my numbers continue to be within a range of acceptance. I am never expecting of having the best numbers possible, but rather I'd like to see numbers that are good for ME based on not only norms but also my personal history. When any number becomes out of the normal range, I can work with my doctor to determine how we can bring it back. It usually involves my doctor telling me to eat less and exercise more — Thanks, Doc!

In the financial world, we have tools that can measure progress as well. We use regular portfolio reviews to show you the current value of your portfolio. We like to review these with you personally so we can look at it in the context of the current market and your situation. We also use Stifel's financial planning software to look at your long-term financial picture to measure the probability of your reaching your goals. We are better equipped to identify potential problem areas in advance of an issue getting out of control. Lastly, we can educate our clients on those factors that are within our control and those that may have a positive impact in the long term. Noah's portion of the newsletter gives six ways to help you get through a tougher market. Even small actions may contribute to long-term success.

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Right now, I am in a good place health-wise. I am a year past my knee-replacement surgery. My activity and energy levels are back to more normal levels. And luckily for me, I have been able to lose weight, so I am back down to where I weighed in 2017. And 2013 and 2009 and 2005 and … it never ends.

As we enter this last quarter of 2019, the markets have generally rewarded investors with above-average returns. For that we can be thankful. We look with hope to 2020 (even with a Presidential election). As always, our future starts tomorrow. My team and I are grateful for each of our relationships. Please don't hesitate to reach out to our team if you ever have any questions or concerns that need our attention. We are there for you always.

Noah's Corner

If you have been following news on financial markets and the economy recently, then you have no doubt been hearing the word "recession" get thrown around more and more. Currently, our economy is growing, and we are in the middle of one of the longest expansions in American history. However, economies move in cycles, which is why many economists and pundits are talking about recession. If economies move in cycles and we're in one of the longest expansions of all time, it stands to reason that we could see a contraction or recession sometime in the future.

For those of you who had significant assets invested in the stock market during the last recession, this is probably very troubling information and might send you reaching for the panic button. However, I have been reminding many clients that the "Great Recession" of 2008-2009 was the worst financial crisis in the United States since the Great Depression ended in 1938. Recessions are never fun, but they are rarely as disruptive and destructive as the Great Recession.

So when will the next recession come? Nobody knows. What we do know is trying to time the market by making drastic moves out of stocks and into cash positions tends to hurt portfolios over the long run rather than help them. In most client portfolios, we have kept a long-term outlook, and at the same time, we are taking more defensive positions while still maintaining exposure to stocks. That being said, many clients, colleagues, and friends may be looking for other practical financial tips in order to prepare for changing conditions.

Here are a few that I would be happy to see get adopted by our readers:

1) **Establish an emergency fund.** If you haven't already, you should keep three to nine months' worth of fixed costs in easily accessible, relatively stable investments like savings accounts or money markets. This can help protect your family should there be a change in income or spending habits. The exact amount is a personal decision based on income security, risk tolerance, and more. If you'd like us to talk to you about this, we'd be happy to consult with you.

2) **Reevaluate your monthly automatic payments.** Lowering monthly spending is easier said than done, but I've seen many financial plans in which a small cut in spending of 5% really helps families. A good exercise is to list out your automatic payments for each month. It's hard to save money on a mortgage, but much easier to give up a subscription you may never use.

3) **Pay down higher interest debt.** While the economy is still in expansion mode, it is a great time to lower your monthly spending by paying down your debts. Less debt equals less spending, which in turn leads to greater flexibility and less burden if the economy isn't on strong footing.

4) **Learn new skills.** I'm very proud to say that my wife is enrolled in a college course this semester. She saw the opportunity to learn a new skill that could not only make her more productive at her current job, but could make her a more desirable hire should a recession lead to layoffs. Making yourself more valuable to employers can make it harder for you to be the target of layoffs and easier for you to get hired elsewhere.

5) **Strengthen your network.** Recessions can unfortunately lead to layoffs. Often, when it comes to getting rehired it's not what you know, it's who you know. Meet other professionals in your industry or adjacent industries and strengthen your current relationships. If layoffs hit your industry, you'll be much more likely to get hired somewhere if you are referred directly to hiring managers.

6) **Take another look at your financial plan.** Speaking of layoffs, they can often look more like forced retirement. For those of you that are nearing retirement age and want to test the sustainability of your retirement, then please let us know.

In conclusion, there's no way to completely recession-proof your financial life, but these small steps can lead to less stress, more options, and better portfolio retention should the unfortunate occur.

Sources: *PBS NEWS HOUR, July 1, 2019, Can the longest economic expansion in U.S. history last?*

The MOTLEY FOOL, April 2, 2019, Yet Another Study Shows That Timing the Market Doesn't Work

Asset allocation does not ensure a profit or protect against loss.

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