



Soundings

What's New - April 2024

Quote of the month:

"It ain't what you don't know that gets you in trouble. It's what you know for sure that just ain't so." Mark Twain

Ain't that the truth Mr. Twain. And these days, many of us get "what we know" almost exclusively from social media, the forum with algorithms designed specifically to reinforce our existing beliefs and biases. In the Netflix documentary, "The Social Dilemma", engineers from Facebook, Twitter, Google and others admit that if they knew then, what they know now, they would have done things differently. It's never been more important to be curious, particularly when we consider the motives of those on the other side of an issue from us. It's likely we have a lot more in common than we might think.

The first quarter is in the bag and it's been a doozy, in a good way, on the growing expectation that a recession is not in the cards in 2024. In fact, in their latest forecast, Ned Davis Research dropped their probability from 43.5% to 0.7%. The S&P 500 rose by 10% for the second consecutive quarter, a feat not accomplished since 2012 according to the folks at Raymond James. While outperformance continues to come from the largest U.S. companies, the rally has begun to spread to firms in the small and mid-cap space as well according to the folks at Bespoke Research...a good sign. I'll end with a note of caution. As of last week's close, the S&P 500 has risen 27% since the lows of last October. A pause to refresh would be healthy.

I don't know if there's a term for it, but Kathleen and I are in a "sweet spot". Our boys have launched successfully, and though both are with women we adore, neither has brought us grandkids, yet. No rush boys, we're doing fine. In this month's *Market & Economic Commentary*, planner Ric Edelman chronicles a different situation. Adult children who've chosen to stick around and the issues that sometimes arise. It's an interesting and entertaining read, well worth a look. First, the numbers...

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7552 Navarre Parkway, Suite 35, Navarre, FL 32566
850.936.6686 866.936.8816 Fax Toll-Free 866.936.6686
www.jonkagan.com jon.kagan@raymondjames.com

Market Update - Year to Date Returns

<u>Major Indexes</u>	<u>As of April 1st</u>
Dow Jones Industrials	5.6%
S&P 500 Index	10.6%
NASDAQ	9.3%
MSCI EAFE (International)	5.8%
Russell 2000 (small cap index)	5.2%
Bloomberg Capital Aggregate Index (Bonds)	-0.8%
XAU (gold/silver)	2.5%

D.A.L.I. Signals - 04/01/2024

U.S. Equities	Int'l Equities	Commodities	Cash	Currencies	Fixed Income
320	261	204	134	88	83
29.4%	23.9%	18.7%	12.3%	8.1%	7.6%

Source: Nasdaq Dorsey Wright

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The MSCI EAFE (Europe, Australasia and Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Bloomberg Barclays Capital Aggregate Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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Market & Economic Commentary

Tommy DeVito is quarterback of the New York Giants. He's got a \$2 million, three-year contract, and he lives at home with his parents. Here's what he said on ESPN recently, "It was a no brainer for me. I don't have to worry about laundry, what I'm eating for dinner, chicken cutlets and all that is waiting for me when I get there. My mom still makes my bed. Everything is handled for me and it only takes me 12 minutes to get to MetLife Stadium." Well, that's interesting, isn't it? What do you think about that? Is Tommy taking advantage of his mom or is he being smart financially? And if he's taking care of his parents, if he's helping around the house, and if he's contributing financially to his mom's financial security and they're all happy to have him at home, well, maybe this isn't such a bad thing after all. And besides, let's keep in mind, although Tommy DeVito has a \$2 million, three-year contract, if he's cut from the team, he loses that contract. Still, he's earning \$44,000 a week, every week he's not cut.

Tommy's situation is quite different from what just happened in a courtroom in Italy. There, a 75-year-old woman with two sons, ages 40 and 42. She just won a court ruling. She got permission to kick her sons out of her house. In court documents, she called the men parasites, saying they were not contributing financially or helping to maintain the household. She tried to get them to leave, but neither one of them wanted to.

And why not? Just like Tommy DeVito, they had a great gig. They were living there rent-free. Mom was doing all the cooking and the cleaning and the wash. But the court ruled in Italy that there is no unconditional right for a child to remain in a house that is exclusively owned by the parents that's against the parents will and solely by virtue of the family bond. There is an obligation, the court said, for parents to support their children. But while they are truly children, not when they're in their 40s.

In Italy, 70% of 18- to 34-year-olds live with their parents, both sons and daughters alike. So, is it any surprise that Italy has one of the lowest birth rates in the world? Only 1.3 babies per woman. You need 2.1 babies per woman to sustain the population. They've only got 1.3. Last year, for the first time, less than 400,000 babies were born in Italy and now in Italy, for every seven babies born, 12 older people die. Italy's replacement rate has gone negative. And it's easy to see why. If 70% of the men are happily living at home with mama, they're clearly not going to get married and they're not going to become dads and all. This is probably mama's fault, except for this one mamma who has been trying to kick her kids out.

And no, this is not just an Italy thing. Here in the US, 45% of adult children like Tommy DeVito are living at home. This is the biggest number since the 1940s, but I don't think most of these adult children are Tommy DeVito's. So, I'm going to ask you the simple question when are you going to kick your kids out?

If you're a financial advisor, the issue is whether your clients can afford to support their adult children forever. Sometimes this cohabitation structure can make sense. The kids are sure saving money and the house is plenty big enough for everybody. If the kids are contributing financially or with chores, if the kids are saving what they would otherwise be spending on rent so they can one day buy a house of their own, sure, all this can work, but if one is taking advantage of the other, if the parents really can't afford this third person in the home, I mean, think about it, there are a lot more costs of food, electricity, heating. I've seen parents paying their kids auto insurance and cell phone bills, and this can really be a problem.

As a financial advisor, you need to have a frank conversation with your clients about their living arrangement with their kids. Are your clients happy about it? Is it sustainable? What if one child is living with them but they have two other kids? What are the estate planning implications here? If they die, are they going to leave the house to the one child? Have they therefore cut the other two kids out of the will? This is complicated stuff. And if all this sounds like you and you don't have a financial advisor, well, now you've got a new good reason to go talk to one.

Ric Edelman, "The Cost of Coddling." The Truth About Your Future with Ric Edelman, February 27, 2024.

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On a Personal Note

Collin bought a lawnmower. Not a surfboard; not a rare Phish album; not expensive bicycle parts. This is a Darwinian moment, like when the prehistoric amphibians grew stump-legs and crawled to shore for the first time. I guess we saw it coming. He borrowed our leaf blower the previous weekend to do some yard work at his and Jackie's new pad in Pensacola. But still, this is definitely a new era and something you're sure to hear more about.

Godwink? I've got control issues, but I know where they come from. One summer, my dad and I went a month without talking. He was angry with me for borrowing a tool and not putting it back *exactly* where I found it. As a teenager, I thought he was being petty but surly as I was, I was happy to play the game. Fast forward half a century. While stowing my gear after a dirt-bike outing, I glanced at a peg on my tool wall where I thought a locking plier should have been hanging. My "lizard brain" immediately went to the talk I'd be having with Collin about putting things back where you found them. Seconds later, I stumbled and nearly fell flat on my face as I walked down the driveway. Was it a sign from God? A few minutes later, as I stowed the last of my kit, I replaced my tire gauge on the tool peg that had previously caught my attention. God most definitely has a sense of humor but I still want my leaf blower back.

All you need is love. If it were an Iron Butt Motorcycle Rally, the prize for youngest attendee would've gone to Rhett, Annie's newest great-grandchild, just 4 weeks old, who was passed around like the Stanley Cup trophy. The award for the eldest in attendance would've gone to Miss Hilda, beautiful and vivacious as ever at 95. The furthest distance travelled would've gone to Aunt Joy, who'd escaped the still frosty Montana springtime to join the hijinks. The cause of all this celebration, Ann Bell and her 90 years of love and inspiration. Grand-daughter Kate did some sleuthing and learned her secrets on a happy life. Two of particular note were her faith, and to finding a way to say, "Yes". Examples: "Would you like to come down to Orlando to see the great-grandkid graduate 5th grade?", "Of course!" "Would you like to get up early and join the crazy shoppers in the mall on Black Friday?", "Why not?!" As those wild boys from Liverpool once wrote, "...and in the end, the love you take is equal to the love you make."

It's all about the babies. Claire's doula business is exploding. It turns out that childbirth can be a stressful time (sarcasm) and the idea of having an advocate by your side to provide physical and emotional support before, during and after the evolution has really caught on. Claire's winning personality and training as a social worker and yoga instructor certainly hasn't hurt. But what's good for her was a bummer for us as she wasn't able to break away and join Alex in Florida to celebrate Annie's recent 90th trip around the sun. But it sure was great to see our firstborn. He's got 19 months on Collin and long-time readers of these pages know that he and little bro are very different. Alex is the strong, silent type, perfectly suited for his career in accounting. He's recently discovered the gym and has really "beefed" up since the last time we saw him. I'll admit, as a former "gym rat", I was a bit jealous. But a few days before the trip, he'd tweaked his lower back and decided to take a week off from his training to recover. As such, I didn't get to see what the kid can do, but I did bust on him for NOT taking any time off on the chow. Alex could always put away the grub and when I shared my thoughts on having to earn your meals by a good workout, he calmly responded, "That sounds like a pretty unhealthy relationship with food." Touche.

From Collin:

Jackie's leg is healing up nicely. Our prayers were answered when her ortho-doc told us surgery was not necessary. By next month's Soundings, she should be out of her brace and back in business. I'm just hoping she doesn't use her newly restored freedom to run away from me.

Until next month, with warmest regards,

Jon, Collin & Sandy

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