



Soundings

What's New - October 2024

Quote of the month:

"I bear the wounds of all the battles I avoided." Fernando Pessoa

We recently watched a *60 Minutes* tribute to the firefighters of 9-11. In the last segment, they interviewed surviving children of those who made the ultimate sacrifice, who went on to become firefighters themselves. The interviewer, talking to a pair of brothers about their dad, who after the first tower went down, ran up the stairs in the second tower knowing full well that he was not coming back. They noted, as tough as it was for their family, they understood their dad did the only thing that made sense to him. He could never have lived with himself had he not tried to save his men. For the rare few, there are things far worse than death, and for that, we should be forever grateful.

After such a solid year, we entered September fully aware of its reputation as a spoiler. But this year, it was all bark and no bite. In fact, when the bell closed out the month, it also closed out the strongest YTD gain through 3 quarters for the S&P 500 since 1997 as noted by Bespoke Investment Group. And it wasn't just a handful of stocks that made up the bulk of the gains, small and midcap companies saw the best returns for the month. You may have heard, we've got an election coming up, but it would be a mistake, historically, to let that color your outlook on the markets. We have real life examples of those who lost a lot of opportunity because their team didn't win.

My and Collin's number one job, bar none, is to make sure that those in our client family have the resources they'll need to maintain their best lifestyle for the rest of their lives. It's a tall order, a huge responsibility, and one we don't take lightly. In this month's *Market & Economic Commentary*, I've placed a piece from the journal *Financial Planning*, which gets into the nuts and bolts of how we do it. Yes, it's a math exercise, but there's an equal amount of psychology as well. It's an interesting read, simplified for sure, but well worth your time. First, the numbers...

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Market Update - Year to Date Returns

Major Indexes

As of October 1st

Dow Jones Industrials	12.3%
S&P 500 Index	20.8%
NASDAQ	21.2%
MSCI EAFE (International)	9.2%
Russell 2000 (small cap index)	9.9%
Bloomberg Capital Aggregate Index (Bonds)	4.4%
XAU (gold/silver)	28.4%

D.A.L.I. Signals - 10/01/2024

U.S. Equities	Int'l Equities	Commodities	Cash	Currencies	Fixed Income
321	244	212	133	94	85
29.5%	22.4%	19.5%	12.2%	8.6%	7.8%

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

Despite increased optimism about their retirement accounts, many savers reported feeling nervous about outliving their retirement income. According to the recently released fourth annual Protected Retirement survey from the Nationwide Retirement Institute, nearly two-thirds (65%) of respondents say they are on the right track to be financially prepared for retirement. This figure rises to 71% for 22- to 34-year-olds, a 15-point increase from 2023. (The institute surveyed savers, including 2,200 plan participants and 400 participants ages 60 to 65, from July 11 to 26.) Cathy Marasco, leader of Protected Retirement Solutions at Nationwide, said it was a "pleasant surprise" to see such strong confidence among younger respondents. "The research shows this is likely because they're actively engaged and managing their accounts throughout the year," she said. "As a record keeper and insurer, that's great to see."

However, 56% of surveyed savers continue to worry about outliving their retirement income, and 61% find it challenging to determine how long their savings will need to last. Inflation and the high cost of living continue to weigh on workers, with 80% of public and private sector employees expressing significant concern. Because of this, nearly one in three employees aged 45 or older (28%) now expect to delay retirement due to insufficient savings, according to Nationwide's survey. But retirement experts say there is much that financial advisors can do to help alleviate clients' fears about outliving their retirement income.

Understand long-term goals. Benjamin Simerly, founder of Lakehouse Family Wealth in Cleveland, said the majority of his clients who are worried about how long their money needs to last find solace in having a plan. "Families can do this math on their own by way of online calculators and lots of research, but the simplest way is to hire an advisor," he said. "We find that in times of worry, the No. 1 thing that allows them to sleep at night is reviewing their financial plan with us." Amy Greene LoCascio, co-founder and managing partner at Eamon Capital Management in Wexford, Pennsylvania, said the first step in helping address clients' concerns is to make sure that they have a firm understanding of what their long-term goals are for their investments. "After that, we work to establish a financial plan that maps out the probability that their goals line up with their savings and investments," she said. "We work together as a team to make any adjustments in savings, investments or goals to achieve the highest probability of success. And then, revisit the plan as markets and goals may change." Julie E. Hall, a financial planner with Vision Capital Partners in Ann Arbor, Michigan, said she starts by asking questions to pinpoint the specific area of worry. "For instance, 'Have you ever worked with a financial planner to assess your qualitative financial independence goals and your quantitative financial facts and goals?'" she said. "This includes your current retirement savings, spending needs, future retirement spending, potential income sources like Social Security and any pension benefits. This process helps determine if they do have a shortfall."

Calculate how much they will need. Retirees tend to think of retirement as a static point in time, said Noah Damsky, principal at Marina Wealth Advisors in Los Angeles. He advises clients that they will need roughly 20 times their salary in retirement. "They forget that their portfolio today is not the ending, highest value," he said. "Throughout retirement, we expect that the portfolio will continue to grow, which is something retirees easily forget. This way of thinking can lead to severe anxiety and loss aversion, which can cause investors to shift to an overly conservative portfolio, jeopardizing the success of their retirement strategy." Hall said she starts by calculating how much her clients spend today and how much they expect to spend in the future. "I don't care how much money someone has," she said. "We must start with a reasonable budget to make solid planning decisions. I often hear the question, 'What is my number?' and respond, 'Great question; it depends.' For example, it depends on what you spend today, how much you have saved, how much you are saving now and plan to save in the future, how your portfolio is invested and how much fixed income you will have available in retirement to help meet your retirement spending needs."

Rob Burgess, "How advisors can ease client fears of outliving retirement income", Financial Planning, September 12, 2024.

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On a Personal Note

A fellow Navy pilot turned me on to Jim Stockdale's, "Thoughts of a Philosophical Fighter Pilot." Stockdale, after 14 years as a Naval Aviator and at the top of his game, took a two-year sabbatical at Stanford, that changed and quite possibly saved his life and countless others. Bored with his study of International Relations, he strolled into the philosophy department and into the first day of the rest of his life. Three years later, on what should have been a routine bombing run on a supply depot in North Vietnam, a missile found its mark, and soon Stockdale, in his own words, entered "the world of Epictetus." Born into slavery in ancient Greece, Epictetus would go on to become a storied Stoic philosopher and Stockdale was an ardent student. Stockdale spent the next eight years in the infamous, Hanoi Hilton, a POW camp where he and the others were subjected to unthinkable torture. He credits his professor at Stanford, a fellow Navy veteran of WWII for giving him the tools to get through and help others do the same. One of his first lessons came from the Book of Job. "Life is not fair. There is no moral economy or balance in the nature of things such that virtue is rewarded and vice is punished. The good man hangs on and hangs in there." He writes of Boethius, imprisoned for treason in Christian Rome in AD 524, who wrote of "Lady Philosophy", who said "the world is governed by divine wisdom, not by blind chance, that we must not give too much importance to fortune, for she is a fickle lady, taking away with one hand what she has given with the other. We must not become upset when she takes good things away from us. They were not ours to begin with." True happiness, he wrote, does not come from externals, but from within. While in prison, Stockdale tells of his transformation over time, particularly while in solitary confinement of which he spent 4 years, of finding the "high-mindedness" and the gradual erosion of self-centeredness. He quotes Solzhenitsyn, who wrote about gradually finding his "good" while in prison...writing, "and that is why I turn back to the years of my imprisonment and say, sometimes to the astonishment of those around me, Bless you, prison, for having been in my life." On heroism, particularly those awarded the Congressional Medal of Honor (as he was), everyone has one big thing in common, "They will not accept the status quo if it does not meet their standards. They all have a short fuse when predicaments, as they see them, are not tolerable. Each of them has stood up and turned his world around. It's not about words or attitude or judgement or reliability...it's about action. Above and beyond the call of duty...an act the recipient could not be properly ordered to perform... acts that a person, often without conscious forethought, finds himself doing outside the law, outside the rules of procedure, outside what a decent person would ever feel justified in ordering him to do. They took actions to try to make the world meet their standards." There are a lot of books out there that can be thought of as "instruction manuals" on how to live a meaningful life. This, in my opinion, is one of the better ones.

From Collin: Starting this school year, I followed my mom and dad and became a mentor with Take stock in Children. For those unfamiliar, Take Stock in Children is a nonprofit mentoring, college success, and college scholarship organization with the mission to break the cycle of poverty for low-income, underrepresented, academically qualified students. For the student, it's a kind of lottery ticket. If you keep up your grades, stay out of trouble, and meet weekly with your mentor over lunch, you're awarded a Florida Pre-Paid Scholarship upon graduation. As a mentor, you commit to the weekly meetings. Now, as a Kagan it may seem unbelievable, but I was pretty nervous about keeping conversations going with a 13-year-old. I may seem young and hip to you, but I am a millennial, and was worried we wouldn't have much in common. To make things even more interesting, my mentee just so happens to attend my old middle school. Walking into that old school only made me more nervous, as years of repressed memories from my own middle school days, that my therapist is still working on, started to surface. But there I was sitting with my mentee, eating Taco Bell and talking about our families, hobbies, and our shared interest in nature and the outdoors, and before I knew it the bell rang and our time was up. As we stood up to leave, he said, "This was so much fun, and I am so excited for next week." As I walked out the front doors and said goodbye to those old school memories, I was excited to go back next week as well.

Until next month, with warmest regards, *Jon, Collin & Sandy*

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