



# Soundings

## What's New - May 2025

Quote of the month:

*"The past was once as real as the present and as uncertain as the future". G. M. Trevelyan*

The future is unknowable and the unknowable can be scary. But fear is an emotion. It comes from the amygdala, our "lizard brain", and its purpose is to keep us from getting eaten by tigers. The good news - it's something we can control. In fact, the Stoics believed that the way we respond to our circumstances is the only thing we really can control. It's been quite a year with lots of disruptive change, but my guess is down the road, when we look back at it all, we'll realize it was just the same old craziness, and we got through it just like we always do.

In fighter pilot terms, the market pulled some "G's" last month. In just 30 days, the S&P 500 dropped 14% and rallied 15%! As you'd expect, it's a historically rare occurrence to see a 10%+ decline and 10%+ rally all within the same month. In fact, since 1978, it's only happened 7 times according to the folks at Raymond James. As for what come next, in those 7 previous instances, returns over the next 1 and 3 months were -1.1% and -0.1% on average, while returns over the next 12 and 24 months were 13.7% and 30.7% on average. The near term will likely continue to be bumpy, but there's reason to be confident looking forward.

In our annual reviews this year, Collin and I are having "*the conversation*." It's not as uncomfortable as "*the talk*" Kathleen and I never had with our boys way back when. It's the Long- Term Care (LTC) conversation. Over the past few years, many of our clients have had personal experience with the subject, whether for themselves, a spouse, or their parents. In this month's *Market & Economic Commentary*, I've placed a piece from Raymond James on the newest form type of LTC insurance which addresses the most objectionable issue of past products, what if I don't need it. It's an informative read, well worth your time. First, the numbers...

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# Market Update - Year to Date Returns

| <u>Major Indexes</u>                      | <u>As of May 1<sup>st</sup></u> |
|---|---------------------------------|
| Dow Jones Industrials                     | -3.9%                           |
| S&P 500 Index                             | -4.3%                           |
| NASDAQ                                    | -7.8%                           |
| MSCI EAFE (International)                 | 7.5%                            |
| Russell 2000 (small cap index)            | -11.0%                          |
| Bloomberg Capital Aggregate Index (Bonds) | 3.2%                            |
| XAU (gold/silver)                         | 31.9%                           |

## D.A.L.I. Signals - 5/01/2025

| Commodities | U.S. Stocks | Int'l Stocks | Cash       | Currency   | Fixed Income |
|-------------|-------------|--------------|------------|------------|--------------|
| <b>242</b>  | <b>235</b>  | <b>205</b>   | <b>156</b> | <b>136</b> | <b>113</b>   |
| 22.3%       | 21.6%       | 18.9%        | 14.4%      | 12.5%      | 10.4%        |

### 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 3<sup>rd</sup> 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

Retirement & Longevity. As we're living longer, asset-based long-term care insurance can help you live your best life well into retirement. When Social Security was introduced in 1935, the average 65-year-old received benefits for a lifespan of 12 to 15 years. Today, about a quarter of 65-year-olds will live past age 90. This presents wonderful opportunities to lead long, full and productive lives, while also underscoring the importance of planning ahead for potential challenges as we live well into our 80s and 90s. Studies suggest that nearly 70% of those over age 65 will need some type of long-term care for three years, and 20% will need care for more than five years.<sup>1</sup> As you diligently plan and save for retirement, it's important to understand how simply living a long life can impact your income, health and quality of life. A long-term care insurance policy can cover costs that Medicare and other health insurance policies may not, such as in-home care, assisted living, adult daycare and nursing home care.

How asset-based long-term care works. Asset-based long-term care insurance can provide flexibility and value and while protecting you and your family's financial goals. These long-term care contracts leverage the structure of either life insurance or annuities to provide long-term care benefits as needed, offering adaptability and ancillary benefits in case the policy goes unused. These solutions combine the financial protection you and your family may need in response to a long-term care event, but with the features of a balance-sheet asset that enable flexibility not found with traditional policies. Historically, asset-based policies were purchased with single premiums; however, today they provide multiple payment options such as 10 years or paying up to age 65. They provide long-term care benefits for typically four to six years, and the residual death benefit will be paid to your beneficiaries.

Flexibility for your future. If you need long-term care, asset-based products offer an enhanced and tax-efficient funding account for the related expenses. And if you do not end up needing long-term care, the death benefit will be paid tax-free to your beneficiaries upon your passing. Additionally, your plan has cash value that can be accessed should you change your mind and decide to choose a different strategy. When you consider that people today are living healthier and longer lives, it's easy to see how important creating a long-term care plan can be. Health insurance, whether provided by a private company or through Medicare, does not pay for long-term care. Coverage is limited to acute care associated with a short-term illness or injury, such as recovery or rehabilitation

In 2021, the median annual national cost for care in an assisted living community was \$54,000. A private room in a full-time skilled nursing care facility costs an average of over \$300 a day - more than \$100,000 a year. When you combine the cost of two spouses over multiple years, you can see that housing expenses alone would run quite high.

For those seeking to protect their retirement income, investment assets and family from the risks and costs of a long-term care event, while maintaining control and liquidity, an asset-based long-term care product is worth considering. Exploring an asset-based long-term care solution allows you to make choices while you still can and better enjoy your quality of life throughout retirement, and helps relieve the burden on your loved ones.

## Guaranteed benefits:

- Tax-efficient funding account for long-term care expenses
- Assets can be transferred tax-free to your beneficiaries upon your death
- Cash value can be accessed if you choose a different strategy

<sup>1</sup> [longtermcare.gov](https://www.longtermcare.gov), "How Much Care Will You Need?," February 2020; [acl.gov/ltc/basic-needs/how-much-care-will-you-need](https://www.acl.gov/ltc/basic-needs/how-much-care-will-you-need). Guarantees are based on the claims paying ability of the issuing company. long-term care insurance or asset-based long-term care insurance products may not be suitable for all investors. Surrender charges may apply for early withdrawals and, if made prior to age 59 ½, may be subject to a 10% federal tax penalty in addition to any gains being taxed as ordinary income. These policies have exclusions and/or limitations. The cost and availability of long-term care insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of long-term care insurance.

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# On a Personal Note

Of all our roles as financial planners, one of the most exciting is helping shepherd a client into retirement. On rare occasions (I can think of two), it's bittersweet. Sandy is a part of all of our families. She joined the firm in 2014 after Evelyn, our "OG" office manager retired. If you can't see where this is headed, Sandy will be joining Evelyn and the countless others in our universe, into retirement bliss. It's been a wonderful run and she's most certainly earned it. Sandy's been there for all of us, through so many great times, and as is the case with life, some challenging ones. But throughout the journey, she was the calm, cool, and caring light that shone for anyone who called or stopped by. And all who did, left better than they arrived. She'll relinquish her seat in the big-girl chair on June 30<sup>th</sup>, but Navarre is her home and the locals will be sure to see her around the neighborhood. Stand by for next month's *Soundings*, which will feature a message from our beloved friend and partner.

That brings us to an obvious question - Who in the world is going to take the whip & stool and assume the role of chief lion-tamer? Believe it or not, as planners, Collin and I are pretty systematic when it comes to process. In more than 25 years of practice, we've only had two full-time Office Managers. We didn't take this lightly. Like Evelyn, Sandy was "irreplaceable" and the thought of finding a successor on our own was daunting. Lucky for us, Raymond James recently stood up an HR department, tasked specifically for our issue at hand. And boy did they deliver. Our goal was to interview 4 - 5 pre-qualified candidates and choose the individual who best fit into our culture of service. Kelly was our first interview and I was tempted to pull a Kramer (*Seinfeld*, Season 7, Episode 3) extend my hand and offer her the job on the spot: <https://www.youtube.com/watch?v=Qpru2vsqdN8>. Instead, we told Kelly that we loved her but wanted to let the process play out and have a few more interviews. But the more we talked, the more Collin, Sandy, and I realized what a wonderful fit Kelly was. We didn't want to offend God, karma, or fate so we brought her in, made her an offer she couldn't refuse, and she starts work in a couple of weeks. She'll work with Sandy for about 6 weeks, during which, we'll hold what we used to call in the Navy, a "Hail & Farewell" so you can come in and celebrate with us. Please mark your calendars for Thursday, June 6<sup>th</sup> from 4:00 - 6:00 pm. Stand by for details and to learn more about Kelly. She is a wonderful human being with a great story. You're going to love her as much as she's going to love you.

***From Collin:*** Jackie and I got some major travel miles under our wings during the month of April. We were out of town every weekend, starting with a trip down to Orlando for a family gathering to celebrate her Abuelita's 92<sup>nd</sup> birthday. Like both of my grandmothers, she is sharp as ever and full of energy. Born in Guadalajara, Mexico, she raised 7 children in the States, bounced around various military bases and eventually ended up back at Eglin after her husband tragically passed. All of this to say she is one of the toughest women I've ever met. Knowing how important she is to Jackie, I was really focused on making a solid first impression. So focused, that I forgot my razor at home and arrived at the AirBnB with a pretty pitiful mustache. Jackie told me not to worry, but after an aunt shared that she "loved my *pom-stache*," I knew it was time for an audible. Thankfully there was a Target nearby, and I arrived at the big party clean shaven and with confidence renewed.

I am at that age where many of my friends have realized they've outkicked their coverage and best tie down their significant others before they have a chance to come to their senses. Thus, the last few weekends of April were spent at weddings. One of these celebrations was in its third iteration of planning due to some untimely hurricanes in Tampa last fall. The 3<sup>rd</sup> time was the charm and we finally got to officially celebrate with Jacob and Katie. Another example of how controlling what we can control and staying committed to our goals, things tend to work out the way they are supposed to.

Until next month, with warmest regards,

*Jon, Collin & Sandy*

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