The Verdi View

BAIRD

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Newsletter – July 2020

Welcome to our quarterly newsletter. Below you will find our top Fast Facts, timely reminders, and life updates from the team. Feel free to pass along The Verdi View to your friends and family!

GREAT TIME TO BUY: The average interest rate nationwide on a 30-year fixed rate mortgage fell to 3.15% on Thursday 5/28/20, the lowest ever recorded in US history. That means home buyers would pay just $430 per month in “principal and interest” payments for every $100,000 borrowed (source: Freddie Mac).

PLEASE REMAIN SEATED : The 3/27/20 CARES Act allocated $25 billion to the US airline industry to be used for payroll and benefits of individual airline companies. The $25 billion was allocated to only 11 airlines, with 82% of the money allocated to just 4 airlines (source: CARES Act).

HARD HIT: Just 2 states – New York and New Jersey – account for 35% of the nation’s COVID-19 deaths as of Friday 6/05/20 at noon ET (source: CovidTracking.com).

BEFORE COVID-19 HIT: 59% of Americans surveyed in early February 2020 admit they live "paycheck-to-paycheck" and are unable to consistently put money away for an emergency or for retirement (source: Charles Schwab Modern Wealth Survey).

LATE OR EARLY? :The bull market for the S&P 500 that began on 3/10/09 and ended on 2/19/20 ran for just short of 11 years and gained +529% or +18.3% annually (total return). If you were 6 months “late” in joining the bull market, i.e., you started on 9/10/09, you would have gained +307% or +14.4% annually (total return) by 2/19/20. If you were 6 months “early” in joining the bull market, i.e., you started on 9/10/08, you would have gained +253% or +11.6% annually (total return) by 2/19/20. (source: BTN Research).

WE NEED A WINNER NOW: 88% of the drugs that enter clinical trials do not receive FDA approval and never come to market for sale to the general public (source: Tufts Center for the Study of Drug Development).

IT’S RAINING NOW: All 50 US states maintain a “rainy day” fund that may be accessed as a result of an economic emergency. As of 7/01/19, California had $19.2 billion set aside, Texas had $7.8 billion, New York had $2.5 billion while Illinois had just $4 million (source: National Association of State Budget Officers).

JUST MY CELL : 90 million landline phones in the United States have been eliminated in the last 20 years. There are 124 million households in the United States as of 12/31/19 (source: USTelecom).

EXPENSIVE : The 2 highest “effective property tax rate” states are Illinois and New Jersey, defined as property taxes collected divided by the fair market value of the real estate (source: Attom Data Solutions).

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Team Update

The Verdi group is still working from home! However, we have officially ditched the basement set up and moved upstairs to the den or back deck depending on the weather. We were desperately missing natural sunlight. We are still unsure of an exact date when we will be able to return to our physical office but are hopeful that it will be within the next coming months pending Baird's safety guidelines.

While working from home comes with its challenges we have still remained busy and optimistic. This past quarter we celebrated many things in a unique fashion- from an at home graduation ceremony for Isabella, Joes youngest daughter , who will be attending the University of Iowa in the fall, to a giant home made slip in slide in the backyard to celebrate Sydney's birthday. We have enjoyed having the entire family home but look forward to being able to see our clients face to face soon!

NO HURRY TO RETIRE : 45% of American workers expect to work past age 65. 30 years ago, just 18% of American workers anticipated working past age 65 (source: Employee Benefit Research Institute 2019).

THE CARES ACT: All RMDs from qualified plans, deferred compensation plans, and individual retirement accounts for the 2020 calendar year can be waived; this new rule applies to RMDs that were required for the 2019 calendar year, as well. RMDs are not waived for defined benefit plans. Life expectancy (RMD) payments for inherited IRAs are also waived for 2020 (source: CARES Act).

Message from Joe

Common Investment mistakes:

No one is perfect and it is impossible to be right on every investment added to a portfolio. The good news is, you don't have to always be right. You simply need more winners than losers to make money. The following are a few investment mistakes to avoid.

1. **Being influenced by the media:** it is easy to let the media evoke emotional, knee-jerk reactions to your investment decisions. Fear is a great attention grabber and a powerful marketing tool. The media does not know your goals, retirement plan, or risk tolerance.
2. **Putting all of your money into one risk tolerance basket:** everyone has different goals and retirement timelines. You cannot have an all in or all out mentality i.e.: having all of your money in just bonds or all of your money in just stocks. Place your money in goal based buckets. Money needed in the next few years should be invested in less risky and liquid assets. Money that will not be needed for the next 10+ years can withstand more volatility and should be less reactionary.
3. **Not buying a stock because the share price is too high:** the market is focused on the value of a company and its potential for continued growth moving forward, not its price per share. It is important to research companies using valuation metrics such as price to earnings ratio price to book, price to sales, or price to free cash flow to name a few.
4. **Holding losers in your portfolio hoping for a rebound:** you do not have to bat 1,000. If a stock is down research why it is down. If a stock is losing market share to a competitor, or the industry is changing due to new technology don't be afraid to move on to another idea. It is okay to sell your losers
5. **Not buying a stock because it is at an annual high:** before you can make an investment decision you must first evaluate why the company is at its high and whether continued growth is still possible. The market is forward looking. It does not care if a company had its best quarter ever; the market wants to know if the company can keep growing. If the answer is yes, then a new 52 week high is possible.

The market volatility we have seen in 2020 has helped clients clearly identify their risk tolerance for specific buckets of money. Many people were very conservative after the 2008 financial crisis and because of their caution then missed a powerful bull market that rallied for the next 11 years. Likewise, that 11 year bull market gave some investors a false sense of comfort in the market. Together we can use this current volatility to get a more accurate gauge of your risk tolerance and apply it to each financial goal.
We will be contacting our clients moving forward in an attempt to update risk tolerance, goals, and financial plans.

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