The Verdi View

Newsletter – January 2022

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!

WHEN WILL THEY SPEND IT? - An estimated $3.3 trillion of additional cash has been accumulated in bank accounts by American households since the beginning of the pandemic, i.e., cash that would have previously been spent (and not saved) if the pandemic had not occurred (source: Longview Economics).

START SAVING NOW - A child born in 2021 that begins kindergarten in the fall of 2026 would attend college between the years of 2039 and 2043. If that child attended an average *public* in-state 4-year college and if the annual price increases for public colleges that have occurred over the last 30 years (+4.9% per year) continued into the future, the aggregate 4-year cost of the child's college education (including tuition, fees, room & board) would be $229,635 or $57,409 per year (source: College Board).

MORE PLUGS - An estimated 2.4 million charging stations for electric vehicles will be needed nationwide by 2030, up from 45,500 existing charging stations today (source: International Council on Clean Transportation).

DIFFERENT PIECES OF THE PIE - The "Consumer Price Index" (CPI) increase of +6.2% on a year-over-year basis as of 10/31/21 included a "food" increase of +5.3%, a "gasoline" increase of +49.6%, an "electricity" increase of +6.5%, a "used cars and trucks" increase of +26.4%, and a "medical care services" increase of just +1.7% (source: Bureau of Labor Statistics).

BOND BULL RUN – Just over 40 years ago (9/30/1981), the yield on the 10-year US Treasury note closed at an all-time peak of 15.84%. The yield on the 10-year Treasury note closed on 11/12/21 at 1.583%. The all-time low closing yield on the 10-year Treasury note was 0.501% set on 3/09/20 (source: Treasury Department).

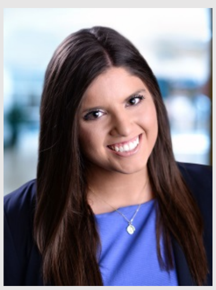
GOES UP, YOU PAY - Senator Ron Wyden (D-OR), the chairman of the Senate Finance Committee, wants to tax on an annual basis the "unrealized capital gains" of taxpayers worth more than $1 billion (source: CNBC).

MAY I ASK YOU? - The HIPPA Privacy Rule (Health Insurance Portability and Accountability Act) was enacted in 1996 or 25 years ago. HIPPA does not prohibit a business from asking an employee if they have received a COVID-19 vaccine, but it does regulate how and when a business may use or disclose information about an employee's vaccination status (source: Department of Health & Human Services).

DOUBLE IN THIRTY YEARS - It would take $1,999 in September 2021 to have the same purchasing power as $1,000 in September 1991 (source: CPI Inflation Calculator, Bureau of Labor Statistics).

FOR HIRE - Job openings in the USA have increased from 6.611 million as of 9/30/20 to 10.438 million as of 9/30/21, an increase of 3.827 million or 10,485 new job openings per day (source: Bureau of Labor Statistics).

Joe Verdi CFP®
Director



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Team Update

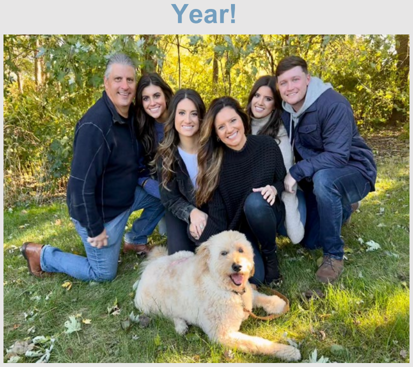
Happy new year to all! As the Verdi groups reflects on 2021 we want to thank you all for your continued trust in our team. As an official team we are focused on enhancing our customer service even further and have spent a considerable amount of time breaking down our team members roles and responsibilities
Please see below for a break down of Who to Contact

Call Joe For: 563-445-6275
Individual investment questions
Market research
News headlines
Performance
Estate and tax planning

Call Sydney For: 563-445-6201
Retirement plan updates
Social security questions
Financial planning questions
Insurance and annuities
Stock reports

Call Connie For: 563-445-6274
Scheduling meetings
Account updates
Issuing checks
Gifting and money movement

We hope you had a Very Merry Christmas and a Happy New Year!



Omicron and the Return of Volatility

The emergence of the Omicron Covid-19 variant sent a ripple through markets, knocking oil down over 15% and sending the S&P 500 to two of its worst days in the last year. Combined with naggingly persistent inflation and a Federal Reserve intent on reining it in, a wall of worry again looms over the market. However, we are not ones to let a good bout of volatility go to waste, and the recent weakness offers a great opportunity to revisit some important ideas about investing, fear, and volatility.

There are always reasons to think the market might crash. The point of this note is not to downplay those risks, but rather to point out that they occasionally do bear out—and that investors should be prepared. Think about it this way: if the market never fell, there would be no risk, and without any risk, we should expect much lower returns. Why should we be owed the 10%+ annually the stock market has returned over the last century without accepting any risk?

And so while the long-term trend of the stock market has been up, things can get quite volatile in the short-term. This can make it difficult for investors to stay the course on a long-term plan. And this is, of course, the real risk for most. Not that the companies one owns will go bankrupt, but that the volatility of the market will cause them to exit at inopportune times.

Take the Covid-19 crash. In March 2020, the S&P 500 plummeted from all-time high to bear market in record time and the market's fear gauge (the VIX) spiked to a new high. You'd have been forgiven for exiting the market with haste. However, you'd also have missed everything that happened since, including one of the fastest and strongest market rallies of the last century. Our friends at Strategas have smartly pointed out that if you got the Covid call correct, you likely got the market call wrong (i.e. if you'd identified the severity of the pandemic, you probably wouldn't have guessed the market would have one of its stronger years). Omicron may prove similar, but it is early yet.

And further, most volatility doesn't look like March 2020. More often, it looks like Black Friday—smaller gyrations spurred on by a scary headline or two. This is the type of activity (i.e. prices attempting to reflect new information about the future) that keeps markets functioning, and it is resoundingly common. Even past the daily volatility, the market spends most of its time in a pullback. Since 1980, the S&P 500 has finished higher in 31 of 41 years but has averaged an intra-year drawdown of over 14%. As it is said, "short-term volatility is the cost to participate in the stock market's long-term gains."

These points are especially worth noting now as the market has seen a remarkable run of calm and outperformance over the last 12 months. This is both amazing and unusual by historical standards. And while we can hope it might continue, we should always be prepared for the opposite—the common, but uncomfortable, bouts of volatility markets are prone to. Omicron may be the risk of the day, but it wasn't the first and it won't be the last.

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Investment Strategy Analyst

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