

StraightTalk

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A Few Things That Don't Work, And One That Does

Three years ago this month, the entire world began to shut down. None of us had ever seen anything like it before, because the last global pandemic had happened a century ago. The economic devastation that followed was unprecedented, and was almost instantaneous. GDP fell by roughly 20% in just three months, and the stock market lost a third of its value in about a month. The Fed pulled out every tool in their toolkit, and six months later the stock market decline was completely erased. Then an 18-month bull market roared, followed by a meaningful bear market last year. All of this happened within 36 months – which leads many people with whiplash wondering if the system is really working anymore.

I would argue that it is – more on that later – but that question got me thinking about what does and does not work in our lives today.

It has always intrigued me how often things that don't work become ingrained into behavior, even after the facts become clear. For instance, how many of you ever heard a parent or grandparent say during the winter months, "Put on a coat or you'll catch a cold!" We all intuitively know that you catch a cold by coming into contact with a virus, not simply by being in cold air – yet that advice has persisted for a century. So let's discuss a few things that we know don't work, but we still act as if they do.

We now know that not only do paper masks not stop Covid, N95 masks don't either. I see people wearing paper masks alone in their car, or walking outdoors, and they are often so ill fitting that there are gaps everywhere. An N95 mask should stop Covid if it is properly secured, not touched during the day, and disposed of or sterilized afterwards. But, that is not what the masking public does, instead using both types of masks over and over again without washing or disposing of them. Imagine you were about to have a surgical

procedure and your surgeon came in with a paper mask that had been in the glove compartment of his car for weeks, unwashed, with gaps all around – would that make you feel safe? But that is exactly what we are doing almost 3 years after the onset of Covid! We know that if masks stopped Covid, most of us would have avoided Covid. Instead, the whole world got it, we know masking didn't work, and yet we are still wearing them.

We also know that the media is not just duplicitous, the entire news apparatus in America no longer works. Aside from the Pew research poll that shows only 10% of Americans trust the media, meaning nine out of ten of us do not – we now know that there was a media cover-up for the current president during the last election.

This is not a commentary on whether President Biden, or President Trump are guilty of using the office for personal gain – it is my belief that almost all elected officials are monstrously egotistical and engage in side deals and self-dealing. Members of Congress earn \$174,000 annually, yet routinely retire with an eight-figure net worth and multiple homes. Both the previous President and the current one have been busted with Top Secret documents, improperly held in vacation homes and garages. And both Presidents have sought to profit from their position – in the case of Trump, his adult children flew with him repeatedly in Air Force One and met with world leaders and power brokers building out their international rolodex for future deals. As for Biden, tens of millions of dollars were made for his family through China and Ukraine (facilitated by troubled son Hunter Biden.)

None of this news about our elected leaders is new, or even shocking to the public – which is shocking in and of itself. What is somewhat shocking is that a laptop with all of the details about this graft

was seized by the FBI two years ago without any media firestorm. The even more shocking reality is that we now know evidence was suppressed, social media was directed to obfuscate the details of the story, and the national news media actively chose to ignore it. Even after learning of the DOJ and FBI's involvement, Twitter's collusion, and intelligence official's signed letter that the story was a hoax being proven patently false, the news media is still largely ignoring it. *Isn't it the news media's primary responsibility to report the news?* Yep...we all know that the news media doesn't work, and yet we still turn to them for information each day.

Even worse is the financial news media. There are almost zero days without some blinking red "crisis" graphic on the television, or websites with "breaking news" that is supposedly urgent for your portfolio this very minute. We all intuitively know that this is headline sensationalism, and it runs counter to how one builds wealth – which is slowly and patiently over time. However, most of us still check CNBC or Fox Business each day to see how the market finished, or click on websites like CNNMoney, Yahoo Finance, or MarketWatch for even greater detail during the day.

There is not a single financial news anchor, guest commentator, columnist, or blogger that cares about you reaching your financial goals. They simply care about making enough noise to attract viewership (or web clicks) to keep the advertisers happy. The more negative the headlines or predictions – the better for their business, but the worse for your psyche. As an example, I heard a somewhat tortured analysis from a Bloomberg morning anchor the week of this month's Fed meeting. The diatribe went – that because some companies have been guiding their earnings lower, then overall earnings must all come down, which implied a stock market that is poised to decline this year. In the very same analysis, she opined that because many companies have weathered the storm well so far, that the consumer could remain strong, inflation would persist, and therefore the market

should sell off this year. In other words – there is no scenario in which 2023 could be a good year! Financial news is mostly raw sewage washing ashore every hour – and those repetitive hours of the day can wear on your resolve to stick with your plan. We know this, and yet we continue to tune in.

Instead, we should focus on what has always worked, which is simple, but also difficult – patiently investing in the great companies of America and the world. All of the blathering from the news nabobs of negativity obscures the fact that the market rarely has two down years in a row. In fact, since the end of WWII, there have been 77 two-year periods, and only three of them have been negative back-to-back. (1973-74, and 2000-02 are the only three such periods – even 2009 was a recovery year in the Global Financial Crisis.) I guess announcing on the financial news that the market has a 96% historical chance of being up this year does not attract enough attention to make the advertisers happy...

If 77 years is too long a period to be relevant to your investing timeline, perhaps twenty-year periods make more sense, given that a two-decade retirement is the statistical average in America. Going back to WWII, there are no twenty-year periods that are negative for the stock market. You should know that I am not just referring to the 57 calendar years of two decade periods, but to each trading day compared to that same day twenty years later. *That equates to 14,250 rolling twenty-year periods, none of which have a minus sign.* The worst of them compounded investor's money at a bit more than 4%, while the best saw double digit annual returns for those two decades. These statistics from Standard & Poor's Research require patience to play out over time, but ignoring the news in favor of patiently owning the great companies absolutely works.

This year, the narrative will likely pivot from inflation to recession. In fact, a google search of "recession in 2023" yields 302 million results, likely all negative. Instead of that worry, let us resolve to ignore the things that don't work, and focus on the one that does. We will all be better off for doing so....