

• Commentary by Jim Steffen, CFP®, President



Thirty years ago I graduated from college! Wasting no time, I began my career in financial services in the summer of 1991. With a degree in business and economics from the University of St. Thomas, I was feeling highly educated and well prepared. I think I owned two suits, a handful of ties and a shiny black briefcase. I may have looked the part, but I had no idea what I was getting myself into. The U.S. was recovering from a recession and unemployment was relatively high. The DOW was trading around 3,000. However, unless you watched the nightly news (which I did not), the current state of the economy was not top of mind for a 22-year-old kid.

The only companies hiring were insurance companies. I had my pick. Little did I know at the time they would hire anyone; the college degree was optional. So, although I wanted to be a financial advisor, I had to do so disguised as a life insurance agent. I was given a cubicle, a phone and a shoe box filled with blank recipe cards. The box was my rolodex and each card represented a prospect. Sadly, my cards had no names on them and it was my job to fill the box. And so, the cold calling began. I wouldn't wish this job on my worst enemy. Somehow each passing month got a little easier and I had some success convincing people that I knew something about money. I actually filled two shoe boxes full of names! I remember I could not wait for 1996 so I could tell people I had five years of experience. Five years felt like forever!

Fast forward three decades and the change to my (our) business and our world have been remarkable. The fact that I am still in business is amazing based on the number of people that optimistically picked up the phone and attempted to cold-call their way through the 1990's. The daily rejection caused most of the sane people to move along and do something else.

I didn't have any money in 1991 to invest, but the 10X return in the stock market since then is astounding. And that includes the tech bubble bursting, 9/11, the great recession, the COVID pandemic and countless other market corrections and scares along the way. Is it possible that we'll have another 10X return over the next 30 years? Can you say DOW 300,000? It doesn't seem possible, but a lot of things have happened since 1991 that didn't seem possible either such as the internet, wireless phones, electric cars or starter homes selling for \$400,000!

The 216 families that Trott Brook calls clients today is the most gratifying result of the last thirty years. Only a few clients (and you know who you are) came from the shoe box of the early 90's and are still with us today. Like a 10X return, I could have never imagined the quality people that I would have the good fortune to meet and the privilege to serve. In the early days, every meeting was reviewed by my manager with the expectation of a sale. Today, client meetings are an opportunity to catch-up with old friends, share stories and dream about the future. These relationships, many now decades old, are priceless and I thank you for your confidence and friendship.

In December this year, Lauren Steffen will graduate from college (more evidence of 30 years gone by!) What she will experience over the next 30 years will surely be incredible and beyond my wildest dreams. The people she meets and the decisions she makes will certainly change the course of her life as it did for me. It is my hope and prayer that the next three decades will be as good to Lauren as the last three have been to me!

• Commentary by Ted Erhart, CFP®, Chief Investment Officer



Over the last 18 months, I've come to respect the awesome power of the Federal Reserve (the Fed) more than ever. In March of last year, financial markets started selling off en masse as fear spread at a faster pace than COVID-19 itself. Few people outside of finance know this but in the middle of March, money market funds started to show strain and the market for corporate debt was completely frozen. Interest rates actually started rising as everyone in the western world raced to go to cash.

On March 23rd, the Federal Reserve essentially stopped the panic by saying it would do whatever was necessary...in other words, create an unlimited amount of money to inject into the financial system.

Few people understand that institutions like banks or money market funds only hold a small amount of cash at any given time. The rest of their assets are usually a mix of things such as US Treasury bonds. This arrangement works 99.99% of the time. But it breaks down when customers all want to pull their cash out simultaneously. When that happens, banks and money market funds are forced to start selling bonds or other assets to raise cash. The problem is when everyone is trying to sell, there simply aren't enough buyers and prices collapse. This describes a classic run-on-the-bank.

To remedy this problem, the Federal Reserve was created in 1913. One of its principal duties is to serve as the buyer of last resort. What this means in practical terms is during scenarios when everyone is trying to draw cash out of the banking system simultaneously, the Federal Reserve can create money out of thin air to buy assets from banks so those same banks have the cash to make good on their deposits. In simplistic terms, this is what happened in the spring of 2020.

That being said, rescuing the financial system and ultimately the economy was probably the easy part. The harder part is going to be weaning the economy and markets off the unprecedented amount of support the Federal Reserve has provided.

It is not a coincidence that the Fed's actions have corresponded with rapid rises in virtually every major asset class from stocks to bonds to real estate. Low interest rates have a tendency to turbo-charge stock prices because investors, unable to find much return in fixed income assets, are forced to look elsewhere. The same is also true for real estate. But real estate is perhaps more sensitive to interest rates because it is typically purchased with debt. Low interest rates make debt more affordable which means people have more buying power. More buying power generates increased demand which pushes up prices.

Some people say the Fed's actions have created an "everything bubble." Hence, the big question is, will a reversal of these policies create the opposite effect? That is a very open question. Whatever happens, it will be very interesting to follow in the coming years. If there is one thing I personally expect, it's lower returns from everything in the medium-term.

UPCOMING EVENTS...

17th Annual Trott Brook Benefit Bash
Thursday, August 26th - 5:00 to 8:00pm at
The Draw Park & Amphitheater
Donations may be made payable to the
City of Ramsey Foundation



Jim & Lisa Steffen

Spring and Summer has been busy for the Steffen's. Tommy was able to participate in two state tournaments...what a way to finish off his high school athletic career! The Legacy basketball team finished the season 22-2 and made it to State. Watching this team compete all season was so much fun! The Legacy Golf team also qualified for the state tournament where the team finished 2nd in Class A and Tommy placed 9th as in individual. Watching him shoot 72 on his last high school round was a memory we will never forget. June was filled with graduation parties, including Tommy's. Lauren has been home from college since May. We love having her at home and not sure how many more summers we'll have together. In December, she'll graduate from Liberty University with a major in communications and a minor in graphic design. Where she will be six months from now is a mystery. Know anybody that is hiring?! Tommy has decided to attend Liberty as well so we will drop them both off in Lynchburg in a few weeks. Then the reality of the "empty nest" will truly set in! What will we do with all our free time? Well, we recently purchased a fifth wheel RV and look forward to hitting the road and seeing this great country. We've done a couple short trips to Wisconsin and so far, so good. Our big excursion will be a western states road trip to Arizona in the fall. We are looking forward to exploring Wyoming, Montana and Utah on our way! So, several Steffen chapters are ending and beginning in 2021 and we can't wait to see what the future holds!



Ted Erhart

I'm sure I'm not the only one who is glad 2020 is in the rear-view mirror. From the once in a hundred-year pandemic to the most heated election cycle I can recall, I'm glad the world has settled down a bit. Fortunately, my family made it through the first full-year in our new house with no major issues. Our new place has two wood-burning fireplaces and I enjoyed the challenge of keeping those going during the depths of the arctic temperature in February. I'm also happy to report that the outdoor water hydrant I installed for our horses passed the test mother-nature threw at it with the extreme cold. Fortunately, it performed flawlessly. As the weather warmed this spring, we resumed working on our outdoor projects. On a somber note, we had to say good-bye to my wife's first horse, Whiskhe, which was 32 years old. I feel like my kids are growing fast. I keep telling my oldest, who will be five, that I need to keep exercising other wise I won't be able to lift her up. I will admit my wife and I are happy to be moving on from the baby stage with my youngest who just turned two. We officially retired the high-chair in the kitchen and baby crib this summer. I'll be even happier once we can get rid of 10,000 plastic toys we have everywhere! As the summer winds down my wife and I are preparing to have our house painted. This fall I really hope to get out in the field for some bird hunting with my dog Sadie. We did very little hunting last fall so I've got to make it up to her this year.



Nikki Cellette

Heat, sunshine, lakes, pools, friends, and family is the definition of my perfect season! We are embracing every summer moment and opportunity to be on or in the water. Brooklyn finished 8th grade and thankfully was able to do so in person four days a week. She also remained active with her love of hockey and lacrosse. Her hockey team worked hard throughout the season with all the ups and downs of the COVID restrictions and won the District 10 Championship! They earned their spot in the U15 Regions tournament but unfortunately finished not as good as one had hoped. We are so proud of the entire team coming together and never giving up while maintaining positive attitudes. This spring she also enjoyed her first year playing high school lacrosse on the Elk River JV team. What is next for Brooklyn? High School! I may need help navigating how to survive with a girl these next four years. Zach made things pretty dang easy for us! He is busy learning the ins-and-outs of investment trading, spending time with his friends and doing all the things 22-year-old boys enjoy! We were all blessed to travel to Cave Creek, Arizona in May for a family vacation. Each time we visit Arizona it seems we fall in love with the state even more! George had the opportunity to play on plenty of beautiful golf courses while there and even caught up with a high school friend he had not seen in 15+ years. This time spent with family reminds me to stop worrying about the "what is next in life" but to enjoy the moment today because tomorrow is never promised. Enjoy your summer!

A more balanced approach