

• Commentary by Jim Steffen, CFP®, President



My Winter Newsletter article at this time last year began with “2020 has a nice ring to it!” Oh, how I would like to take that statement back. As I write this, my inbox is filling up with invitations to attend various “Economic Outlook” meetings. This is where some of the best and brightest minds at some of the most prestigious asset management firms will prognosticate about their market and economic forecast for 2021. If we learned one thing over the last twelve months, it is that short-term market predictions are guesses at best. Last year I don’t recall any outlooks that suggested the S&P500 would drop 34% during the first quarter, followed by it roaring back 70% to finish up 18% for the year...all during a pandemic!

2020 was a bull market for stocks and at the same time a bear market for humans. A year ago, if I had a crystal ball, and told you all the horrible things that were going to happen in the year ahead, you would not have believed me. The stock market has clearly been optimistic about 2021. The market is much better than humans at blocking out the noise, looking past near-term disruptions and focusing on the future. Certainly, there are lessons learned from 2020 that can help us, as humans, have a similar outlook. We all dealt with 2020 in our own way; each with our own set of unique circumstances which created different results. But perhaps we can all agree on a few things?

TIME. The pandemic has messed with our relationship with time. In the early days of the pandemic, it felt like time stood still. Our daily routines were interrupted as we learned how to cope with our new environment. The transition to a virtual and remote world was an adjustment. Many activities were removed from our daily schedules allowing us to direct our time elsewhere. Hopefully, we used this “new time” wisely. More time with family, more time outside or more time to be productive to name a few. Sadly, most of us know at least one person who passed away from COVID-19. It is natural to then question our own mortality and wonder how much time do we have?

GRATITUDE. It’s the willingness to seek out the silver linings when things seem bleak. Gratitude is simply taking time to celebrate all the positive things in your life. With all the challenges that COVID has brought to people’s physical, emotional, and financial well-being, it is harder to find that silver lining. But gratitude is strongly correlated with optimism. And optimism, in turn, makes us happier and healthier. So, if you and your family are healthy, be grateful. If you are blessed with good friends, be grateful. If you have used technology to stay connected with family and friends, be grateful.

FINANCES. In a recent study, the vast majority of Americans say financial security and stability are the main prerequisites to a positive outlook on life. The value of having a rainy day fund has never been more important during the last twelve months. It rained and poured on so many families and businesses last year. A strong balance sheet and an adequate cash reserve is always the best way to weather the storm. The pandemic storm created income disruption and market volatility like we have never seen before and having cash during times of uncertainty is invaluable.

If we emerge as a more productive, grateful, financially strong society, all the suffering of 2020 won’t be for nothing.

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



For better investment results, leave your political views and prognostications at the door. I write this in the days leading up to the January 20th presidential inauguration. Throughout every election cycle and political transition in my career, there has always been a segment of people forecasting doom solely on the basis of who’s in the White House or which party controls congress. Historically, that has been a big mistake.

People love to talk about whether the stock market does better under Democrats or Republicans. I’ve looked at the data and there is no discernable pattern. Consider this: in the early 1940s, while Franklin Roosevelt was leading the United States into WWII, the Dow Jones Industrial Average touched the 100 level (that is not a misprint). About 80 years later, including Roosevelt, there have been seven Democrats and seven Republicans in the White House...and the Dow Jones sits above 30,000! That is an over 300-fold change not including dividends. Had an investor bailed out of the stock market every time the occupant of the White House flipped to the opposite of their preferred party, that investor would have missed out on a lot of upside.

On a related matter, if there is one thing 2020 should have taught every investor, it’s even if you have perfect foresight into future events, predicting how the financial markets will respond to those events is a completely different matter. Think about it, in 2020 we experienced the worst pandemic in 100 years which put millions out of work and resulted in the sharpest economic contraction since record keeping began...not to mention over 400,000 deaths in the United States. And yet, amidst it all, stocks broadly turned in a solid year with all the major US indices closing at or near record highs. It’s extremely counterintuitive and would be hard to believe if it didn’t actually happen.

Perhaps more surprising, during the week surrounding both the November presidential election (when days went by before a winner was declared) and January riots in Washington DC, stocks were up. My point is, even if you knew these events were going to occur, chances are slim you would have correctly forecasted the market response.

I’ve been talking to clients about these important investing lessons for months. I don’t think they can be repeated enough especially given the truly unprecedented events of the last few months and deep division in our country. This is the kind of environment, with emotions running high, where people are much more likely to make knee-jerk portfolio shifts based on fear or biases that really have nothing to do with investing. Throughout my career I’ve seen far too much money lost (or gains missed) because of these kinds of moves.

It’s critical to understand that investing is much like the game of tennis where unforced errors can really cost you. Trying to anticipate short-term market moves based on your political views is a sure-way to increase your share of unforced errors. If you’re looking to make better investment decisions, one of the best places to start is by leaving your political biases out in the cold.

UPCOMING EVENTS...

TAX DAY HAPPY HOUR

Stay tuned for future date and details



Jim & Lisa Steffen

In August, Lauren was back at Liberty University to begin her junior year and Tommy started his senior year at Legacy. We are thankful that both schools maintained their classes in-person, so their schedules have been as close to normal as possible. The fall soccer season was allowed to be played so we were busy watching Tommy play his final year. The high school basketball season was delayed until January, but we are excited that the season is now underway. Legacy is 4-0 so we are hoping for another appearance in the section final like last year. We traveled to Lynchburg in October to visit Lauren. Tommy took a tour of the campus and we did some hiking in the Blue Ridge Mountains. A few weeks later, Lauren was home for a nearly two-month break. We celebrated her 21st birthday in Arizona and soaked up some desert sunshine. Christmas was in Tampa Bay with Lisa's parents and cousins. We spent an afternoon at the beach and played some golf. Not a typical Christmas for us but we enjoyed the family time and did not miss the snow! We have been spoiled with extra Lauren time during the pandemic, so it was hard to send her back to school last week. We are looking forward to the upcoming golf season and Tommy's college decision. Stay tuned!



Ted Erhart

My wife and I will never forget 2020 for one big reason. At the beginning of the year, we had caught wind that an old horse farm across the street from our house was going to be listed for sale. For many reasons we always liked the property and said we'd seriously go after it should the opportunity present itself. By mid-February we had a deal before it went on the market. Naturally, we were excited and making plans for the coming months. I was looking forward to taking our time packing up and the convenience of just going across the street. Then, in a matter of weeks, the entire world seemed to fall apart as the reality of the pandemic set in. Financial markets began to crash, people started losing their jobs and, of-course, infections began to spread across the US. I've probably never felt as much stress personally as I did during the months of March and April. We still needed to sell our home, qualify for a new mortgage, etc. I was deeply concerned the housing market was going to take significant hit. Meanwhile, my wife, who works in healthcare was partially furloughed in April! Ultimately things worked out. My sister, who just got her real estate license, sold our house in one day. In May, elective surgeries resumed, and my wife went back to work. We ended up living in a camper trailer in my brother-in-law's back yard for 4-weeks before getting into our new house at the end of May, but the kids had fun. Having all this ployout with the backdrop of a global pandemic, deeply divisive presidential election and social unrest made 2020 all the more unforgettable. I hope for everyone's sake 2021 is a little more boring!



Nikki Cellette

Happy New Year! Each New Year's Eve I feel a sense of sadness that another year has passed. I must admit saying goodbye to 2020 was an absolute delight! It was such a horrific year for so many emotionally, physically, and economically. Even in unpredictable times, I truly believe we should always look toward the silver lining. My silver lining and gratitude is for my family and friends. My family has been personally touched and to be honest haunted by COVID-19. Through the many prayers, tears, and determination we can now say we are looking forward to the future. I hope we will never again have to battle this nasty pandemic and I wish that for each and every one of you and your loved ones. We are happy to finally have some degree of normalcy that started a few weeks ago. HOCKEY! The last fourteen years we have spent most of our time at the Elk River Ice Arena which came to a sudden halt in November when Brooklyn's team was on quarantine due to positive cases. We are now learning to embrace the new rules of our living room becoming her exclusive locker room (OH the stinkiness), chilly outdoor pre-game workouts, limited spectators (two per player) and playing while wearing masks. She is also continuing her distance learning from home on a full-time basis. With tons of distractions and missing her 8th grade experience she has still maintained the "A" honor roll! Zach has been working in Madison, Wisconsin for the past 9 months. He fortunately is able to come home a few times each month. A big milestone last year was celebrating his 21st birthday in August. To be 21 again. George and I just cannot believe that our first-born child is that old! Stay healthy and cheers to 2021!

A more balanced approach