

## • Firm Update by Jim Steffen, CFP®, President



After four months of battling COVID-19, it's hard to find the light at the end of the tunnel. So many Americans have lost their jobs, their businesses and sadly, their lives. However, despite the uncertainty, we need to look forward and find a way get back on our feet. In our post-pandemic world, there will be many ways the coronavirus has caused us to look at things from a different perspective. In challenge there is opportunity. During a crisis, our minds are opened to new ways of

doing things we once thought were impossible.

We have learned new ways to connect and communicate with others. Like Kleenex is the generic brand name for facial tissue, Zoom has become the same for video conferencing. Zoom may be the undisputed, and unintentional, winner of this tragedy. Everyone is Zooming. Trott Brook has successfully deployed Zoom as an alternative to the face to face meeting. The ability to see a face, with expressions and emotions, compared to simply a voice on the phone, there is no comparison. Zoom has also been used for weddings, funerals, education, happy hours, fitness, concerts, and worship to name just a few.

Working remotely or virtually, from home or wherever you have an internet connection is something we have had to adjust to quickly. What may have taken corporate America years to implement, was done in a matter of days and perfected over the last couple months. At Trott Brook we learned that we could serve clients without interruption regardless of the situation. My spring break trip to Arizona that was intended to be one week, turned into seven. With Zoom and video, I was able to connect with Nikki and Ted and clients as well (or better) than being in the office. By the way, thank you to all that have "liked" and watched my video messages. My talking head on your phone or computer is another unintended consequence of this time of separation. In case you've missing the videos, you can find UN CUT Outdoors under the Resources section of our website at [trottbrook.com](http://trottbrook.com).

In many ways, the pandemic has slowed down time. It has required us to think about what is "essential" for our daily lives. The combination of more time and doing without the non-essentials has created a simpler life allowing us to focus on the things that matter most. A simple life doesn't mean boring or deprivation. Confucius said, "Life is really simple, but we insist on making it complicated." I can't imagine that being said in the 6th century BC, but it couldn't be more true today. Simplicity provides many surprising benefits. Your finances tend to improve as you spend less, save more and reduce debt. Assuming you are still employed and your income has remained steady, this should have been the case the last four months. Americans have been overspending for decades while savings rates have declined. Perhaps we'll see this change direction? By focusing on what's important, your stress level will be lower and your health will improve. Besides toilet paper and hand sanitizer, the top selling items of late have been exercise equipment, books, board games and home and garden items. All of which are good for the mind and body.

So despite the worldwide turmoil and tragedy, it's not all doom and gloom. COVID-19 will change the world no doubt, but many of the changes will positively impact life as we know it forever. Take care, God bless, be well.

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



Since 2016, the US economy has been on quite a ride. In 2017, the economy was hot. Growth accelerated and financial markets roared during the year. In 2018, to prevent overheating, the Federal Reserve started tightening policy by increasing interest rates. In the latter half of the year, it appeared the economy was starting to sputter as indicators, such as the yield curve, began flashing yellow. In response, the Fed stopped hiking rates and actually started cutting in August 2019. This seemed to give the economy its footing as the expansion continued and surpassed the old record, set in the 1990s, for the longest sustained period of growth in US history.

These ups and downs piqued my interest in recent years. So too did the idea of a record long expansion. How long could it last? In search of answers, I plowed through several books on the topic of economics. There are all kinds of theories about what drives the economy up and down. Its quite complicated because there are so many interrelated factors ranging from interest rates, the money supply, fiscal policy, trade and of-course animal spirits (human psychology).

All that said, within the last year, I heard the famous investor Stanley Druckenmiller say it was his view that recessions are caused (or at least tipped off) by some kind of major shock. When you look back in history, especially the last 30-years, it appears quite consistent with reality.

For example, the US experienced a recession in 1990-1991. The shock corresponding with this period was the Iraqi invasion of Kuwait, the over doubling of oil prices and ultimately the US led Gulf War.

The next recession was about a decade later. The "dot.com" stock market bubble had already started to deflate in the year 2000. But the shock most tied to this period of weakness was the terrorist attacks of September 11th which created significant fear and damaged confidence.

In 2008, the shock was more drawn out. Housing prices had started to falter a year earlier. Over the course of about 18 months, the excesses in residential real estate and Wall Street finance were exposed which resulted in a panic that nearly brought down the global financial system in September 2008. The end result was the worst recession since the 1930s.

I pointed these examples out back in February at our State of the Markets breakfast to emphasize their unpredictable nature. The fact that these types of shocks are unpredictable makes the economy itself impossible to predict. Looking back, what's amazing is while I was making these remarks, the next major shock was already unfolding in the form of the COVID-19 pandemic and the next recession would begin in about 6 weeks.

The bigger lesson for investors is major events that create recessions and depress financial markets must be expected to occur at least every 10-years. This has been the historical norm. Part of being a successful investor is patience and fortitude during down markets. Therefore, I believe just having the expectation of future shocks significantly improves an investor's ability to hang on and make it to the other side. Investors must also remember that despite all these shocks over the last 30 years, the Dow Jones Industrial Average has moved up from 2,736 in 1990 to about 26,000 as of this writing.

UPCOMING  
EVENTS...**TAX DAY HAPPY HOUR**

July 15th, 2-6 PM

Food truck and cold drinks, outside our Anoka Office

Please RSVP and we hope to see you there!



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*Jim & Lisa Steffen*

The first half of 2020 will be six months that we will not soon forget. Due to the virus, our one-week Spring Break trip in Arizona turned into seven. Despite the quarantine and chaos of the world, we enjoyed the quiet time with Lauren and Tommy. We may never again have seven straight weeks of their undivided attention! Although we were very disappointed with the cancelling of Tommy's junior year golf season, he was able to work on his game under sunny, warm skies. Lauren's sophomore year was abruptly cancelled while she was on Spring Break in Cocoa Beach. Fortunately, she was able to get a flight from Orlando to Phoenix to be with us and finish her year online. Back at home in Ramsey, we have tried to settle back into a somewhat normal routine. Jim is back at the office, Lauren and Tommy are busy with summer jobs and friends, and Lisa is chasing around our (her) new puppy! We had to put Rope down in February and Dakota down last week. Losing both dogs in five months was quite tough on our family and we miss them dearly. So Spirit, a little black British Lab, has joined our family. Lisa is convinced that Spirit is exactly what we need! At least Jim and Tommy will have a pheasant hunting companion for the next decade or so. We had a quiet 4th of July weekend at home. Kayaking, fishing and playing with Spirit in the River was a great place to beat the heat! With the days getting shorter and the kids back to school next month, we will be making the most of what's left of summer. We hope you will too!

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*Ted Erhart*

Like everyone else, the first half of 2020 has been dominated by the global pandemic. It certainly has made for interesting times on the one-hand. On the other, it has also meant staying much closer to home and adjusting to this new way of life which, by all appearances, may be with us for a while. In late March, my wife's job was significantly impacted by the shutdown when all elective surgeries were canceled. It struck me that healthcare jobs, which have traditionally been considered extremely secure, out-of-no-where began experiencing waves of lay-offs. It seemed peculiar that the world was in the midst of a medical emergency and yet, healthcare professionals from doctors on down were losing their jobs. This was a vivid reminder of how unpredictable the world is. Fortunately, as things have begun to reopen, surgical procedures have come back in full force and my wife is back to work. If anything, operating rooms are busier now than before the pandemic because of the backlog it caused. What happens in the coming months is anyone's guess as we currently witness concerning trends in the southern U.S. It is kind of interesting having young children during this period of crisis and deep polarization across society. When you read the news and endless social media diatribes, the world feels out-of-control. Getting out into nature with your kids, who basically are just looking for love and affection, puts things into perspective.

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*Nikki Cellette*

Summer is here finally! Time to get out of the house, grab my floatie, and enjoy the pool and the lakes! 2020 has been a crazy year so far. The quarantine beginning in mid-March was quite the change for everyone. My outgoing personality and my desire to not be home 24/7 was truly tested. I began the stay at home order with a bad outlook on how this was going to play out for my mental health. After a few weeks of working from home, not seeing friends, and assisting my 13-year old in distance learning I started actually enjoying it. Shocking. I had more time to appreciate things within my own family and home. Life became less stressful. There was not the daily running to and from hockey or lacrosse, homework was done by noon, my kids and husband were home to help around the house more often and there was family time! I also began to enjoy cooking which I have always hated. Another shocker. I miss my friends terribly. I feel sad that our spring and summer plans have been cancelled. I feel sad that Brooklyn cannot play lacrosse with her friends. I am grateful that George still gets to enjoy his golf game and happy for Zach that he is doing great at work. Thankfully, I have now been able to get my hair done and to a restaurant! Fortunately, my family and friends have all remained healthy and safe. Even more than ever I am wishing each of you and your entire family the gift of health!

## *A more balanced approach*