



Qtr Notes

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Schwab RTN change:

Many clients have been puzzled in recent weeks by notices from Schwab announcing a change to the RTN (Routing Transit Number) used for checks, direct deposit, and money transfers.

It's no wonder there's confusion: Schwab changed their banking partner and RTN almost five years ago! Back in 2019, we started the process of reminding clients to order new checks and update their banking arrangements for cash transfers. Schwab has been honoring the old information, but will stop doing so on December 31, 2022.

What to do: If you have any Schwab checks from before 2019, shred them and order new ones.

If you use direct deposit, a bill-paying service, or make transfers directly in or out of your Schwab account: did you set this up before 2019? This may include tax refund deposits, payroll or Social Security deposits, utility bill payments, etc.

If so, contact the service and make sure they have the correct RTN for Schwab. You may be able to check the information online. If it's your bank, you will probably need to call the bank's customer service line.

The new RTN is: **031100157**.

The old RTN was: 031000053.

Making Lemonade

Here we go again. The markets and the economy inevitably go through their cycles. While analysts and economists spend countless hours debating the causes, for investors it's often better to look beyond the 'reason of the day' and just accept that cycles will always occur. In a complete cycle, the downturns are part of the process to clear out excesses and inefficiencies which then make the upturns so profitable.

Timing it all is an impossibility, even if it seems that everyone around you brags that they magically sold at the peak. Don't believe the bloviators. It's never that easy, nor is anyone ever that good. Maybe one or two are that lucky ... once, with a small portion of their portfolio.

What the rest of the real world does when markets are down is to focus on what can actually be controlled within portfolios:

Buy / Rebalance / Hold. This should be a no-brainer. Trim back assets that have done better in a portfolio (usually bonds) and add to the positions that have lagged or lost the most (usually stocks). But if that's too painful, simply holding will suffice as a good move. Everyone says they want to buy low, and this is what buying low feels like: buying the assets that are "on sale".

Tax-loss harvesting. As the end of the year approaches, we can help you can make use of tax losses for your 2022 tax return. Swapping one fund for another similarly styled fund recognizes the tax loss (or gain) for 2022, while still remaining invested. When that sector recovers, your portfolio will still participate in the recovery.

Cash management. It's been so long since money markets have paid any interest, clients have forgotten it's a possibility anymore, but one reason the markets are down is that interest rates have risen sharply. Take advantage of this by moving cash into better-paying options. Bank interest is still under 1%, but money market funds

Index	9/30/2022	YTD
Dow Industrials	28,725.51	-24.8%
S&P 500	3,585.62	-20.9%
S&P Small-Cap	1,064.95	-24.0%
MSCI EAFE	1,661.48	-28.88%
Bloomberg US Bond	2,011.06	-14.61%
US Treas 10-yr yld	3.8%	

and short-term treasury bills are yielding nearly 3-4%. Call us for more information.

Reevaluate debt. For loans with floating interest rates, such as home equity lines, your interest costs may have doubled this year. It's time to reevaluate the benefits of paying down debt sooner than originally scheduled. Even if you're earning 3-4% on cash, it may be better to pay off that credit line costing you 6 or 7%.

Shore up liquidity. If you know you have a large expense upcoming, start positioning to build up cash. For example, you can turn off automatic dividend reinvestment on your accounts, or trim back a position that has held up well.

It's painful to watch the markets go haywire, but eventually the cycle will turn positive. Then you'll look back and appreciate that glass of lemonade that got you through!

Recession Fears: Are We There Yet?

For investors, 2022 has been the worst year in more than a decade. The rapid spike in inflation, plus interest rate hikes and the war in Ukraine, has caused a shock to the economy and markets. A recession is likely and may already have started, according to some economists. Investors who survived 2008 remember how painful it felt. Many worry that this year may get worse. It's possible, but better days are near.

A year ago, the world was awash in stimulus, the economy was strengthening, consumers had money and were eager to spend, but companies

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Safety In Numbers: Authentication Options

The newest acronym in safer logins is MFA (multi-factor authentication), also called DFA or 2FA (dual-factor authentication). By any name, it's the current focus in the constant struggle to keep bad actors out of your online world. An increasing number of websites require you to set up an email, cell phone, or other device that receives a one-time code every time you want to log in to that site. MFA codes usually expire very quickly, often in as little as 5 minutes.

There are three standard methods for MFA, some more secure than others:

Most secure: the app.

You install an app on your phone that is synced with your account; each time you log in, the app generates a code which completes your sign-in. This form of MFA is almost impossible to hack.

Mostly secure: cell phone texts. Your phone account can be compromised, but it's much less common than email hacks, and it's very rare for a phone account to be hijacked without the owner of the phone knowing it. It's also very difficult for text messages to be intercepted in any other means.

Least secure: email.

The website sends the authentication code to your email. Why is this the least secure? Because email can be hacked without your knowing it. If a website requires this form of MFA, choose your most secure email and stay alert.

Fears of Recession

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were still recovering from the impact of lockdowns followed by supply chain issues. Cash was available but goods were not, and that imbalance ignited inflation. Tasked with keeping inflation low, the Federal Reserve was slow to raise interest rates.

As the year progressed, Russia invaded Ukraine, energy markets came under intense pressure, global imbalances worsened, and inflation flared. The Fed, forced to admit to earlier miscalculations, began aggressively raising interest rates. The Fed has raised rates by 3% and is projecting to reach 4.5%.

Fear has returned to the markets. In times of panic, frightened investors sell everything at the same time and ask questions later, forcing all asset prices down simultaneously. We have seen this before during the great recession of 2008, when stocks and bonds both fell, and again in March 2020, and now in 2022.

Recessions typically last about a year and half, suggesting recovery could begin by the middle of next year. Since markets anticipate actual recoveries, prices are likely to improve well before then. While we don't know exactly when the tide will turn, we appear closer to the end of this correction than the beginning. Crises don't last forever, fear is not permanent, and portfolios will recover.

The Dollar

The currencies of countries with strong exports, few debts, and low inflation tend to be the most stable. Today, the US has few of the traits usually associated with a strong currency: accelerating inflation, recurring budget deficits, and high debt burdens would normally be cause for alarm that a currency might be headed for a fall. Yet this past year, the US dollar has shown unusual strength: the Euro and the British pound both fell to near parity against the dollar.

To understand how the dollar moves, we need to recognize its unique position. The US Dollar has been the primary reserve currency of the world for over 75 years, acting as the hub of the global monetary network, the currency against which all others are measured. Dollars are used for buying and selling commodities, borrowing, and saving by countries and companies all over the world.

There are other currencies with significant roles, but the dollar is dominant.

The key is that the value of currencies is all relative. Today, the US is in a position of relative strength. The US has substantial natural resources and better access to energy, strengthening our ability to continue to produce goods and services and reducing our liabilities to others. The US has a stronger economy, more favorable interest rates, and, on a relative basis, lower debt than other major economies. The US has been described as the "cleanest dirty shirt in the bin," and that description holds true still.

Reviewing Your Estate Documents

Often clients will complete their estate planning documents, and then put them in the drawer and forget about them for decades. Estate plans should be reviewed at least every five years, or when a major life event occurs. As we approach year-end, now might be a good time to take a look at your estate documents.

- *Wills and Trusts.* Assets left by will must go through probate, which can be costly and time-consuming. Trusts and TOD (Transfer on Death) registrations can be used to bypass this process.
- *Durable Power of Attorney, Health Care Power of Attorney and Living Will.* These designate someone to take care of financial and medical decisions on your behalf if you are incapacitated.
- *Beneficiary Designations.* These should be reviewed regularly and updated as needed on insurance policies, retirement accounts, and brokerage accounts.

Once your review is complete, it's a good idea to build a file or binder to give to your future executor. List important documents, including the location of the originals; create a contact sheet with names of financial advisors, accountants, attorneys, and insurers. Catalog your bank accounts and digital accounts and assets, and list how they can be accessed. Note credit cards, mortgage or debt payments, and any other recurring bills.

Even if you have everything prepared, it is always a difficult time when a loved one dies. Taking the time to keep your estate plans up to date and organized is a gift you can give them.