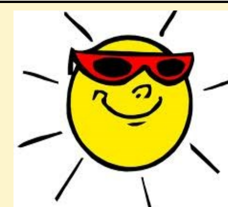
Comprehensive Investment Management, LLC
Fee Only Personal Financial Planning
Quarter Ending June 30, 2024



BUT WILL YOU LOVE ME NEXT QUARTER?

Is this a lasting treasure? Or just short term pleasure? Of course, we're talking here about the US stock market. Since May 15th the S&P index that tracks the 500 largest companies in the US has set ten new highs. It did it very quietly with no volatility. Since April 1 the average daily change in the S&P was just 6/10 of 1%. Its return for the quarter including dividends was 4.3%. Year to date performance is 15.2% and over the last twelve months 26.5%. The Vanguard funds managed by the firm Primecap have kept pace averaging 25.3%. That includes its namesake fund, PRIMECAP, which at 27.5% even beat the S&P. That's not easy to do for a diversified fund that is restricted on what percentage of the fund can be in any one company, for example, AI chip maker Nvidia which is going gangbusters. So yes, the index that invests in 500 different US companies does not qualify as diversified. Back to the question now, and always to be asked again, will stocks still love us next quarter. Nobody knows the answer. Both the economy and the markets defy predictions, because they just have too many moving parts. And seldom, if ever, do they move in the same direction. We can expect more volatility as the November election gets closer. Markets don't like uncertainty. Houston, we have uncertainty.

Our favorite balanced funds, Vanguard's Wellington and Fidelity's Puritan are heavily allocated to large cap companies and have averaged a return of 18.7% despite each having a 35% bond allocation. Bonds are another story, and a continuing sad one at that. They returned zero in the first six months of 2024 and 3.3% for the past twelve months. Over 3 years they have averaged an annual negative 2.2%. A bright spot are Hi Yield bonds up 9.6% for the past twelve months.

If it calls for selling stocks and buying bonds, CIM has suspended rebalancing client's portfolios to their usual stock/ bond allocation. Different clients have different circumstances (one example: some regularly draw from their accounts and others don't). Generally, however the average of targeted stock allocations are around 50%. The allocation at quarter end was 53%. Hi Yield bonds in many cases have been given a further run as well. We also have an elevated percentage of assets in money market funds, taking advantage of their 5+% yields. Over time investors have been rewarded for taking on risk. Stocks have beaten bonds and bonds have beaten cash. Even so, cash has matched bonds over long periods, for example 40 years ending in 1979. When high inflation finally subsided in the 80's bonds went on a 30 year tear. Bonds now appear unlikely to outperform cash by the margin they did during those years. At the same time only recently did cash accounts finally end a long period of time where returns were close to zero.

Average Annual Returns of Select Mutual Funds

As of June 30 2024	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 years
US Stocks	2.1	10.4	21.2	7.4	12.7	12.0	14.4
Foreign Stocks	1.7	7.2	12.0	-3.6	6.8	6.7	7.8
Intermediate Bonds	.5	.1	3.3	-2.2	.9	1.8	3.3
High-Yield Bonds	1.4	2.1	9.6	1.7	3.4	4.0	6.6
Mutual Fund 65/35 stocks//bonds*	2.6	10.2	18.7	5.3	10.0	8.7	10.5
Mutual Fund 35/65 stocks/bonds*	-0-	1.9	7.4	.9	4.2	5.0	7.3

* Over the past 15 years $10,000 in a 65% stock fund would have grown to $48,000 vs $30,000 in a 35% fund.

Where To Next?

In the 1950's there was a hit song: *Ain't Gonna Need This House No Longer.* It was about a homeowner who didn't want to spend his later years fixing shingles and floors, oiling hinges and mending window panes. It resonates with some of us, who are living in a house that have steps to climb and is of a size that far exceeds our current needs.

Would we be better off if we moved to something smaller? Many folks have trouble with that question, so they avoid dealing with it. Evolutionists have managed to trace similar procrastination in humans living in caves. Even today procrastination remains a popular choice.

For those who decide it's time to move on, there are many options. Unless they have already moved in with you, you could move in with family members or friends. You could rent or buy a condo or move into a 55+ community. There is a lot to be said for turning over home maintenance to professional management. It takes worry free living to a higher level. Some say moving into a Continuing Care Retirement Community (CCRC) is a gift to your children. If you have no children, then it's a gift to yourself. An expensive gift to be sure with complexity and commitment to be taken seriously.

All these options require downsizing. Many folks dread it because it's beset with tough decisions. And yes, it is disappointing when you find that nobody is interested in the cherished items you won't have room for. Even Goodwill, when they finally show up, act like they are doing you a favor. However, once you've gotten through all that, the accomplishment is exhilarating.

A 55+ community provides an opportunity for sociability which some of us may appreciate more than others. These communities usually have common facilities such as indoor and outdoor pools, a bustling community center and regularly scheduled social events on and off campus. On the down side they have even more rules and restrictions than you have in a regular apartment or condo. For better or worse, depending how a residents feels about it, there is a lack of age diversity. If you move to a 55+ community that's been around awhile, chances are you'll have neighbors several years your senior. That may make you feel young or maybe make you feel old.

CCRC's are the most expensive option, if for no other reason than that meal plans are included and some level of health services are available on site. Most CCRC's require new entrants to be healthy enough to live in one of their independent units for a minimum period of time. Many have waiting lists, which makes it risky to wait too long to decide on a CCRC. For example, it can be tempting for couples to hold off on a move to a CCRC until they are way up in years or when the first passes away. Living alone is understandably a concerning prospect for the elderly and a source of considerable worry for their family and friends.

CCRC's offer a continuum of care including rehabilitation, assisted living, nursing facilities and memory care. The staff will call 911 in case of emergencies. An advantage is if you are hospitalized you know where you are going after discharge regardless of your prognosis. That is especially attractive because it means returning to a familiar setting, where you will still be close to family and friends.

Financial arrangements at the CCRC's vary widely and have been known to change with the times. In order to meet the usually sizable entrance fee, residents often use the proceeds from the sale of their home. During the 2008-2009 financial crisis real estate sales stagnated and some CCRC's were creative in developing financial plans to meet individual situations.

Some CCRC's offer several options in their agreements. The one with the most upfront cost is sometimes referred to as a life care plan. As time passes and a resident needs enhanced services their monthly payment remains the same or goes up modestly. That plan can be considered an alternative to long-term care insurance, and payments for those plans at some CCRC's may be tax deductible as medical expenses.

You may be surprised to hear that this article has already generated a question in the Q&A.

Have You Ever Wondered About the Difference Between the FDIC and SIPC?

Well, we're going to tell you anyway. The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency responsible for safe guarding customer deposits in the event of bank failures. Member banks pay regular premiums to fund claims. The maximum insured amount rose steadily from the original $2,500 in 1934 ($59,000 in current dollars) to $100,000 in 1980. It jumped to $250,000 in response to the 2008 financial crisis and has stayed there since. The coverage is per depositor per bank per ownership. Ownership refers to an individual account getting max coverage while the same person's IRA gets separate max coverage as well. Credit Unions have the same coverages provided by the National Credit Union Insurance Fund.

FDIC insurance doesn't cover fraud, theft and similar losses which are handled directly by the bank. Nor does the FDIC cover mutual funds, stocks, annuities, bonds or life insurance policies. Banks offer money market <u>accounts,</u> which are covered by the FDIC. Mutual fund companies offer money market <u>funds,</u> which are not. One exception to that was during the 2008/2009 financial crisis when the US Treasury initiated a temporary program that guaranteed various accounts that normally were not covered. That included money market funds up to their balance at September 19, 2008. The program ended a year later as the crisis, the worst since the depression, eased. It guaranteed the per share value would not dip below $1 per share. Treasury officials felt it wouldn't be a confidence builder for the public to have millions of fund investors scrambling to move $2.7 trillion into their bank accounts.

The Securities Investor Protection Corporation (SIPC), created in 1970, is a non profit corporation created by Congress to protect clients of brokerage companies that are forced into bankruptcy, lapse into financial trouble or if the assets of a customer is missing. Brokers must be members and they pay premiums to fund claims. Customers are covered up to $500,000 with a limit on cash of $250,000.

In addition to SIPC many custodians carry additional insurance. Altruist Financial LLC carries a policy with Loyd's of London which extends the per account coverage by an additional $40 million. There is a limit of $2 million for cash and an aggregate limit of $150 million across all Altruist accounts. Vanguard carries insurance beyond SIPC limits but doesn't disclose the details of its coverage.

One can only try to imagine the premium cost for insurance that provides up to billions of dollars of coverage to millions of individual investors. It's the job of underwriters to calculate the likelihood of a claim. That's the reason umbrella insurance is significantly cheaper than your first line coverage for automobile insurance. And the unlikelihood of a claim explains how Costco can offer a 3 year warranty for mechanical and electrical failures for large TV's for just $65.

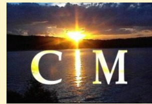
At the investor's option, cash at some brokers including Altruist can be automatically swept in and out of higher yielding FDIC insured bank accounts. It's expected this feature or a similar one will prove to be an important option because regular cash accounts at brokers generally provide low yields similar to what bank accounts are paying.

Vanguard recently added to its product line a FDIC insured Cash Plus Account it says is an alternative to a bank savings account. It's described as offering a competitive yield along with bill pay and easy transfer to and from other accounts. This a change for Vanguard which a few years back eliminated online bill paying. At the time it was the only way, besides a form with a guaranteed signature and later voice authorization, that money at Vanguard could be transferred to a third party. The convenience of paying bills on line does not warrant the potential risk of a hack into your life savings. If you use your bank to pay bills any exposure is limited to your bank balance.

Comprehensive Investment Management, LLC

Investment Management &
Personal Financial Planning Services
Fee Only—Fiduciary

It's morning in the personal financial services industry



200 Locust Street, Ste. 3A
Philadelphia, PA 19106

The CIM investment strategy:
Control risk yet outperform the market by using well managed, no commission, low cost mutual funds. Maintain appropriate asset allocation and diversification. Minimize taxes.

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Harry McCullough, CPA, CFP®
Phone 610.580.5554
H@cimontheweb.com

Mercedes M. Petrellis, EA, WMS, PMP
Phone 610.960.1068
Mercedes@cimontheweb.com

Associates

Michael C. Collins, CPA, CFP®
Brian A. Collins, CPA, CFP®
Phone 610.566.4760

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Q & A

Q. Where can I get information about options for seniors including CCRC's?

A. Pennsylvania has over 140 CCRC's. New Jersey has about 40. One of the biggest CCRC chains in the country is ACTS, which has 27 communities, many in this area.

In PA CCRC's that charge a hefty upfront entrance fees are regulated by the insurance department. The web site *(www.insurance.pa.gov)* has a full section on CCRC's and a search tool by county.

In New Jersey at *Continuing Care Retirement Communities — NJ.gov.* there is a 44 page guidebook that includes a list of CCRC's.

Both PA and NJ websites extensively cover options that are available to seniors including continuing care at home. They list the rules and regulations that apply to the various service providers.

For CCRC's they recommend potential residents include family members and legal and financial advisers in their review of any contract before they sign it. What happens if a resident runs out of money is up there with topics to cover.

Often a potential resident knows somebody who already lives in a CCRC. Naturally, they can be a good source of information, especially if it's the same CCRC the potential resident is considering. Still their perspective and circumstances may differ. What works for some people doesn't always work for others.

Estate and inheritances tax rules differ in all US states and Pennsylvania and New Jersey are no exception. Especially if your potential estate is significant you may want to do some research.

Since 2019 New Jersey is one of eleven states in which medical aid in dying is legal. Earlier this year NJ's Supreme Court dismissed a lawsuit seeking to overturn the law. In PA legislation has been introduced but so far none of the bills have moved forward.