

Welcome to the 3rd quarter 2024-economic and investment update.

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5. The office will be closed this Friday from noon-on, as I test-out to add another designation after my name.

Cash Sweep Letter:

Back in June you received a letter that stated that Cambridge was going to move all money market funds to an FDIC insured product. I wrote to you all in the update letting you know that there was nothing you needed to do at that time and that I would be working out a way to deal with this issue. The work-around was that I moved the majority of the money from the FDIC insured product back to a money market product for most of the cash that we don't have invested otherwise. We are using a money market fund that pays in line with what other money market funds are paying, though it fluctuates with the short-term available rates in the market. Additionally, I have scheduled-out a move for a small amount each month back to the FDIC insured product from the money market product for fees that come out of the account. The reason we don't have more in the FDIC account is that it only pays around ½ of 1%. If you have any other questions about this issue don't hesitate to reach out.

Mainstream Media Noise when the market has a bad day:

Recently we witnessed the market (we will use the DOW 30 as the proxy for the market) drop about 2.6% on 8/5/24. Mainstream Media ran headlines such as "blood bath", "Largest drop since 20xx", "What should investors do in times like these". I even received a call from one of the local TV stations (6, 8, 13) asking me if I could be interviewed to comment on the drop in the market. As this was the first time this I had ever been asked to be interviewed I had to reach out to my compliance department to ask them what the compliance protocol was on "live TV interviews". One section of compliance sent me a long list of what needed to be done, and the other division sent me an email stating that there is not much that needs to be done as it is live. Too bad I had mixed signals or your advisor would have been on the local news. By the time compliance had gotten back to me it was too late to run anything.

If compliance responded earlier and I was interviewed, what would I have said? I would have said that though a 1,000 + point drop in the market might sound horrible, we have to understand what sort of percentage drop that is and how it relates to other "one-day drops" in the market. Truth be told, a 2.6% drop is what I would call a "nothing burger" that was made out to be something that it wasn't by the Mainstream Media's glaring headlines. Here is a chart showing the largest 1-day percentage drops in the market!:

Largest daily percentage losses

Rank	Date	Close	Change Net	%
1	1987-10-19	1,738.74	-508.00	-22.61
2	2020-03-16	20,188.52	-2,997.10	-12.93
3	1929-10-28	260.64	-38.33	-12.82
4	1929-10-29	230.07	-30.57	-11.73
5	2020-03-12	21,200.62	-2,352.60	-9.99
6	1929-11-06	232.13	-25.55	-9.92
7	1899-12-18	58.27	-5.57	-8.72
8	1932-08-12	63.11	-5.79	-8.40
9	1907-03-14	76.23	-6.89	-8.29
10	1987-10-26	1,793.93	-156.83	-8.04
11	2008-10-15	8,577.91	-733.08	-7.87
12	1933-07-21	88.71	-7.55	-7.84
13	2020-03-09	23,851.02	-2,013.76	-7.79
14	1937-10-18	125.73	-10.57	-7.75
15	2008-12-01	8,149.09	-679.95	-7.70
16	2008-10-09	8,579.19	-678.91	-7.33
17	1917-02-01	88.52	-6.91	-7.24
18	1997-10-27	7,161.14	-554.26	-7.18
19	1932-10-05	66.07	-5.09	-7.15
20	2001-09-17	8,920.70	-684.81	-7.13

As you can see 2.6% drop doesn't even register on the top twenty worst one day drops. If this chart went further, I would guess that it doesn't even fall in the top 50. Not to mention the fact that what happens after a large one day drop most of the time? The market comes back, like it did on 8/6/24 and 8/7/24. By 11am on 8/7/24 the market had almost gained back all that was lost on 8/5/24. This is not to say that we won't have more volatility in the weeks/months to come, but it surely doesn't rise to the level of having the local news call up little ole me to comment on the market volatility 😊.

I also would have said in the interview that when one has a plan and is properly diversified, we know that we just need to ride out the volatility. Again, it is the reverse of the saying “Don’t just stand there, do something”....nope, we are going to “Don’t just do something, stand there!”. We have our plan and we are sticking to it.

I also would have told the media that there are surveys out there that claim that those who “go it alone” without a Financial Advisor have historically averaged 2.8% return per year, while having an advisor raises that average to over 6% assuming the same risk tolerance². Why such a large discrepancy? Because the general public ends up listening to the headlines of “blood bath”, “largest percentage drop since 20xx”, etc and they sell when the market has already dropped, and they miss the recapture a few days later. Fear is a much stronger motivator than greed.

An alternative to traditional fixed income investments

Back in July of 2023 we invested a small amount in an investment issued by a major commercial bank. This investment was set up for two years but had a feature that gave the bank the ability to say “you’ve made enough, we are giving you all your money back plus whatever you have made for interest” after one year. Well, after a year we had made 9.5% and that investment came to an end early. Pretty good deal if you ask me.

We will be putting that money back into a newly issued version of this investment. We will also move some of our underperforming bond funds into this investment as well.

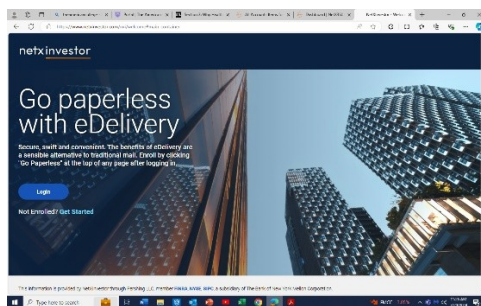
Other than that, our allocations are doing what we need them to do for the time being. As more volatility occurs you will see me taking advantage of some “blue chip stocks” that have been beaten down for no reason. I call them the “babies that have been thrown out with the bath water”. Back in the summer of 2020 we were able to take advantage of some names that had been beaten down, like Ford, General Electric, etc and we were rewarded for our patience with them.

If you have questions about what we are investing in or why, please don’t hesitate to reach out.

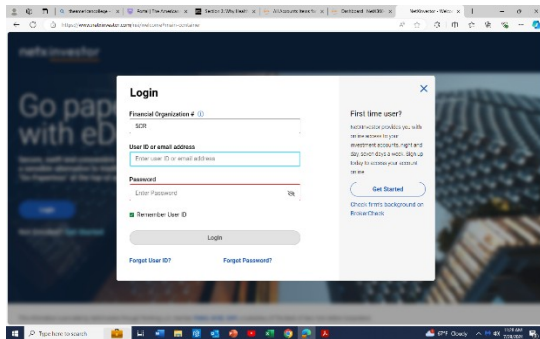
Start receiving your documents by electronic means rather than through the mail

Over the last few months, I have had a number of you reach out asking how you could start receiving your statements and other documents through email rather than physically through the mail. Here is what you want to do:

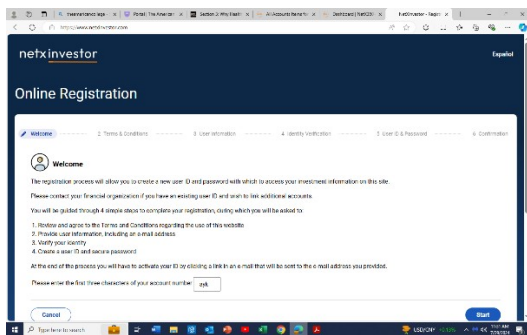
- You need an account on Netxinvestor, so go to netxinvestor.com.
- When you first go into netxinvestor.com it might come to a blank screen with nothing but the icon for Netxinvestor in the upper left corner. You click on that icon and then what comes up is:



- As you can see it says: enroll by clicking “go paperless”, but first you have to set up an account if you have not. Go ahead and hit “Login” and it will come up with the following screen:



- As you can see on the right it says “First Time User”? Click get started, but also note that the Financial Organization lists as SCR, so remember that when you go to login as you will need that number. Once you click “Get Started” the following screen will come up:



- Go ahead and follow the instructions to enter your information, and then they will email you a code/link to login, and once you are logged in follow the instructions for going paperless.
- You will need your account number (s), and they are also going to ask you all sorts of questions about places you lived in the past, color of car you had in 1985, etc., to make sure it is you.

Closing the office at Noon this Friday

I know that some of you look at my online calendar and see that there are no appointments available to start after 3pm on Fridays. Now, some of you have commented that you “think” this is because I’m hitting the old-port for happy hour.....That “has” happened in the past once or twice 😊, but for this summer I have been using that time to attend classes for the RICP designation (Retirement Income Certified Professional). When you’ve been in the business as long as I have, and you have to complete as much continuing education as I do for the designations that I already hold, you end up taking CE that goes towards other designations. By the time I retire I should have about 33,000 designations 😊. This Friday I will be testing out in the afternoon, so if you have any trades that you want to go through and they can’t wait, please call the Cambridge Trading Desk at (800) 756-8115

Also, from the 12th of August to the 20th of August if you have any trades, same exercise, call the trading desk. Though WealthSmith Financial Planning will not be closed, exactly, I will be working from our Ireland Office as the MRS. and I go on vacation to the green isle.

I look forward to talking to you all when I return from across the pond.



Once again, thank you for the trust that you place in me to lead you through these turbulent times, I do not take it lightly.

Gary Smith

¹DJIA 125-Best & Worst-www.spglobal.com 5/13/22

² Gary's opinion based on readings, podcasts, education, and experience gained over the last 31 years.

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