Wealth COACH Financial Services Inc.

To: All Investors

From: Mike Sullivan

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Re: **Market Sell-Off – Story Time!**

With most subjects, but particularly with money, people like to hear about good news, and prefer not to hear about bad news. It is always a delicate balancing act knowing this, while simultaneously feeling obligated to educate and inform everyone about the risks to their money, or … much more importantly … the risks to their expected future quality of life. With that in mind, please peruse the latest update!

While we're engaged in frequent market updates once more, I thought I would offer a historical picture in the form of a story. It is intended to inform, not to scare … rather to provide food for thought as all kinds of different actions can be taken by different investors in any kind of market … while they consider both their tolerance from risk and time-lines. It's a story about a generation in a family.

Today, we would deem us to be in 'stage four' of a demographic rotation of generations, referred to by academics as The Fourth Turning. In English, that just means that Great Grandmother was a child during the Crash of 1929, lived through it, her life directly affected every day by its impact. We now sit in today's world … the world of Great Grandma's fourth generation.

Great Grandma stored her money in a can, had a strong distrust of banks and the government, and replaced that distrust with a spirit of community, church, and family picnics.

Grandpa, her son, thus grew up with a pride in community and family too of course, along with creativity and thrift, a distrust of banks and institutions but perhaps gratefulness for some government actions such as Social Security (that 'trust' account long since depleted by the very government that offered it as a solution). Grandpa learned to buy things on 'Lay-Away' who old-timer readers may still remember: that's where you gave $25 to Walmart every week from your paycheck until there was enough there to claim the refrigerator you wanted and one day walk out with it. The primary goal of most households was to own a home, their own plot of ground.

Then there is Mom, Great Grandma's granddaughter who was born into a world where Lay-Away was replaced by borrowing again: through credit cards and home equity lines. Mom's childhood experience, still anchored to some frugality, blended away into a world still enjoying community, but via fast-paced, 'leave-your-neighborhood' kind of stuff. To raise her kids properly in that day and age, and keep up with the Joneses, time was spent on travel soccer, travel hockey, travel everything and thus restaurants, hotels, etc. Even though the teams that Sonny played were just as bad as the team in the town next door, Sonny got a weekend trip, dinners out, hotels, and more. (Importantly, Sonny got time with mom who loved him enough to spend her time and money doing that for and with him.) What Mom also got was a job … to pay for it all. And home equity loans. And perhaps a side hobby in house-flipping! Mom was three generations from Great Grandma.

But … Mom necessarily disappeared from the home. The government in turn got a second taxpayer, tired but reliable. Wall Street got a second customer, a 'retirement saver'. And Wall Street figured out (some say they designed it) how to collect mansions in the Hamptons.

Sonny, in turn grew into a world of 'busy'-ness: fast-paced wild times where every minute was used to 'experience'. So today, everything can be had immediately through Amazon, Uber, Fast-Eats or phone apps of some sort. Money whips around via Venmo, and Paypal, with full trust in a system that lends, buys, and tracks all that Sonny does. Money-printing supports Sonny's world.

Mathematically, that world is quite strained, funded by debt, and when things go awry the Federal Reserve simply prints that new money, billions and billions. For instance, the Fed 'injected' $132B today, on the heels of $216B just Monday morning. Wild, no?

More importantly, chances are that unless Sonny is helped out by Mom's generation who hopefully saved for retirement along the way, many with two-jobs per household, and preserves it, he is likely going to have a hard time paying $250k for college, $400k for a house, $50k for a car, and still have room to enjoy all the activity to which he is accustomed.

Perhaps this story is familiar? Likely it sounds just plain cranky, we know. But really … it's just a true story about a family, the passage of time and the math that runs the world. That's all it is.

As an investor, if the story sounds true, now is the time to think more about it.

The banks already know this story. In fact, they call it 'a playbook'. Just like the book Sonny's travel soccer coach held, the banks run plays… every four generations.

When the last Fourth Turning culminated, in 1929 following a rip-roaring good time in the 'Roaring Twenties', it gave us Great Grandma … all of her wholesomeness, and character, and charm. But it was not easy for her to earn those traits. They were earned through difficulty.

If Great Grandma (or her parents) could have seen it coming they might have shifted some assets to safety, then redeployed them over the course of lean years that followed, buying back into stock gains they preserved. And, life might have been a little easier for her and her entire family.

But … what if they shifted to the sidelines in 1925, and there was still a ripping four years left of market pump that they missed? How would they have felt then? What would that mistake of getting defensive have *cost* her family in potential further gains? It would have cost something.

The analysis of the story, and the strategy each investor chooses, is one each investor must craft for them self. We do believe it is a good time to consider the story and do just that.

We definitely do not know whether we are in 1925 or 1929 … but we do know history and we respect the math. Today, when the central banks have to buy stocks outright like many are doing now to keep the 'markets' going, we suspect we are late in the cycle. As we say, if you're in the markets these days, you're in a game. It can be a concerning game, but it is a game: a wealth accumulation and preservation game. Please see it for what it is, and think about your game-plan.

Importantly, perhaps, look good and hard at Washington, the Banking Industry, and the news media (they own) before you craft your personal strategy. The notions that 'good people' reside in government and want to save us, that the things on the TV are the important issues, and that Wall Street banks contribute to the community may prove to be dangerous. So, do look!

We do know there are vast amounts of stimulus being put in play, payroll tax cuts being planned, and time and vaccines will almost surely cure the panic about the Coronavirus. We also know that corporate revenues and earnings will take a hit near-term. And we have all seen many times where markets reverse and move upward because they reach a point where it is all 'priced in'.

We may be near that point now, or perhaps soon. But, the Bankers and money-printing are only our temporary friends, if we even dare to call them that since they are also the problem in our view. Think about this story, how you might use it to your advantage, and how we might help. We do favor older investors using any strong rallies as opportunities to consider some risk reduction.