March – April 2023

Money Moxie®

Savers Are Finally Being Rewarded

SMEDLEY FINANCIAL SERVICES, INC.®

Trusted Since 1982

Savers Are Finally Being Rewarded

For more than a decade, borrowers have been rewarded, and savers have been punished. With the rapid increase in interest rates starting in 2022, those roles are being reversed.

During the Great Recession of 2008-2009, the Federal Reserve lowered its interest rate from over 5% to near zero. This indirectly influences all rates in the economy, which was just fine if you were buying a car or a home. They became much more affordable.

Rates stayed low until inflation became a problem in 2021. By the time the Fed stepped in, it was a bit behind. In 2022, it raised rates at the fastest pace in history. Now, if you are trying to buy a car at interest rates above 7% or a home above 6.5%, you are feeling the pinch.

On the flip side, the savers that have hardly been receiving any compensation for keeping money in the bank can rejoice. The low-interest rates at banks, credit unions, and investment accounts have finally broken out of the doldrums. Check with your bank, credit union, or online bank to see where you can put your hard-earned money to work.

Investment accounts we manage at SFS are receiving higher yields in the money market. We also see a better opportunity in bonds than we have had in years. The added benefit is diversification, which does not guarantee positive results but helps reduce volatility.

With the recent collapse of Silicon Valley Bank (SVB) and Signal Bank and pressure on the banking industry, people have asked whether they should trust their bank or credit union. The good news is that the vast majority of banks and credit unions will be just fine. In addition, banks have FDIC insurance, and credit unions have NCUA insurance that cover deposits up to $250,000 per registration type (checking, savings, money markets, and CDs).

Interest rates may go a little higher this year, or they may start coming down. It is impossible to know. Regardless, we are glad that savers are finally being rewarded!

Mikal B. Aune, CFP®
VP of Wealth Management

You and Your Money – Living *Your* Dream

The Money Matters Women's Conference will be held on Friday, April 28, 2023.

We are looking forward to an amazing morning filled with valuable information.

Look for an invitation in the mail!

To Buy a CD, or Not to Buy a CD

By Jordan R. Hadfield, CFP®

Due to the Federal Reserve increasing the federal funds rate, several fixed-rate investment options have become more attractive. For the short-term investor, this has created some great opportunities. For a long-term investor who is shortsighted, these same options could be a mistake.

Checking/Savings Accounts - Interest: 0.05-0.2%
Checking and savings accounts are not the place for saving. The interest is minimal, and they accrue losses annually when accounting for inflation. Checking and savings accounts are FDIC insured for up to $250,000, but in most cases, they should not hold anywhere near that amount. There are better places to store cash, especially in the current environment.

Money Market/High Yield Savings - Interest 3.5-4.5%
Money market and high-yield savings accounts pay a higher interest rate than checking and savings accounts while also maintaining liquidity. Most money market accounts are FDIC insured. These accounts are advantageous for short-term savings and emergency funds, especially with today's rates. However, they are not the place for long-term investors (3 years or more).

Certificate of Deposit (CD) - Interest: 3-5%
CDs generally offer better interest than Money Market/ High Yield Savings accounts. Because rates are higher than we've seen in some time, there is some excitement surrounding certificates. A word of caution: CDs can be great if part of an emergency fund or structured to fund short-term goals. It is rare we recommend CDs for any term longer than 12 months. Despite their attractive rates, CDs are not the best choice for long-term investors. There are other opportunities that provide significantly greater growth potential.

Fixed Annuities - Interest: 4.5-6%
There are many types of annuities. These products can be complicated and are only suitable for some. Unfortunately, annuities have been misused and have developed a bad reputation. With current rates, these products are very attractive for the right situation.

The fixed annuity is very different from other annuities. It functions in the same way as a certificate of deposit. Fixed annuities are often sold in term lengths of 3, 5, or 7 years. They are very low-risk investments that allow investors to lock in a higher guaranteed interest rate for longer.

Bonds
With higher rates, the bond market should provide some great opportunities. We are excited about what these investments may have to offer and expect investors to be rewarded. For investors with a time horizon greater than three years, we recommend an allocation into bonds.

Stock Market (S&P 500)
An allocation into stocks is recommended for investors with a time horizon greater than three years. For long-term investors, moving into fixed-rate investments like CDs or money market accounts feels like stepping over dollars to pick up dimes.

According to officialdata.org, the stock market has returned 767,709.12% since 1928. Stocks have been, and continue to be, one of the best investments for long-term investors. Don't let short-term fear influence long-term decisions.

Please get in touch with us to discuss your specific goals, risk tolerance, and proper asset allocations. We are here to help with all of your financial decisions.

Looking forward with ~~hope~~ a plan

By Sharla J. Jessop, CFP®

When you think about the future, what do you see? Throughout our lives, we have dreams and aspirations, and the key to bringing them to fruition is creating goals. At some point in our lives, we have all said, “I wish I would have planned better for. . . .” The secret is deciding what we really want to accomplish, focus on, and financially prepare for.

Retirement, while being an important goal, is not the only goal for most of us. The future is tomorrow, next week, next year, and 30 years down the road. The future is not tied to a single age or stage of life but rather a lifetime.

A shortlist might look something like this: buying a home, remodeling a home, replacing a vehicle, taking a vacation, retiring, getting out of debt, college for children or grandchildren, preparing for financial emergencies, creating a fund to take the entire family somewhere special, buying a second home. Your list can be endless.

Once you have created a list, whittle it down to your top 5 to 10. Prioritize the top items by what you believe will bring you fulfillment and joy. If you have a partner, you may need to negotiate and compromise so the list encompasses dreams and goals for each of you.

Now dig deeper. Your list will probably tie closely to what you value. If retirement is your goal, visualize yourself in retirement. How will you spend your time? Do you want to have a certain lifestyle, live in a particular city, or travel to see family or the world? Now look at the financial side – how much money will you need monthly or annually at that time?

Knowing when you want to retire and how much you will need to spend are important factors in determining how much you need to save and invest now to bring this dream to fruition.

You can keep any of your goals top of mind by finding a picture that depicts your goal. Hang it on your fridge to remind you what you are working towards.

The same exercise can be used for any of your dreams. Tying your goals and values together will help you stay on track. For example, if you value home ownership and have decided that buying a home is one of your top goals, you will be better prepared to pass on that shiny new car when the impulse hits.

This is also a great tool to teach children and will help them become better savers and spenders. After all, it’s not all about saving. It’s just as important to enjoy the money you work so hard to earn.

Our wealth advisors can help you discover your top goals. We have the tools and resources to build a financial plan, creating a path that can help you benchmark, track, and reach your financial goals.

A final thought, the years will come and go. Make them count! Take the time to create a plan that incorporates your values and goals so you can enjoy the fruits of your hard work and create lasting memories.

Personal Savings Bubble

By Parker Thompson

By now, you have most likely heard about the impending recession on our doorstep. No doubt, you have also seen headlines making the news about government debt ceilings, volatility in the markets, Federal Reserve decisions, and banking scares. What you may not have heard as much about is a potential "Personal Savings Bubble" or "Personal Debt Crisis." Albeit they are not as powerful of headlines as the ones we have seen, these are still important. Let's bring you up to speed.

As of January 2023, the personal savings rate of a person in the United States was 4.7%. The savings rate hit a recent low of 2.7% in June 2022. At that time, Americans were experiencing peak inflation. Looking back to the 1960s, the only other times in history that the savings rate was lower than 5% were in 2001 and the years leading up to 2008. Both were followed by recessions.

Another factor coming into play here is the amount of U.S. consumer credit. At the beginning of March this year, credit card debt topped nearly one trillion dollars at $958 billion. This is the highest it has ever been in U.S. history. However, the rate at which it is growing is the fastest it's ever grown since 2000 (over a one-year or even two-year period).

Total household debt and all forms of debt are rising as well. Americans opened a record number of credit cards last year too. Most claimed that they needed to keep up with inflationary prices going up.

Consumers were flush with cash and savings after the COVID-19 pandemic stimulus checks from the government. We have become comfortable with spending and going into debt faster than ever before.

All this is not to say that our personal savings and credit behaviors are going to cause a recession. They only make us more vulnerable. We, the consumers, make up about 70% of U.S. economic activity.

This is meant to be more of a reminder to control the things that we can control. Business cycles, economic downturns, and recessions are out of our control and will inevitably happen. What is more important during those hard times is how prepared we are as individuals or families.

Instead of decreasing our savings rate, we should be increasing it. This may mean cutting back on spending where we are able and shoring up our emergency and other savings. Don't open or use credit cards unless you stick to a budget and can pay them off monthly. Have a goal not to go into debt, especially not credit card debt. If you already have debt, pay it off as soon as possible. Borrow "good debt" responsibly, and make sure you are able to manage it.

In addition to these tips, use any tax return you may get to pay off debt, buffer your savings or add to your emergency fund.

With all the economic uncertainty now and on the horizon, let's not make this a personal savings crisis. Do all you can to create a financially resilient future for yourself and your family. Please reach out to the wealth management team with any questions.

Lessons From Past Bear Markets

By James R. Derrick Jr., CFA®


Bloomberg

Economics + Markets

2023

Yellen Notes Inflation Problem But Still Sees Soft Landing Path

- Latest data shows that inflation is 'not yet under control'
- Ukraine war, monetary tightening are risks to outlook

Soft landing economy seen

1978

NEW YORK, MONDAY, SEPTEMBER 3, 1973

1973

ECONOMISTS SEE A 'SOFT LANDING' WHEN BOOM ENDS

U.S. Aides Predict That Rate of 'Real' Growth Will Dip Over Next Year to 4%

By EDWIN L. DALE Jr.

2007

Amid uncertainty, Bernanke sparkles in 1st year as Fed chief

Economy should take medicine in 1980

1980

U.S. economy seems headed for a soft landing

1989

FINANCIAL REVIEW

Investors expect a soft landing

Joanne Gray WASHINGTON

The Federal Reserve's emphatic half-point rate rise has convinced investors that inflation pressures will be tamed and the booming American economy is in for a soft landing.

2000

Sources: *Forbes, Financial Review, Bloomberg*

I just checked the calendar. It is 2023, not 2008. What a relief! I have spent many hours comparing our current situation with past bear markets and want to share some of the lessons I have learned.

Historical patterns can be seen inside and outside of the stock market. This can be explained by human nature. I also believe that each generation will experience challenges–many of their own making. It occurs because many adults have not lived through or don't remember the lessons of past recessions.

Jurrien Timmer, Fidelity Investment's Director of Global Macro, believes the current situation, with high inflation, record debt-to-GDP, and excess stimulus, is similar to 1944-1946. Who remembers that one? Regardless, I believe each recession offers similar, timeless lessons.

I hope that by sharing some of the lessons I have learned in tough economic times, I can help others avoid common investing mistakes of the past.

Only when the tide goes out do you discover who's been swimming naked. This famous quote from Warren Buffett proves itself in every bear market. Low-interest rates and high-risk tolerance enables investors, companies, and individuals to find success despite excessive risks until the economic tide goes out. At that moment, the truth is revealed. We saw it with savings and loans in the 1980s. Enron and WorldCom accounting scandals were discovered in 2001-2002. Bear Stearns, Lehman Brothers, and even Bernie Madoff (the most significant Ponzi scheme ever)–were all caught in 2008.

We are seeing similar things in 2022 and 2023 with FTX, Silicon Valley Bank, and others. Credit Suisse, the second largest bank in Switzerland, has barely survived the last 15 years. The tide is out, and it managed to sell out only with the help of a Swiss bailout. We should not be surprised. Despite all the calls for a soft landing, harder times have come.

Continued on next page

When a bear attacks, playing dead is sometimes the best strategy. We have all heard this. It sounds simple. In reality, it isn't easy.

A few years ago, I had the privilege of hearing Michael Dunn's story on surviving a grizzly bear attack in the Grand Teton National Park.

Dunn was on a family vacation in the Tetons on August 14, 1994. He woke up early and quietly slipped out the door for a run. He saw signs of danger but kept moving. After a couple of miles on a dirt trail, he heard branches snap. Suddenly, a large shape moved towards him, knocking him off his feet. He landed nine feet from the trail, where a 500-pound grizzly sunk its teeth into Dunn's hip.

There was little chance for Dunn as he struggled. The bear clawed at his back, swiped at his neck, tore open his face, and almost stuck a claw right into Dunn's eye.

The end seemed near when Dunn finally decided to play dead. This calmed the bear enough that it was distracted. Dunn's survival was nothing short of miraculous!

Bear markets are not life-threatening but can be financially devastating, especially if we make poor decisions. Good planning may not require any drastic changes, even in volatile times.

Anything can happen. We do not know what the future will bring. When it comes to investing, one of the most important decisions we make is deciding how much risk to take. That decision should be determined by your personal situation, with help from your financial advisor.

As for the stock market, I believe that the American economy is resilient, and there will be plenty of opportunities this year and for years to come. If more difficulty comes this year, it will likely be followed by better times. So far this year, I have been pleasantly surprised with how well American consumers and investors have held up. SFS

Investing involves risk, including the potential loss of principal. The S&P 500 index is widely considered to represent the overall U.S. stock market. One cannot invest directly in an index. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. Diversification does not guarantee results. This is not a recommendation to purchase any type of investment.

Upcoming Podcasts

SFS releases new Power Up Wealth podcasts on timely and timeless financial principles. In the coming weeks, we will be doing a deep dive into each article written in this newsletter. Subscribe wherever you get your podcasts or listen at SmedleyFinancial.com.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using strategies that work toward each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Retirement
- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Employers and Self Employed
- Health Insurance
- 401(k) Plans

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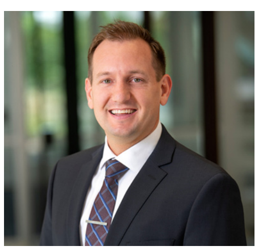

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