DJ IA	Nasdaq	S & P 500	Russell 2000	MSCI EAFE	Crude Oil	Euro	10 yr Treas.	Fed.Fund Rate	Prime Rate
34,502.51	14,503.95	4,297.50	2,310.55	10,219.38	73.47	0.8433	1.45	0.00-0.25	3.25

Money Manager Newsletter
June 30, 2021
Investment Consulting Group, Inc.

"There's Nothing Wrong With Cash. It Gives you Time To Think"
~Robert Prechter, Jr.—Elliott Wave Theorist~

Federal Reserve Bank of New York's Center for Microeconomic Data issued its Quarterly Report on Household Debt and Credit. The report shows that total household debt increased by $85 billion (0.6%) to $14.64 trillion in the first quarter of 2021. While mortgage, auto loan, and student loan balances have continued to increase, credit card balances have substantially decreased. Mortgage balances, the largest component of household debt, rose by $117 billion in the first quarter of 2021 and stood at $10.16 trillion at the end of March. Credit card balances declined by $49 billion in the first quarter, a substantial drop and the second largest quarterly decline in card balances in the history of the data (since 1999). Auto and student loan balances increased in the first quarter, by $8 billion and $29 billion, respectively. In total, non-housing balances (including credit card, auto loan, student loan, and other debts) decreased by $18 billion and are now $49 billion below the 2019 Q4 level. Federal Reserve Bank of New York

Billionaire Warren Buffett warned people not to think investing is an easy way to make a fortune as he answered a variety of questions at Berkshire Hathaway's annual meeting. It can be tough to pick the long term winners. In 1903 there were more than 2,000 car companies, and nearly all of the them failed even though cars have transformed the country since then. "There's a lot more to picking stocks than figuring out what will be an incredible industry in the future. I just want to tell you that it's not as easy as it sounds." Buffett has said that most people will fare better by owning an S&P 500 index fund instead of betting on individual stocks. The policies of the Federal Reserve and the stimulus packages passed by Congress have done a tremendous job of propping up the economy and keeping interest rates low. He said the government clearly learned lessons from the Great Recession in 2009 and acted quickly in response to the pandemic, but it's hard to predict the long-term consequences of those policies. "This economy right now, 85% of it is running in a super high gear, and you're seeing some inflation and all that. It has responded in an incredible way."
Warren Buffett, Chairman and CEO of Berkshire Hathaway

"Buy when you're scared to death; Sell when you're tickled to death."
The Cabot Market Letter 4/12/2001

Do we think the rally will continue, or is the recent run too much too soon? Like anyone else in this business, we have opinions. But they don't matter in the grand scheme of things. Given our philosophy, the answer as to whether stocks continue to climb in 2021 or pay a price for the enthusiasm on display in 2020 comes down to one key factor: earnings.
Friess Associates

Which do you think was the only major economy to grow in 2020? It's not a hard question. America's economy shrank 3.5 percent last year. The economies of Germany and Japan shrank almost five percent. France's, Italy's, and India's economies all shrank over eight percent, and the economy of the United Kingdom was down ten percent. China's economy, on the other hand, grew 2.3 percent in 2020, and first quarter growth for 2021 in China set a new world record. It was up over 18.3 percent. The COVID pandemic has been hugely profitable for China. Hillsdale College

"Wait, did you say Vanguard?" That was the main question in the investment industry after that company's February 2020 announcement that it is developing private equity products. A couple months later, the question became, "What, the DOL?" when the U.S. Department of Labor released Information Letter 06-03-2020 and effectively endorsed the use of private equity investments by defined contribution plans. When said organizations such as Vanguard and the DOL act atypically and synchronously, you're probably witnessing a sea change. And so we are: A wave of private market products from industry stalwarts is arriving, aiming squarely at the mass market. Traditionally, the most attractive private market investments have been available to individuals almost exclusively through feeder funds, but those generally are open only to qualified purchasers (QPs) with the minimum net worth of $5 million. Meanwhile, accredited investors who are not also QPs account for about 9 percent of the population. So why is all this happening now? One reason is obvious: The growing recognition by regulators and investment professionals that private equity (PE) and related asset classes can significantly improve the return and risk metrics of standard liquid portfolios, and that those benefits should no longer be available only to the wealthiest investors. Another reason is subtle not crucial: The motivations of the most prestigious firms in the field are finally aligning. Top tier private market allocators, who had been resistant to lowering fees, are now willing to run mass market products especially for some of the most desirable strategies.
Investments & Wealth Monitor—Bob Rice

Asset Allocation

What goes into Adviser Investments' model portfolio recipe? With alternatives, some of the hurdles we haven't gotten over are high fees, lack of transparency, lack of liquidity, difficulty in assessing historic performance, difficulty in building expectations for how strategies are expected to behave, and how that translates into a piece of your portfolio relative to everything else your own. We don't think that adding complexity necessarily leads to a better investment outcome. You have to consider the outcomes. If you go back and look at the first half of 2020 when the market was down 40%, our alternatives funds were down 15-20%. Given the option, we feel like investors would prefer to be down 15-20%. Some investors could even go more aggressive and run a 75/25 model, with a 75% allocation to equities and a 25% allocation to alternatives. If you aren't going to get the income from bonds anymore and they aren't a viable hedge, you could make a case that alternatives are a better way to do both of those things.

"Up Markets—The market will not stop going up until good news doesn't move the market. Likewise, the market will not stop going down until bad news doesn't move the market."
Don Stanforth, President—Investment Consulting Group, Inc.

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Ten Common Mistakes Made When Managing an Investment Portfolio

1. Chasing Recent Performance
2. Failing to Maintain a Policy Portfolio
3. Poor Manager Selection/Retention
4. Sins of the Anxious
5. Lack of Diversification
6. Mis-Benchmarking
7. Having Too Many Decision-Makers
8. Not Keeping Your Eye On The Ball
9. Ignoring Good Advice
10. Failing to Learn from Mistakes

Talking to kids about money is hard. Letting them fail is even harder. But if you want your children to develop good financial habits, they're going to need to. The following three findings are fairly consistent, and we can learn a lot from them about how to prepare the next generation for success.

Have The Money Talk

Talking about money is hard, but kids need (and want) to hear it. Year over year, parents are reluctant to discuss financial topics with their kids, and that when they do bring it up, they find it very uncomfortable. In 2019, parents ranked talking with their kids about financial topics as more uncomfortable than talking about politics, climate change and death. At the same time, more than half of their kids said that they wished their parents talked with them more about money. Parents need to get over the reluctance. Maybe they are afraid they don't know enough to serve as great examples, but they don't have the luxury of using that as an excuse.

Parents Set The Example

Kids' financial behaviors are heavily influenced by their parents' example. The kids in the survey who had good financial habits (saving money, etc.) were heavily influenced by their parents' example. This may worry parents who have made a lot of mistakes, but it turns out that kids can use those mistakes as cautionary tales. Kids who were aware that their parents had filed for bankruptcy were twice as likely to report being "very" or "extremely" smart about money themselves. All parents want to set a great example, but sometimes letting kids know about our failures can help them make better choices than we did. It takes courage, but I'm reminded of the story of the old sage on the mountain who, when asked how to make good decisions, replied, "That's easy! Lots and lots of bad decisions." By talking openly about money with kids, the good, the bad, and the embarrassing, we give them the opportunity to avoid learning the same lessons.

Build Good Habits Early

Kids who managed their own money had much better financial habits. Those who were given more freedom were less likely to spend money as soon as they received it (40% versus 53%), less likely to have lied to their parents about how they spent money (29% versus 49%), and less likely to say they expect their parents to buy them whatever they want.
Investment News—Behavioral Finance; Sarah Newcomb

Potential Benefits of STA: (Securities Transfer Association)

Expense Ratio's - Equity Mutual Funds 1.09%
Equity ETF's 0.51%
Exposure Capital Gains Distribution 2020
Equity Mutual Funds 56%
Equity ETF's 3%

6/30/2021	Current P/E	VS	20 Year Avg. P/E
	Value	Blend	Growth
Large	17.0/13.7	21.5/15.7	30.5/18.5
Mid	17.6/14.4	22.1/16.4	39.2/20.3
Small	19.5/16.9	29.7/21.3	59.9/35.2

"I try to avoid being stupid, The single most important thing is to know where you are competent and where you aren't. The human mind tries to make you believe you are smarter than you are."
Charlie Munger—Vice Chairman; Berkshire Hathaway

15 Causes of the Great Bubble of the Roaring 2020s

1. Investors believe that vaccines will cure the pandemic quickly, and
2. Earnings will soar in an economic recovery like no other
3. The Federal Reserve will support stock and bond markets, dumping $trillions
4. Interest rates will remain low, justifying high stock prices.
5. Investor greed: FOMO is fear of missing out
6. Investors euphoria: Hopium is the drug that gives hope in a bright future
7. Huge foreign demand for US securities. Foreigners fear devaluation of their currencies and view the US as "the cleanest dirty shirt in the laundry basket."
8. 92 million Millennials believe markets only go up and are actively trading on Robin Hood, Robos and the like. Huge margin debt.
9. The FAANG Stock phenomenon where investors believe mega companies will perform well regardless of the economy.
10. Apple is worth a $trillion and Tesla is worth more than their competitors combined.
11. The election. The Stock market is up so far since Joe Biden took office.
12. A belief that amateurs can beat Wall Street with short squeezes on the likes of GameStop and silver.
13. Stock buybacks capitalize on low borrowing costs.
14. SPACs: Special Purpose Acquisition Companies
15. IPOs: Initial Public Offerings

"The number one thing that has made us successful, by far, is an obsessive, compulsive focus on the customer, as opposed to obsession over the competitor." Jeff Bezos (Founder & CEO Amazon)

Treasury Market Yields	6/30/2021	12/31/2020	12/31/2019
2 Year	0.25%	0.13%	1.58%
5 Year	0.87%	0.36%	1.69%
10 Year	1.45%	0.93%	1.92%
30 Year	2.06%	1.65%	2.39%
SP 500	1.35%	1.60%	1.82%
Commodities			
Oil ($bal)	$73.47	$48.52	$61.06
Gold ($/oz.)	$1770.80	$1893.10	$1519.50
CRB Index	$213.39	$167.80	$185.79