1st & 10 – Anti-Diversification

October 10, 2026

In today's stock indexes, diversification is assumed, but what you really get when investing in indexes is Anti-diversification. What's that? The appearance of diversification without the actual results. What am I talking about? For stocks, the S&P 500 index is a cap-weighted index, which means the bigger (larger or mega cap) companies make up a bigger piece of the pie. And today, the top 10 companies account for 47% of the S&P 500. The other 490 stocks account for 53%. So in reality, on most days those top 10 companies determine the direction of the index, either up or down. And that is fine, but it is not really diversification that helps you like it should. Diversification means that your portfolio is balanced across dozens if not hundreds of asset classes, companies, geographies, etc. True diversification can partially insulate you from downturns, macroeconomic events, interest rate changes (see below), and concentration risk. As a long-term investor, you MUST have diversification to be successful.

1. Your financial advisor is a little like your dentist. Most of us don't want to talk to the dentist or heaven forbid visit and have someone poke around our mouth for 30 minutes, but we know we need it for regular maintenance. If we ignore it long enough, cavities (or worse) start appearing…just like ignoring your finances or even "taking care" of it yourself. But financial problems can easily arise, goals and priorities get out of whack, tax bills are unknowingly high, investments get ignored and we end up burying our head in the sand again hoping it will get better on its own. Advisors are there for you to help make your financial journey a success. Have you gone to your dentist lately?
2. Did you hear? **The Fed raised interest rates.** But more importantly, long-term rates are skyrocketing with the 10-year treasury hitting 5.30% (which is making mortgage rates hit 7.5%!). Inflation is still sticky, but not showing up in wages. Is Stagflation on the horizon?
3. **Data Centers** are a hot topic these days. Locals don't like them. Investors and the economy loves them. They are driving economic growth, the stock market, 401k balances, corporate investment, job creation and more. And yet there are risks and consequences – environmental, electrical grid demands, AI and more. We may be getting a bit ahead of ourselves – too much demand, and too little supply means delays, delays and delays.
4. Gambling is bigger than ever. Sports betting accounted for $166bln in bets. Some even believing that betting is basically investing. This is out of control and a societal problem with no solution in sight.
5. **I mentioned an ETF last month with a 22% yield - MPIA.** Many of you wanted more info, so I am going to arrange a zoom call with the portfolio manager of the M+ Funds to share the strategy, look under the hood, and answer your questions. No date/time set yet…let me know if you are interested by signing up here.
6. Bonds, bonds and bonds. Bonds are getting a lot of attention these days. Should you own them? Yes. As we discussed in our webinar in the Spring, not all bonds are the same. Long-term treasury bonds are now VERY attractive as an investment. The traditional bond AGG-index is languishing. If you own a Target-Date fund in your 401k or even some of the more traditional bond funds, your bond allocation is hurting more than helping you. Consider adding diversification to other bond sectors that can turn performance around.

7. Do you know you can give away your IRA to a charity and not pay taxes on the distribution? It's called a **Qualified Charitable Distribution**. Show me how.
8. We run across a lot of new clients who have accounts all over the place, and it makes sense. This old 401k, a brokerage acct with a specific strategy, an IRA with an old advisor, a 529 account you forgot about. What are the benefits of account consolidation? Here is the short list: You know where everything is, efficient portfolio rebalancing, tax coordination, financial organization, easy net worth reporting and tracking, reduced cost, and more effective financial advice. **Sounds like a no-brainer but maybe you enjoying juggling 20 accounts, passwords, portfolios, tax implications, your over-complicated spreadsheet, unknown concentration risk and higher costs. Really?**
9. **Yesterday Ended Last Night** (this is for you, Sam)
10. Remember - People are what matter. As we have recently launched our kids out into the abyss of society, I try to remind them of this one simple truth. That's not to say we shouldn't strive for success in a career or have financial success. But at the end of the day, the people you know, interact with and invest in, are what leaves a legacy. Balancing the pursuit of daily living with focusing on and investing in your relationships is the key to happiness, joy and contentment.

WHO DO YOU KNOW THAT I SHOULD KNOW? CAN YOU INTRODUCE ME?

Let me know how I can assist you in your financial journey.

Grateful to be your friend and advisor,

Josh