WESTBOURNE
INVESTMENT ADVISORS

INVESTMENT PERSPECTIVE — THIRD QUARTER 2023

"Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit at home and think about it. Go out and get busy" ~ Norman Vincent Peale

Happy Summer. The major US markets made gains throughout the quarter while investors digested encouraging inflation data as the personal consumption index rose just 3.8%, its lowest rate in two years, while overall economic data held strong. The tech-heavy NASDAQ has been especially strong, with a small number of names such as Apple, Microsoft, Amazon, Google/Alphabet each up over 35% year-to-date and Facebook up ~150%! On the other hand, non-tech stocks, such as those in the Russell 1000 Value index, are up only 5.1% year-to-date, hampered by business models with sensitivity to rising interest rates. We continue to identify well-priced equities for those with a long-term investment horizon (3+ years).

"Nature knows no pause in progress and development and attaches her curse on all inaction" ~ Goethe

As equity markets provide relief in recent days, we'll reiterate our "long-term investing" message while pivoting to a few points on financial "housekeeping." In 2019, we discussed the topic of financial *inertia.* Much has changed in the financial markets since then, and it is worth revisiting the topic. *Inertia* is an idea from Newtonian physics (simplified: *An object at rest stays at rest*) and is a noun describing a tendency to do nothing - to remain unchanged. The term inertia is derived from the Latin word *iners*, meaning idle, or sluggish. While seemingly benign, often "doing nothing" in our financial lives creates problems over time. Recent changes in inflation and corresponding rises in interest rates prompt us to reiterate the risks of doing nothing. Here are several investment topics where inertia may reign and where we suggest action versus sluggishness.

- **Not *managing* money at all**: Perhaps it's fear, maybe a sense of "ignorance is bliss" or "out of sight, out of mind," but whatever the root cause: Unmanaged Money = Mismanaged Money. Mismanagement leads to missed opportunity and erosion of wealth. We often meet potential clients with investment accounts created long ago or passed along through gifts, inheritances, or trusts that have not been actively managed for years. These accounts are typically invested in outdated, costly products and/or inappropriate asset classes, or not invested at all, with allocations that make little sense relative to the client's current situation. If you have unmanaged assets, allow us to review them within the context of your investment objectives.

- **Cash on Sidelines** –Many people hold substantial sums of cash "on the sidelines" for liquidity and emergencies, typically in banks earning practically nothing. Considering recent inflation and interest rate increases, ultra-low returns offered by bank accounts can't keep pace with inflation, resulting in degradation of purchasing power. We recommend a realistic assessment of near-term *cash needs* versus *liquidity needs* (i.e., assets easily convertible to cash near term) and consider investing excess cash in higher yielding investments – corporate bonds are now yielding more than 5%, US Treasuries are yielding close to 4%, and money markets are yielding more than 4.5%.

- **"Stranded" Retirement Plans:** A common type of unmanaged accounts are "stranded" retirement plans from past employment (e.g., 401(k), 403(b), SEP IRA). Often people "set it and forget it" when it comes to retirement accounts and funds remain in high-fee brokerage accounts with no active management, few investment options, and significant misallocations. It is prudent to revisit these accounts and manage them as part of a comprehensive financial picture to effectively manage overall assets with an appropriate long-term strategy and allocation.

- **Regrettable Annuities**: Many investors own legacy annuity contracts entered-into years ago. Often, they regret the annuity decision but are stuck with high fees and commissions, low yields/returns, and inflexibility. They often do nothing beyond suffering from regret. We suggest revisiting annuity investments – there are often better options, like rolling an existing annuity into a different product without tax ramifications, or *annuitizing* the product (i.e., turning it into current cash flow). If you have an annuity, we likely have better options. If you're considering an annuity, let's first discuss the pros, cons, and alternatives.

"Iron rusts from disuse; stagnant water loses its purity and in cold weather becomes frozen; even so does inaction sap the vigor of the mind." ~ Leonardo da Vinci

Doing nothing may seem like the easy answer. Do not let summer lethargy drive financial inertia. If you have unmanaged assets, let us help you manage them. We believe equities will continue to outperform bonds over the long-term and where long-term capital should be allocated. However, if you have short-term cash dormant in a bank earning very little and want 4.5%-6% in money market and/or bond yields, let's discuss putting it to work.

We wish you a wonderful summer and look forward to hearing from you with any questions.

With best regards,

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