



EVENSKY & KATZ / FOLDES
— WEALTH MANAGEMENT —

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DEAR READER,

WHO KNEW

From my Fact Time calendar

- The television was invented only two years after the invention of sliced bread.
- It costs almost \$290,000 per year in fees to run a hot dog cart near the Central Park Zoo in New York City [that requires the sale of a LOT of hot dogs].
- 79% of pet owners sleep with their pets [don't know why it's not 100%]
- MLB umpires are required to wear black underwear in case they split their pants.
- A bolt of lightning can reach 53,540 degrees Fahrenheit. That's 5 times hotter than the surface of the sun, which is 10,340 degrees Fahrenheit.
- According to scientists, the weight of the average cumulus cloud is 1.1 million pounds!

And from my Lubbock Country Club magazine

- According to the National Hole-in-One Registry, the odds of making a hole-in-one are 12,000 to 1.

BAD TIMING

The average fund gained about 7.7% per year over the 10 years ended December 31, 2022, while the average dollar invested in mutual and exchange-traded funds earned a 6% annual return. That 1.7% gap turns into 17% over 10 years—and it's the result of the timing of investors' purchases and sales, according to Morningstar's annual "Mind the Gap" study, released in late July.

The study compares the average investor's return on investments in funds and exchange-traded funds and compares it with the average fund's actual total return, attributing any difference to the timing of when investors bought or sold shares.

Investors in narrower sector equity funds earned only 6.4% per year on their dollar, which was 4.4 points less than the average fund's 10.8% total return.

On average, the least volatile funds' dollar-weighted returns lagged their total returns by around 0.9% per year, which was a full percentage point narrower than the gap for the most volatile funds.

The gap for riskier funds, such as alternative funds ranked in the highest volatility quintile by Morningstar, saw a significant gap of negative 15.8%

The moral is—investors should throw away their crystal ball, subscriptions to "when to buy" newsletters and brokers who advise on investment timing. To make money in the market ***you need to stay in the market.***

[Bad Timing Cost Fund Investors 17% In Gains the Past Decade, Morningstar Says \(fa-mag.com\)](https://fa-mag.com/Bad-Timing-Cost-Fund-Investors-17%-%20In-Gains-the-Past-Decade-Morningstar-Says)

1%'ER

From my high school friend Tree

99% of those born between 1930 and 1946 (worldwide) are now dead. You are a 1% 'er"!

- If you were born in this time span, you are one of the rare surviving one percenters of this special group.
- Their ages range is between 77 and 93 years old, a 16-year age span.
- You are the smallest group of children born since the early 1900's.
- You can remember milk being delivered to your house early in the morning and placed in the "milk box" on the porch.
- You are the last generation who spent childhood without television; instead, you "imagined" what you heard on the radio.
- With no TV, you spent your childhood playing outside.
- We got black-and-white TV in the late 40s that had 3 stations and no remote.
- Telephones were one to a house, often shared (party lines), and hung on the wall in the kitchen (no cares about privacy).
- Typewriters were driven by pounding fingers, throwing the carriage, and changing the ribbon.
- You went downtown to shop. You walked to school.
- The radio network expanded from 3 stations to thousands.
- You weren't neglected, but you weren't today's all-consuming family focus.
- You entered a world of overflowing plenty and opportunity; a world where you were welcomed, enjoyed yourselves.
- You felt secure in your future.
- Polio was still acrippler. Everyone knew someone who had it.
- You came of age in the '50s and '60s.
- You are the last generation to experience an interlude when there were no threats to our homeland.
- You grew up at the best possible time, a time when the world was getting better.
- More than 99% of you are retired now, and you feel privileged to have "lived in the best of times!"

I KNOW I'M BIASED, BUT ...

Truly mind-boggling.

The Department of Labor has just proposed a new rule aimed at expanding the definition of an investment-advice fiduciary to include anyone who advises retirement plan participants and individual retirement account owners for a fee — including broker-dealer and asset manager salespeople. The reaction from the broker-dealer and insurance industry has me scratching my head. For example:

"Lawyers who advise the retirement industry said the rule could turn broker-dealer and asset manager salespeople and other junior employees focused on education into fiduciaries, bearing the same risks as financial advisors." Wow! Terrible!! Would require them to be responsible for anything they say or write.

“This is sort of like ‘Death of a Salesman,’” said attorney Steven Rabitz, a partner at Dechert. ‘They all of a sudden become sort of tainted, and one wonders whether the distinctions are, just for all practical purposes, eviscerated.’ Sounds like an excellent idea to me.

“Furthermore, industry professionals who are already fiduciaries will have to make additional disclosures for transactions that have been given a special exemption, which could hurt investment advisors working with small accounts, Rabitz added.” Yes, who cares if smaller account investors get lousy advice as long as they pay less.

“The proposed rule could also make it more difficult for retirement plan sponsors to talk to each other about product ideas if those products are going to end up in retirement accounts”, he said. “There's extra cost there and cost inherent of people not talking about ideas,” said Rabitz. “If you are in danger of being a fiduciary by sneezing next to another fiduciary then maybe you will think twice about what you say and how you say it.” Mind-boggling BS! What a horrible concept responsible for “what you say and how you say it.” I guess the answer is don’t sneeze.

“ ‘Upon initial review, we are concerned that the Department’s newest proposal may go too far, inconsistent with existing federal regulations, such as Reg BI, and as a result could limit access to advice and education while also limiting investor choice in advisors,’ said Kenneth Bentsen Jr., president and CEO of Sifma. But Reg BI doesn’t cover commodities or insurance products such as fixed index annuities, the White House noted in a fact sheet. The DOL’s expanded rule would require advice for these and other products to be in the consumer’s best interest.” Oh my, I guess he forgot about insurance products.

“The new rule would require additional disclosures than what the DOL floated in 2020. The consequences under the proposed rule are also much more significant, Rabitz said. ‘It’s not just that you have to rescind and make the client whole, you likely have to pay substantial excise taxes to the government,’ Rabitz said. It could create a more “antiseptic” world in which some clients end up paying to make their trades, Rabitz said.” Not sure what this means other than if you cheat it may be expensive but that’s not really a problem as the cost as it will only be passed to clients.

[Financial Advisor IQ - DOL’s New Fiduciary Proposal Could Sweep Up Industry Salespeople](#)

OF COURSE, RETAIL INVESTORS HAVE NOTHING TO WORRY ABOUT

Morgan Stanley is in talks with the U.S. Justice Department and the Securities and Exchange Commission to pay as much as \$1 billion to settle a probe into how it handled block trades, according to news reports.

After four years of investigation into whether the wire house improperly alerted favored institutional clients about big blocks of private stock coming to the market, the company is discussing a possible fine of between \$500 million and \$1 billion...

[Financial Advisor IQ - Morgan Stanley to Pay up to \\$1B to Settle Block Trading Charges: Reports](#)

FOOD FOR THOUGHT

From my friend Judy

- The only reason they say “women and children first” is to test the strength of the lifeboats. ~ Jean Kerr
- When a man opens a car door for his wife, it's either a new car or a new wife. ~ Prince Philip
- The best cure for seasickness is to sit under a tree. ~ Spike Milligan
- Having more money doesn't make you happier. I have \$50 million, but I'm just as happy as when I had \$48 million. ~ Arnold Schwarzenegger
- The first piece of luggage on the carousel never belongs to anyone. ~ George Roberts
- If God had intended us to fly, he would have made it easier to get to the airport. ~ Jonathan Winters
- As I hurtled through space, one thought kept crossing my mind - every part of this rocket was supplied by the lowest bidder. ~ John Glenn
- America is the only country where a significant proportion of the population believes that professional wrestling is real, but the moon landing was faked. ~ David Letterman
- I'm not a paranoid, deranged millionaire. Actually, I'm a billionaire. ~ Howard Hughes
- After a game of chess, the king and the pawn go into the same box. ~ Old Italian proverb

IT'S A SCARY WORLD OUT THERE

Financial Podcaster Accused of Stealing \$11 Million From Elderly Victims in Massive Ponzi Scheme

“He allegedly spent the money on fast food and electronics.”

The host of a real estate investing podcast entitled *Cashflow Kings* has been indicted by the SEC for allegedly bilking 60 investors out of more than \$11 million in a massive Ponzi scheme. On his podcast, Motil positioned himself as a punk rock finance guru somewhere between Joe Rogan and Suze Orman. He told his listeners he would mold them into “real estate investing badass[es]...and build a business/lifestyle [they] love earning a passive income from real estate investments.”

According to the SEC's complaint, Matthew Motil coerced his listeners into purchasing “short-term, low-risk, and high-return” lending notes. Investors were told they'd see a return after Motil had refurbished or sold the properties, but many of the homes simply didn't exist. The report alleges Motil sold around \$1.3 million in promissory notes to at least 20 investors that were all backed by a single \$47,000 property...

Of the 60 investors Motil convinced to pour in their entire retirement funds and life savings, one was a retired Air Force officer and another a cancer researcher.”

Turns out, many otherwise savvy people have fallen for this stuff. Be aware, very aware.

[Financial Podcast Host Accused of Stealing \\$11 Million in Massive Ponzi Scheme - Men's Journal \(mensjournal.com\)](https://mensjournal.com/financial-podcast-host-accused-of-stealing-11-million-in-massive-ponzi-scheme/)

AKINATOR

<https://en.akinator.com/>

This is an amazing site! I have no idea how it works but it does!

To play, think of a character, real or fictional, then click on “play > characters”.

Akinator will then ask you a series of questions for you to answer. Somehow, in no time, he'll name your character. I have yet to fool him – tried Elvis Pressley, Porky Pig and Benjamin Franklin. Nailed them all.

GRAB THESE 2 FUNDS WITH RICH 11%-12% YIELDS WHILE YOU CAN

If you invest for income, consider taking advantage of these unusual opportunities...

2 YEAR (11/01/2021 – 11/01/2023)

Health Science Trust (BME)	-14.43%
Innovation and Growth Trust (BIGZ)	-58.02% %
IVV (S&P 500)	-5.20 %

[Opinion: Grab these 2 funds with rich 11%-12% yields while you can - MarketWatch](#)

PASSIVE INCOME SNOWBALL: HOW DOES VYM STACK UP AGAINST 6 COMPETING ETFS?

“Vanguard High Dividend Yield Index Fund ETF is a well-diversified, low-cost dividend growth fund for passive income.”

It may stack up well compared to competing ETFs but not so well compared to a simple broad equity market investment.

5 YEAR (11/01/2018 – 11/01/2023)

VYM (Vanguard High Dividend Yield)	41.21%
IVV (S&P 500)	68.4%

[Passive Income Snowball: How Does VYM Stack Up Against Six Competing ETFs? | Seeking Alpha](#)

One more time – **Dividend income vs total return. Total return wins.**

WHY MARKET-TIMING FAILS

From a most excellent article by John Rekenthaler. John is director of research for Morningstar Research Services. He's been with Morningstar since 1988 and served as director of research where he helped develop Morningstar's quantitative methodologies including Morningstar's fund ratings and style boxes. I've known John for upwards of 30 years and consider him one of the most thoughtful and insightful market observers of our generation.

Wrapping Up

"When coupled with plausible economic explanations, strong correlations between timing signals and future market returns can be very convincing. However, it doesn't take much to shift the outcomes from "impeccably correct," as the Shiller CAPE ratio was from 1995 through 2010, to "largely right," as with Fleck's exercise or the Shiller CAPE ratio of the next few years. And *largely right is not good enough*. For market-timing signals to work well enough to justify their usage, they must meet the higher standard."

[Why Market-Timing Fails | Morningstar](#)

PARAPROSDOKIAN

From my #1 son

Figures of speech in which the latter part of a sentence or phrase is surprising or unexpected and is frequently humorous.

- Where there's a will, I want to be in it.
- If I agreed with you, we'd both be wrong.
- War does not determine who is right – only who is left.
- Knowledge is knowing that a tomato is a fruit. Wisdom is not putting it in a fruit salad.
- They begin the evening news with 'Good Evening,' then proceed to tell you why it isn't.
- To steal ideas from one person is plagiarism. To steal from many is research.
- In filling out an application, where it says, 'In case of emergency, notify:' I put "DOCTOR."
- I didn't say it was your fault, I said I was blaming you.
- Women will never be equal to men until they can walk down the street...with a bald head and a beer gut, and still think they are sexy.
- Behind every successful man is his woman. Behind the fall of a successful man is usually another woman.
- A clear conscience is the sign of a fuzzy memory.
- You do not need a parachute to skydive. You only need a parachute to skydive twice.
- I used to be indecisive. Now I'm not so sure.
- To be sure of hitting the target, shoot first and call whatever you hit the target.
- Nostalgia isn't what it used to be [sounds like Casey Stengel].
- Change is inevitable, except from a vending machine.
- Going to church doesn't make you a Christian any more than standing in a garage makes you a car.
- I'm supposed to respect my elders, but now it's getting harder and harder for me to find one.

If you can keep your head when all about you

IF

Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don't deal in lies,
Or being hated, don't give way to hating,
And yet don't look too good, nor talk too wise:
If you can dream—and not make dreams your master;
If you can think—and not make thoughts your aim;
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build 'em up with worn-out tools:
If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: 'Hold on!'
If you can talk with crowds and keep your virtue,
Or walk with Kings—nor lose the common touch,
If neither foes nor loving friends can hurt you,
If all men count with you, but none too much;
If you can fill the unforgiving minute
With sixty seconds' worth of distance run,
Yours is the Earth and everything that's in it,
And—which is more—you'll be a Man, my son!

Rudyard Kipling

I first read this in grammar school, and it remains one of my very favorite poems.

AND I THOUGHT WINE WAS EXPENSIVE

Macallan Valerio Adami 1926, a bottle of the world's most expensive whisky, could fetch \$1.4 million at Sotheby's London auction.



Even raising a toast won't be a cheap affair, as a single 25ml shot would be worth between \$30,000 and \$67,000.

But then, wine's not cheap. For example, among the ten most expensive "off the shelf" are:

- Ghost Horse Vineyard Fantome Cabernet - \$2,150
- Screaming Eagle Cabernet - \$4,367 (for one bottle of Macallan's you could get about 320 bottles of Screaming Eagle).
- And Promontory Cabernet's a bargain at \$952

Of course, expensive is relative.

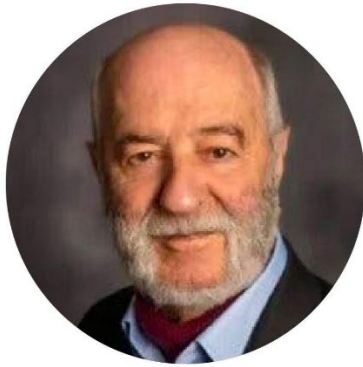
The most expensive substance on Earth (antimatter) costs an unbelievable \$62 trillion per gram. That would buy about 44 billion bottles of Macallan!

<https://flip.it/u5vvbd>

[The 10 Most Expensive Napa Wines in the World \(2023\) | VinePair](#)

<https://flip.it/P4nmUW>

All my best,



Harold Evensky

FOUNDER

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