



EVENSKY & KATZ / FOLDES FINANCIAL
— CELEBRATING 35 YEARS OF WEALTH MANAGEMENT —

NEWSLETTER VOLUME 14, NO. 3 | JUNE 2021

Dear Reader:

HOW TO MAKE \$1,000,000 IN THE MARKET. START WITH TWO.

Bored by 'Buy and Hold' Investing? Here's How to Get Started as a Day Trader

People tend to get enticed by day trading because they see a friend making money, says Nigam Arora, CEO at The Arora Report. Those who are successful day traders can make more working a couple hours a day from their home on their laptop in the morning than they might at a 40-hour-per-week job, Kepler says. "It can be very profitable for people who learn how to do it," he says.

Successful day traders are level-headed, able to follow rules and good at pattern recognition.

Query: Name One

My personal opinion – “A fool and their money...”

[How to Become a Day Trader | Investing 101 | US News - U.S News & World Report Money](#)

FYI

The median household [net worth](#) in the U.S. is \$121,700, but it's almost double that for those in their late 50s and early 60s.

According to the Fed's latest [Survey of Consumer Finances](#) from 2019, the median net worth of Americans between ages 55 and 64 is \$212,500. The average net worth, which tends to skew higher due to high-earning outliers, is \$1,175,900.

[Here's the Average Net Worth of Americans Ages 55 to 64 \(cnbc.com\)](#)

THERE'S HOPE FOR US AT ANY AGE

From Judy

- At age 23, Tina Fey was working at a YMCA.
- At age 23, Oprah was fired from her first reporting job.
- At age 24, Stephen King was working as a janitor and living in a trailer.
- At age 27, Vincent Van Gogh failed as a missionary and decided to go to art school.
- At age 28, J.K. Rowling was a suicidal single parent living on welfare.
- At age 30, Harrison Ford was a carpenter.
- Julia Child released her first cookbook at age 39, and got her own cooking show at 51.
- Vera Wang failed to make the Olympic figure skating team, didn't get the Editor-in-Chief position at Vogue, and designed her first dress at age 40.
- Stan Lee didn't release his first big comic book until he was 40.
- Samuel L. Jackson didn't get his first movie role until he was 46.
- Morgan Freeman landed his first MAJOR movie role at age 52.
- Grandma Moses didn't begin her painting career until age 76.

I'LL GIVE HIM CREDIT

JPMorgan's Jamie Dimon: 'Buyer beware' on cryptocurrencies - Posted on Yahoo Finance

In congressional testimony to the U.S. House Financial Services Committee, Dimon was asked about his thoughts on bitcoin and other digital assets.

"My own personal advice to people is: stay away from it. That does not mean the clients don't want it," Dimon said. "This goes back to how you have to run a business. I don't smoke marijuana but if you make it nationally legal, I'm not going to stop our people from banking it."

Pragmatic but honest.

From Bloomberg

[JPMorgan Chase & Co.](#) is the latest Wall Street firm floating the idea of investors using Bitcoin as a way to diversify their portfolios.

Strategists have recently touted cryptocurrency as a way to hedge against significant fluctuations in traditional asset classes such as stocks, bonds and commodities. Rather than

making any big bets on Bitcoin, they've been recommending a relatively small allocation, which wouldn't take too much of a hit even if the price goes down substantially.

"In a multi-asset portfolio, investors can likely add up to 1% of their allocation to cryptocurrencies in order to achieve any efficiency gain in the overall risk-adjusted returns of the portfolio."

Not sure how a 1% allocation could impact the risk adjusted return of a portfolio. Sounds more like pandering than planning.

[JPMorgan's Jamie Dimon: 'Buyer beware' on cryptocurrencies \(yahoo.com\)](#)

THE FIVE STAGES OF FORGETTING THINGS

- 1.
- 2.
- 3.
- 4.
- 5.

– Billy Crystal

INTERESTING STATISTICS

How do you plan to prepare your taxes this year?

58% - With tax software

36% - Hire a tax preparer

6% - On paper

The Year in Consumer spending

Year over year spending ending 12/2/2020

-1% - Restaurants

-21% - Apparel and accessories

-30% - Department stores

-54% - Travel and Transportation

-72% - Events and attractions

Kiplinger's March 2021

A BLANK CHECK COMPANY

The SPAC, also known as a “blank check company,” was created almost 30 years ago. Kind of reminds me of “a fool and his money.” I recommend Vegas as an alternative.

- They have no “actual operations” and are created solely to raise capital for the existing firm;
- The manager of a SPAC has two years to acquire or must return money to the investors [that would probably be the best news for an investor];
- The acquisition isn't disclosed before the SPAC becomes publicly traded;
- Once the acquisition is announced, the SPAC merges with the private company;
- The SPAC investor then becomes a shareholder of the acquired company.

There's a reason that a SPAC is also called a “blank check company.” An investor is giving someone a blank check and hoping for the best.

[SPACs: The Future or a Fad? \(wealthmanagement.com\)](https://www.wealthmanagement.com/spacs-the-future-or-a-fad/)

A BIT OF HISTORY

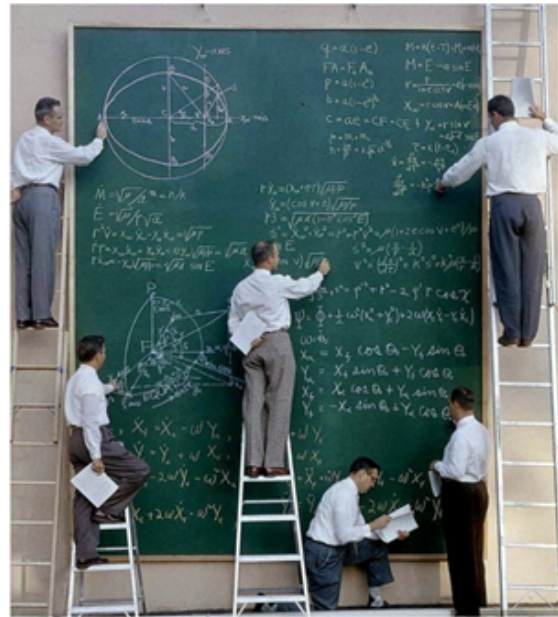
From Peter

ITALIAN CAVALRY SCHOOL, 1906



NASA SCIENTISTS, 1961

(Reminds me of college; this was my freshman year)



TESTING FOOTBALL HELMETS, 1912



EINSTEIN'S DESK PHOTOGRAPHED A DAY AFTER HIS DEATH

(Who knew we had so much in common)



IRRATIONAL EXUBERANCE OR NUTS?

From my little brother and his friend, Bill



Either their pastrami sandwich is the best in the universe, or investors have been eating too many chips, because a deli in Paulsboro, New Jersey, has a valuation of more than \$100 million. The Hometown Deli, which is listed as the sole location for Hometown International, a publicly traded over-the-counter stock, reached a market cap of over \$113 million back in February, despite posting sales of \$35,748 in the past two years, according to a regulatory filing.

Hedge fund manager David Einhorn, in a letter to shareholders wherein he warned of the dangers facing retail investors, flagged the deli as a classic example of irrational bubbles that could burst all over the market. Einhorn noted that the largest shareholder of the deli is also the CEO/CFO/Treasurer and a Director, who also happens to be the wrestling coach of the high school next door to the deli. "The pastrami must be amazing," Einhorn said

Its single location was closed from March 23 to September 8 in 2020 because of the coronavirus pandemic. During that time, the company's stock price rose to \$9.25 per share from \$3.25 per share. It last traded at just under \$14 per share. The company sold 2.5 million shares last year and has about 60 total shareholders.

EVER WONDER

From Alex

- Why the sun lightens our hair, but darkens our skin?
- Why don't you ever see the headline "Psychic Wins Lottery"?
- Why is "abbreviated" such a long word?
- Why is it that doctors call what they do "practice"?
- Why is lemon juice made with artificial flavor, and dishwashing liquid made with real lemons?
- Why is the man who invests all your money called a broker?
- Why is the time of day with the slowest traffic called rush hour?
- Why didn't Noah swat those two mosquitoes?
- Why don't sheep shrink when it rains?
- Why are they called apartments when they are all stuck together?
- If flying is so safe, why do they call the airport the terminal?

MARGIN – THE MORE YOU KNOW THE MORE YOU'LL AVOID

The Effect of Investment Literacy on the Likelihood of Retail Investor Margin Trading and Having a Margin Call

Our findings show that investors with higher investment literacy are less likely to buy on margin, while investors with higher overconfidence in investment literacy are more likely to buy on margin

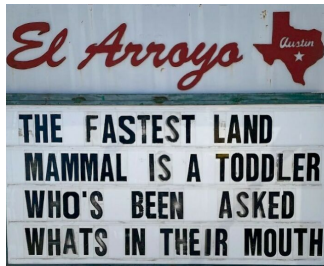
Among those who had bought securities on margin, the likelihood of experiencing a margin call decreased with investment literacy,

[Read More](#)

MORE SMILES

From Fred

Tex-Mex restaurant El Arroyo, in Austin, Texas, offers more than what's on the menu—it also puts up the wittiest signs that are sure to make everyone's day.



- I never imagined I'd go up to the bank teller with the mask on and ask for money.
- Still can't believe some people's survival instinct told him to grab toilet paper.
- "You're on mute" - most used phrase of 2020
- Ran out of coffee this a.m. So, I used wine. Everyone is so pretty today!
- Pretty wild that we used to eat cake after someone had blown on it...
- When Covid finally ends you'll either be a monk, a hunk, a drunk, or a chunk.
- I just realized my trash goes out more than me.
- Drinking coffee in the morning helps others live longer.
- Politicians be like, "Stay home unless you have a private jet."
- Sh*t, forgot to get to the gym today that makes eight years in a row now.
- You smell great. What hand sanitizer are you wearing?
- One minute you are young and wild, in the next you're into air fryers.
- Pro tip: bring up politics this Thanksgiving to save \$\$ on Christmas gifts.

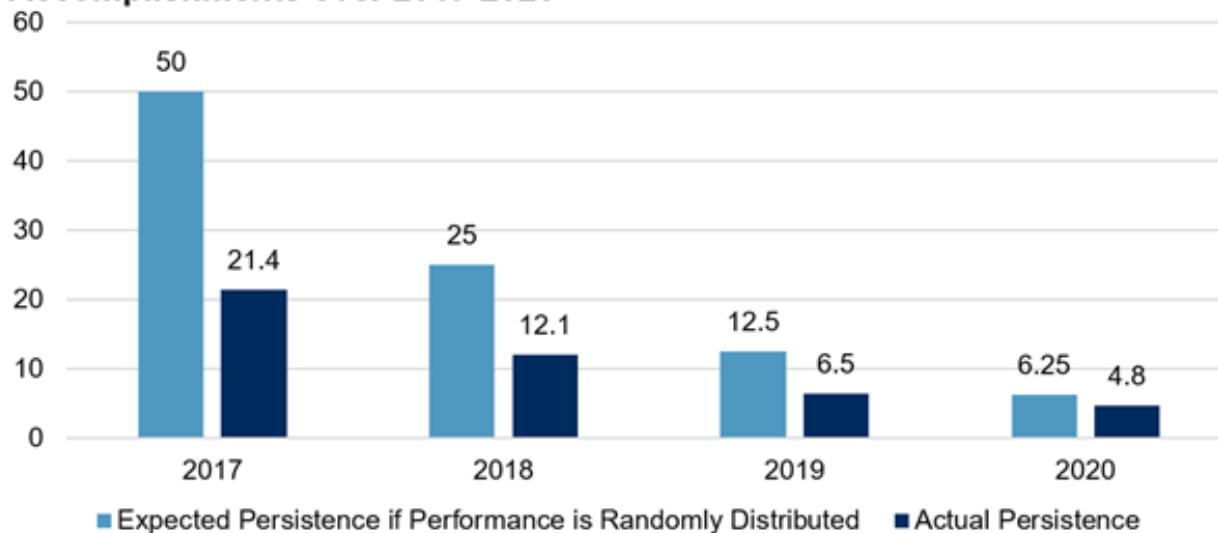
[50 Funny Signs By The Legendary Tex-Mex Restaurant, El Arroyo \(New Pics\) | Bored Panda](#)

PERSISTENCE? NOT!

From Morningstar's U.S. Persistence Scorecard Year-End 2020

Of the top-half funds of 2016, 21.4% repeated that accomplishment in 2017, with just 4.8% ranking in the top half each year through 2020. This rate is lower than what random chance would predict

Exhibit 1: Top-Half Domestic Funds of 2016 Were Unlikely to Repeat Their Accomplishments over 2017-2020



Source: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2020. Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

[U.S. Persistence Scorecard Year-End 2020 - S&P Dow Jones Indices \(spglobal.com\)](https://www.spglobal.com/morningstar/us/persistence-scorecard-year-end-2020)

AND ONE MORE NAIL IN THE COFFIN OF ACTIVE INVESTING

Richard Ennis, former CEO of the highly respected institutional investment consulting firm EnnisKnupp and editor of the Financial Analysis Journal, recently published his findings regarding the performance of U.S. pension funds, endowment funds and other nonprofit institutional investors. His conclusion from the abstract in SSRN.

Public employee pension funds, endowment funds and other nonprofit institutional investors in the U.S. have a serious performance problem. They have underperformed properly-constructed, passively-investable benchmarks by a wide margin since the Global Financial Crisis (GFC) of 2008, some 13 years ago. Moreover, they have underperformed with remarkable consistency. The poor performance is no accident.

As [Michael Edesess](#) wrote in AdvisorPerspective, “Mr. Ennis discovered that fact by performing a “style analysis,” of the type that has been applied widely since it was proposed by William F. Sharpe in 1988. Style analysis fits the performance over time of an allocation to investment “style” categories to the actual performance of a fund over time (in this case, the “style” categories are U.S. equities, bonds, and international equities). It thus infers the allocation of the fund to those styles.

Ennis’s result is that if the allocation had been made to the three index funds (U.S. equities, bonds, and international equities) with allocations matching the style analysis, the performance would have precisely matched the performance of the pension funds (gross of fees). The fit had an r-squared of 0.991 (i.e., 99% of the variation in the performance of the pension funds was explained by the index fund). The pension fund beta relative to the benchmark was 0.999.

In short, the funds could have realized the same performance for a fee, not of 1.52% or 1.87%, but of about one basis point a year (for the large funds; smaller funds would have to pay slightly more). That cost of one basis point is less than one-one-hundred-and-fiftieth of what they actually did pay.

[The Spectacular Failure of the Endowment Model - Articles - Advisor Perspectives](#)

[How to Improve Institutional Fund Performance by Richard Ennis :: SSRN](#)

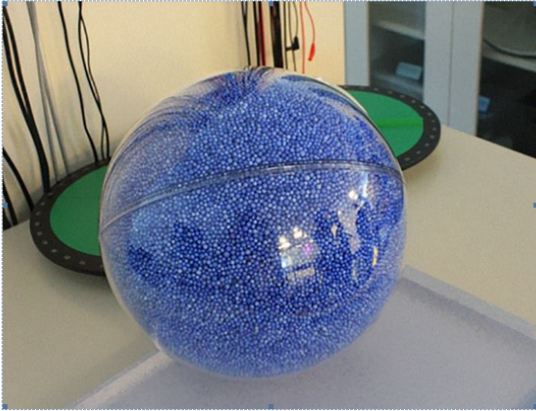
SHORT TERM MARKET PROJECTIONS

From my friends at Blue Ocean



THE SCALE OF THINGS

*2. How many Earths would be able to fit inside the Sun?
1.3 million Earths.*



4. Eagle talons are enormous!



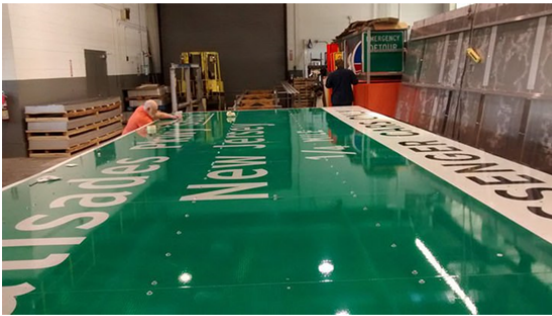
13. Saltwater crocodiles are huge compared to fresh water crocs.



6. The Titanic in a comparison with a modern cruise liner.



12. Some road signs really are that huge!



17. Standing beside a single wind turbine blade.



7. Quetzalcoatlus Northropi - the largest flying animal to ever live



15. The true size of Michelangelo's David.



IPO's - WE WIN, YOU LOSE

Excerpts from an excellent Kiplinger March article, [Tread Carefully in a hot IPO Market](#)

The average first day return for IPOs in 2020 was nearly 42%, the best one day showing since 2000...

For every high-profile IPO that doubles on its first day, there are many newbie stocks that disappoint investors. In fact, the long-term performance of IPOs is underwhelming. About half of IPOs “will produce negative returns” in their first five years as public companies, Ritter [finance professor at the University of Florida] says.

The IPO game puts individual investors at a disadvantage. Banks that underwrite IPOs set the offering price and dole out most of the shares at that price to their best customers, such as hedge funds and mutual funds. “Very few shares go to mom-and-pop investors,” Ritter says. Most people can’t buy shares of an IPO until it starts trading and that means they can’t benefit fully, if at all, from big first-day gains ...

Consider Airbnb’s December 10 debut. The first trade was at \$146 per share, or 115% above its \$68 offering price; the stock closed that day at \$145. Although headlines touted an eye-popping 113% gain, investors who bought that the opening price suffered the loss of 1%.

Looking at the IPO returns for the first year of trading and excluding first-day performance provides a more accurate snapshot of how IPO investors will fare, says Wes Crill, Senior researcher at Dimensional Fund Advisors... In the period from the start of 1992 through 2018, a hypothetical portfolio of IPOs issued over the previous 12 months, weighted by market value and rebalanced monthly, posted annualized returns of nearly 7%. That lagged the 9% return of the Russell 3000 stock index...

Long-term IPO returns are nothing to brag about, either. IPOs that were bought at the first day’s closing price and held for 48 months posted a median decline of 17.4%, according to research firm IPOX Schuster, citing data from 1985 through 2019. Nearly 57% of IPOs in that four-year holding period had negative returns ...

Even the most-hyped IPO sometimes fails to deliver. Shares of Fitbit, which makes wearable devices and meal-delivery company Blue Apron still trade below their respective IPO prices from 2015 and 2017. The stock of ride-sharing leader Uber, which fell 7.6% on its first trading day in May 2019, only recently climbed above its \$45 IPO price, to \$53 in mid-January.

KID IN A CANDY FACTORY

My friend Wan works at the fire department and arranged for me to have a dynamite tour.

My 105' Ladder



Up at the top



I'm running up the ladder



In the driver's seat



This ETF Has An 8.4% Dividend Yield

The headline (this was the size of the font) was extolling the opportunity of investing in the GraniteShares HIPS US High Income ETF (NYSE:[HIPS](#)). Needless to say, an exciting potential investment for someone looking for income. It caught my attention as I knew no way was there an investment providing an 8.4% total return (i.e., dividends + capital gain/loss).

Unfortunately, as usual, financial pornography leaves a bit out of the discussion. For example, how about that total return. Here's a comparison to IVV, the S&P 500 ETF.



And, how about the really awful month of March 2020? Whoops.



Now let's look at some of the other important metrics.

RISK

5 YEAR SHARPE RATIO – A measure of the return/unit of risk. The higher the better.

HIPS 0.37

S&P 500 (IVV) ... 1.07

TAX EFFICIENCY

TAX COST RATIO (3 Year) – A measure of how much of an annual return will go to pay taxes. The lower the better.

HIPS 3.33

IVV0.61

EXPENSES

NET EXPENSE RATIO – This is how much comes out of the investor's pocket to pay for the privilege of investing in the fund. Obviously, the lower the better.

HIPS 1.27%

IVV0.03%

CONCLUSION

HIPS seem to be high risk and poorly performing, very tax inefficient and very expensive. Other than that, it looks great.

THE MORAL

Before you fall for a great headline, do your homework or hire a fiduciary professional you trust. It will save you heartache and money in the long run.

[This ETF Has An 8.4% Dividend Yield | Benzinga](#)

FUN QUOTES

from my daily calendar

- “He’s a very competitive competitor, that’s the sort of competitor he is.” Dorian Williams, Sports Commentator
- “The best advice against the atom bomb is not to be there when it goes off.” British Army Journal, 1949
- “I never forget a face but in your case, I’ll make an exception.” Groucho Marx
- Candles Recalled Because Of Fire Risk, Associated Press
- “Someone asked someone who was about my age, ‘How are you?’ The answer was ‘Fine. If you don’t ask for details.’” Katherine Hepburn
- “If only faces could talk.” Pat Summerall, Sportscaster
- “I am getting to an age where I can only enjoy the last sport left. It is called hunting for your spectacles.” Sir Edward Grey

WHO KNEW INVESTING WAS SO EASY

Here’s two stories I recently read about.

How I Turned \$20 into Six Figures Through Investing

“I began my investment journey five years ago while working a full-time job.”

Not too bad. Even if six figures is “only” about \$100,000, if he keeps it up he’ll have about \$500 million in another 5 years and \$2 ½ trillion 5 years after that.

[How I Turned \\$20 into Six Figures Through Investing \(entrepreneur.com\)](#)

But he’s a piker compared to Mr. Newell.

Cameron Newell earned \$5 million day-trading stocks in 2020 after starting with \$1,000.

“I didn’t graduate college, you know,” Newell told Insider. “I had a 2.3 GPA in high school. Pretty much the same in college, 2.5 or something like that. So, I’m not anything. I’m not a genius. I just found what I love.”

A friend first introduced him to trading and told him about the app Robinhood.

I did some calculations and asked Lane, my partner and our CIO to check. His response: "Numbers are too big to understand. \$1000 into \$5,001,000 in one year is a 500000% return. In 5 years at that return, it's a number too big for me to pronounce."

[Trading Strategies to Make \\$5 Million in a Year: Cameron Newell](#)

If you want to join these gentlemen, I also recently received the following:

Forget About Dogecoin: These 3 Stocks Will Make You Rich

The hype-driven Dogecoin doesn't belong in your portfolio -- but these winning stocks do.

[Forget About Dogecoin: These 3 Stocks Will Make You Rich](#)

My conclusion? A fool and his (or her) money is easily parted. It may take awhile but karma is patient.



Harold Evensky

FOUNDER

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