

Quarterly Portfolio Review

June 30, 2024

"The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go."

- Benjamin Graham

Year in Review

- 30 year mortgage rates have risen to about 7.49% and the 15 year to 6.48%.
- The Federal Reserve is only anticipating 1 rate cut in 2024 despite continued improvement on the inflation front.
- We had a fair number of clients who moved up into new tax brackets. Its important to contact us if would like to amend your tax withholding on your IRA distributions.
- Life Insurance Policies: Many clients have legacy life insurance policies. You should review these policies every 2-3 years for beneficiaries, costs, and premium options.
- As of the date of this newsletter, 3 month Treasury rates are over 5.25% and money market rates are over 5%.

BENCHMARKS YTD THROUGH 6/30/24

FTSE World Gov't Bond Index 3-7 Yr. Hedged	+0.13%
Russell 2000 (US Small Cap index)	+1.02%
S&P 500 (US Large Cap index)	+14.48%
Wilshire 5000 (US Total Market index)	+12.79%
MSCI EAFE (International Stock index)	+3.51%

A COMMENT ON PERFORMANCE FIGURES REPORTED ON SCHWAB'S WEBSITE

AFA has been working with Charles Schwab for almost 30 years. We chose them as the custodian for our clients' assets for a number of reasons. Chief among them were their size, safety and ease of use.

One area they dramatically need to improve, however, is their performance reporting. Schwab does NOT provide portfolio performance review. They ONLY provide a change in absolute value figure. This is a major distinction and is so important, AFA spends countless hours and tens of thousands of dollars every year on 3rd party performance reporting software. The easiest way to explain this is through a simple example:

Assume we invest \$1,000 in stock A. After 1 year, stock A pays a \$100 dividend and is still valued at \$1,000. We now have \$1,000 in stock A and \$100 in cash for a 10% portfolio return. Schwab will show Stock A as having a 0% return because the value of stock A has not changed, and they don't include the cash in the return figure.

Or worse, assuming a Mutual Fund X starts at \$1,000, then drops by 5% and pays a 10% capital gain distribution. The end result would be \$950 in Fund X and \$100 in cash for a net portfolio return of +5%. Schwab, however, will not show this. Schwab will show that Mutual Fund X had a -5% return.

We have discussed this on webinar and in individual client meeting. It is so important that we wanted to highlight this major difference and ask that you not use the performance figures listed on Schwab's website.

QUARTERLY CLIENT WEBINAR

Date: Thursday, July 25th, Starting time: 12:00 pm, Eastern Standard Time

Meeting Number: 2633 876 1639 Password is 0725

Website link: <https://afadvisorsevents.webex.com/afadvisorsevents/j.php?MTID=mceaae1bd49ad80b74c3b8d17fbf40841>

To join the teleconference only: US TOLL: +1-415-655-0002 Access code: 2633 876 1639

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.