

# Paul Miller Advisory Monthly



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Hello Everyone, I hope you are all safe and well. Just to update what has been going on with the markets, there have been various activities in different asset classes. Even though the S&P500 showed a strong return for the second quarter, certain parts of the markets underperformed. The areas of the under performance were the Value Stock indexes and also Income oriented stocks such as the Financials and Energy. We still believe that there will be no additional tests of market lows for the balance of this year. Obviously we will all be monitoring the upcoming elections, vaccine status, and various legislation to help those that are affected by the current situation. If you wish to have more detail, just let me know. Best Regards, Paul B. Miller, CFP®

## New Twist in the Labor Market

In December 2019, women outnumbered men in the U.S. workforce for the first time since April 2010, when layoffs due to the recession disproportionately affected male workers. A larger percentage of men age 16 and older (69.2%) are participating in the workforce than women (57.7%). However, there are more women than men in the population, and big industries such as health and education are keeping more of them in the workforce.



Source: U.S. Bureau of Labor Statistics, 2019



# Portfolio Performance: Choose Your Benchmarks Wisely

Dramatic market turbulence has been common in 2020, and you can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of these major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Both the Dow and the S&P 500 track the stocks of large domestic companies. But with about 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the market and is considered to be representative of U.S. stocks in general. These indexes are useful tools for tracking stock market trends; however, some investors mistakenly think of them as benchmarks for the performance of their own portfolios.

It doesn't make sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" in good times is usually unrealistic, unless you are willing to expose 100% of your savings to the risk and volatility associated with stock investments. On the other hand, if you have a well-diversified portfolio, you might be happy to see that your portfolio doesn't lose as much as the market when stocks are falling.

## Asset Allocation: It's Personal

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

*The desire to become a more disciplined investor is often tested by the arrival of your account statements.*

## Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

*The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.*

# Turbulent Times: Bear Markets Come and Go

The longest bull market in history lasted almost 11 years before coronavirus fears and the realities of a seriously disrupted U.S. economy brought it to an end.<sup>1</sup>

Bear markets are typically defined as declines of 20% or more from the most recent high, and bull markets are sustained increases of 20% or more from the bear market low. But there is no official declaration, so often there are different interpretations and a fair amount of debate regarding when these cycles begin and end.

Between February 19 and March 23, 2020, the S&P 500 fell 34% and then took just 15 days to bounce back above the 20% threshold that would technically mark the beginning of a new bull market.<sup>2</sup>

Still, most investors wait to see if volatility subsides and higher prices persist before they cheer the exit of a bear market. And in the midst of the pandemic, without a clear economic picture, it could be more difficult than usual to tell whether any market advance is a short-term rally or the start of a longer upward trend.

## Historical Perspective

The CBOE Volatility Index (VIX), a closely watched measure of stock market volatility and investor anxiety, hit all-time highs in March 2020.<sup>3</sup>

If you are losing sleep over volatility driven by disheartening news, it may help to remember that the economy and the stock market are cyclical. There have been 10 bear markets since 1950 (not counting the one that began in 2020). Each of these declines was triggered by a different set of circumstances, but the market recovered eventually every time (see table).<sup>4</sup>

On average, bull markets lasted longer (1,955 days) than bear markets (431 days) over this period, and the average bull market advance (172.0%) was greater than the average bear market decline (-34.2%).

The bottom line is that neither the ups nor the downs last forever, even if they feel as though they will. There are buying opportunities in the midst of the worst downturns. And in some cases, people have profited over time by investing carefully just when things seemed bleakest.

Bear Markets Since 1950	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 Index)
August 1956 to October 1957	446	-21.5%
December 1961 to June 1962	196	-28.0%
February 1966 to October 1966	240	-22.2%
November 1968 to May 1970	543	-36.1%
January 1973 to October 1974	630	-48.2%
November 1980 to August 1982	622	-27.1%
August 1987 to December 1987	101	-33.5%
July 1990 to October 1990	87	-19.9%*
March 2000 to October 2002	929	-49.1%
October 2007 to March 2009	517	-56.8%

\*The intraday low marked a decline of -20.2%, so this cycle is often considered a bear market.

## Making Changes

If you're reconsidering your current investment strategy, a volatile market is probably the worst time to turn your portfolio inside out. Dramatic price swings can magnify the impact of a wholesale restructuring if the timing of that move is a little off.

Changes in your portfolio don't necessarily need to happen all at once. Having appropriate asset allocation and diversification is still the fundamental basis of thoughtful investment planning, so try not to let fear derail your long-term goals.

*The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.*

*The S&P 500 is an unmanaged group of securities that is considered to be representative of the U.S. stock market in general. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.*

1-2,4) Yahoo! Finance, 2020 (data for the period 6/13/1949 to 4/7/2020)

3) MarketWatch, March 31, 2020

# Medicaid May Pay You as a Family Caregiver

Each day, parents, children, siblings, and spouses selflessly sacrifice their time and energy to care for family members affected by illness, injury, or disability.

According to the Department of Health and Human Services, about 80% of care at home is provided by unpaid caregivers and may include an array of emotional, financial, nursing, social, homemaking, and other services. More than half (58%) have intensive caregiving responsibilities that may include assisting with a personal care activity, such as bathing or feeding.<sup>1</sup>

Caregiving can exact an emotional and physical toll. It can be financially draining, too. However, if you are a caregiver of a loved one, you may be able to be paid for your services by Medicaid.

Each state and the District of Columbia have programs that allow qualified individuals to manage their own long-term care services, including the selection of a caregiver.

Many states' Medicaid programs allow the participant to hire relatives or friends to provide needed assistance. But Medicaid services are different in each

state, and states generally have more than one Medicaid program that may offer caregiver benefits.

For instance, some state programs may pay for family caregivers but exclude spouses or in-laws. Others may only provide compensation if you do not live in the same house as the person in your care.

There are a few things to note. Generally, Medicaid looks at the applicant's financial situation (income and assets) as well as his or her functional ability. Once approved, the applicant can apply for a specific Medicaid program that allows for the applicant to manage their own care, including selection of a caregiver who may be paid, directly or indirectly, by Medicaid.

Contact your state Medicaid office to learn about their specific programs and respective eligibility requirements. Also, some states have programs in addition to Medicaid that may pay for family caregiver services.

<sup>1</sup> Department of Health and Human Services, [longtermcare.acl.gov](https://www.longtermcare.acl.gov)

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## IMPORTANT DISCLOSURES

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