
April 4th, 2024

Strong Q1 and Getting More Interesting

As we start the second quarter of 2024, it's interesting to reflect on the economic and stock market performance amidst a backdrop of global challenges and opportunities. From the impacts of geopolitical tensions to the ongoing lagging effects of the COVID-19 pandemic, various factors have influenced the trajectory of both economic growth and stock market indices.

In the 40 years since WWII, when the S&P 500 was up at least 1.5% in January, its median performance for the remainder of the year has been a gain of 13.4% with positive returns 82.5% of the time. In all other years, the S&P 500's median gain was 5.7% with positive returns 66.7% of the time. But, as you might get tired of me warning about, valuations are stretched and while the market has been anticipating lower interest rates, the Fed may not deliver, especially given signs of persistent inflation.

Both the US and global economy have demonstrated resilience in the face of continued uncertainty. Key economic indicators such as GDP growth, employment rates, and consumer spending have shown signs of improvement, albeit with variations across different countries and sectors, and many economists are calling for "no landing" at all, meaning no mild or deep recession this year. I don't think we can underestimate the stimulus measures implemented by governments and central banks provided over the last few years, thus keeping us in this phase of potentially artificial growth with inflation/supply chain disruption concerns. Rising commodity prices, labor shortages, and transportation bottlenecks have led to increased production costs for businesses and higher prices for consumers.

Technology stocks continued to outperform, driven by innovation and digital transformation trends accelerated by the pandemic. Companies in sectors such as e-commerce, cloud computing, and telecommunication benefited from increased demand for their products and services. Meanwhile, traditional sectors such as energy, finance, and manufacturing faced some challenges but have also shown resilience in adapting to changing market conditions.

Looking ahead, uncertainties persist, and risks remain. The trajectory of the global economy and stock markets will depend on factors such as the evolution of inflationary pressures, and the resolution of geopolitical tensions. And, obviously this year's US Presidential Election is getting heated up with the two parties, putting up a rematch of 2020. We'll make further comments on both the history of how such elections impact the markets as well as how this one could be different in coming newsletters.

Quote of the Day:

"I signed up for my company's 401K, but I don't think I can run that far."

– Norm McDonald

UPCOMING EVENTS

June 5 – Q2 Virtual Workshop: Medicare

August 14 – Q3 Virtual Workshop: Panel on Artificial Intelligence

September 10 – ALTIUS' 25th Anniversary Party & Client Appreciation Event

December 4 – ALTIUS' Annual Holiday Client Event

TAKE A LOOK INSIDE

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The Math of Money: The Rule of 72

Have you ever heard of “the Rule of 72”? It’s a simple way to determine how long an investment will take to double given a fixed annual rate of interest/return. If you divide 72 by the annual rate of return, this will give a rough estimate of how many years it will take for the initial investment to double. Like a lot of rules of thumb, it’s not precise but it does give a quick estimate, especially for lower rates of return. (A more accurate but less memorable number is 69.3)

But how do you use it with variable-return asset classes like stocks? You can divide 72 by the number of years you hope it will take to double your investment – this gives you an estimate of the annual rate of return you need. For example, if you want to double your money in twelve years, divide 72 by 12. This tells you that you need an average annual return of 6% to double your money in that time. Of course, this doesn’t include additional principle or savings amounts and only refers to the initial investment. It gets much more complicated to calculate returns with an initial amount plus, say monthly, additions. That’s where understanding time value of money (TVM) formulas and/or having a good TVM calculator helps.

Jenn’s Jangle – Tax Forms & Schedules

Tax Season can be a stressful time so ensuring the mailing address on your account is current on the last day of the business year is crucial for the IRS. This includes seasonal addresses for proper tax reporting to the correct state. The production of various tax forms occurs throughout tax season. Each form's timeline depends on the availability of information required to generate the forms.

Form 1099 Composite

Schwab is required to produce corrected 1099 forms within 30 days of an action that results in different tax reporting amounts. Corrected, reportable items are easily identifiable on the form. An adjusted tax form for the prior year can be triggered in two different ways:

1. If a reportable item was changed, a corrected tax form is triggered automatically. The corrected information on the tax form is reported directly to the IRS. This form is referred to as a Corrected 1099 form.
2. If a non-reportable item was changed and an updated form is requested by ALTIUS or you. This type of change does not automatically trigger a new 1099 and it must be entered manually. It is referred to as a Duplicate 1099 and is produced as a courtesy for the client. It may be necessary for you to make updates with the IRS.

Form 990-T

Form 990-T must be produced and reported to the IRS by Schwab for unrelated business taxable income (UBTI) received from partnership positions held in a retirement account. In some instances, Schwab must work with you to obtain the information needed to create and file Form 990-T, as well as any tax that may be due. Because the Schedule K-1 is sent directly to clients from the partnership entity, Schwab is dependent on you to provide a copy of the tax form(s), including any supplemental pages, for Non-Master Limited Partnership (non-MLP) positions.

Additional Tax Forms & Reports:

You may receive other tax forms or reports in lieu of or in addition to Form 1099 Composite. These forms include Standalone 1099-MISC, Form 1099-NEC, Puerto Rico 480 Series, Substitute Form 1099-OID (REMIC), Form 1042-S, Schedule K-1, Form 2439 and/or Form 1099-C. Some clients may be eligible to receive a Year-End Gain/Loss Report (YEGLR) and/or an Account Summary Report (ASR) as well. These forms are produced during different times of the tax season and have a separate schedule for corrected tax forms. Typically, this is caused by a delay in the information required to produce the tax form. The timeframes are approximate & subject to change.

Taylor's Take: Homeownership – Good, Bad, & Ugly

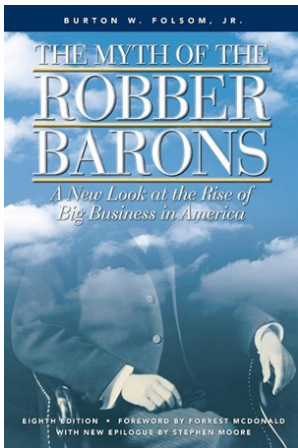
After a nice chat about household To-Dos, I rolled over in bed looking into my husband's eyes and we both agreed aloud "being a homeowner sucks." Of course, we don't entirely mean this, but after buying into the American dream of owning property, we quickly learned the ups and downs of the reality we have created. I'm not saying you shouldn't buy a home - we truly love our place and have made it special. However, it's a good reminder for anyone transitioning from renting to owning to be aware of added costs that we don't always consider.

Of course, in my case some of the added costs and labor were related to my goals of having a food and flower garden paired with a brood of hens for fresh eggs. Other typical expenses after a home purchase include:

- Fixes: anything that wasn't already fixed when you moved in or anything that could break along the way.
- Upgrades: paint color, appliances, bathrooms, home structure, lighting, etc.
- Furnishing & Décor expenses if you're moving somewhere with additional or differently themed space.
- Landscaping expenses if you are wanting to change or maintain a current yard space.

Again, I'm not saying don't buy a home – renting has its own pitfalls - but rather to make sure buyers are considering and budgeting for the added costs of this large investment decision.

PS – there's an interesting article titled ["The Housing Theory of Everything"](#) which shows a correlation between housing shortages globally connected to other social problems including inequality, obesity, and low productivity.



Book Recommendation: *The Myth of the Robber Barons* by Burton W. Folsom

I have long recommended this book to anyone who cares to think about the economic history of the US, and I recently had the honor and privilege to introduce Burt Folsom to a large audience. Why do most people have a negative view of business and the giants of industry – both today and the past? Do you know the actual history of Vanderbilt, JJ Hill (possibly my favorite – ask me why), Rockefeller, Morgan, Carnegie, Mellon, etc.? Why do most students in America get such a negatively slanted view of history?

Think about it: "robber" means one who takes something from another by violence or by putting them in fear. And "baron" is an aristocratic rank of nobility or title of honor, often hereditary, in various European countries. Yet these men were exactly the opposite: they did not use force but instead traded voluntarily in win-win transactions with their customers, providing ever increasing value at lower and lower costs. And they were anything but hereditary noblemen – many of them coming from poverty or modest upbringing. Their fortunes were earned, versus the old-world method of plunder and inheritance.

Folsom tells this fascinating story and, in my view, performs a great act of historical justice by destroying such myths and identifying the vicious lies about some of the world's greatest innovators, entrepreneurs and benefactors. He makes the crucial distinction between political entrepreneurs (cronies who lobbied Washington for favors and subsidies) and market entrepreneurs who embodied hard work, integrity, and creativity, who built America into the leading country that it became in so many areas. If your only introduction to the industrial revolution and all that followed from it is based upon this horrible idea of the "robber barons", or if you just want to brush up on the history of such a productive, exciting, and truly progressive era, you should read this book.

ALTIUS' 25th Anniversary Fun Fact

To celebrate our 25th Anniversary this year, we're including fun facts about ALTIUS' history until our 25th Anniversary Party and Client Appreciation Event on Sept. 10th (more details to come).

What was Mike doing before he founded ALTIUS? Getting his CFP, operating one of the most successful districts at Amex (#2/426 on national scorecard), buying his first home and rental properties, and had his first two kids.

ALTIUS Sponsoring Olympic Hopefuls

ALTIUS Financial is proud to announce our sponsorship of [Aspire OTQ, an initiative of the Boulder Road Runners Club](#) dedicated to supporting aspiring athletes on their journey to the Olympic trials. Our partnership with Aspire OTQ is a testament to our shared commitment to the Olympic creed of "altius, citius, fortius" – higher, faster, stronger.



As you might know, our name ALTIUS Financial is inspired by the Latin word "altius," meaning "higher." This reflects our dedication to a higher level of service and performance and continuously striving for excellence in financial planning and investment advisory services. Similarly, Aspire OTQ embodies the spirit of "altius" by helping athletes reach higher levels of performance and achieve their Olympic dreams. Many high-achieving post-collegiate athletes struggle to bridge the gap between college and earning their first professional contracts, especially the financial cost of pursuing an Olympic dream. We believe that the principles of discipline, perseverance, and goal setting in athletics are closely aligned with the virtues of successful financial achievement.

Through this partnership, we are not only investing in the future of these talented athletes but also reinforcing our commitment to our and our clients' ideals of goal achievement. We are excited to be a part of the Aspire OTQ's journey and look forward to celebrating their achievements as they embody the true meaning of "altius." Most of our team will be joining the Boulder Boulder this year as part of our sponsorship so let us know if you're there for the Memorial Day festivities, too. For more information about ALTIUS Financial and our involvement with Aspire OTQ, please visit our website or contact us directly. Together, let's strive for higher, faster, and stronger futures.

A handwritten signature in blue ink that reads "Michael J. Williams".

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