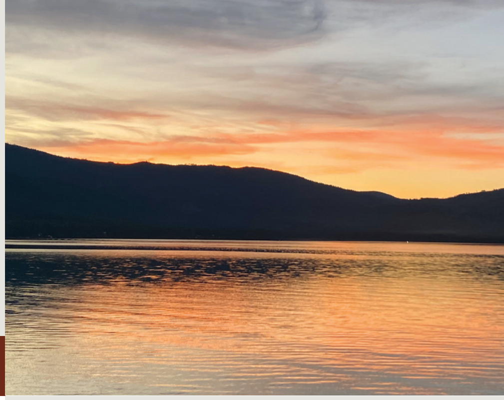
THE

COOK REPORT



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ALL HAIL THE AUTUMNAL EQUINOX

If only the economy was as precise and predicable as the biannual equinox—that moment when the sun shines equally on all parts of the equator. Indeed, summer is over and now begins the sprint to the end of the year.

As the days get shorter and cooler weather transitions our attention to the beginning of ski season in Colorado, we focus this edition of *The Cook Report* on a grab-bag of financial issues that we have recently discussed with clients. As always, we frame the discussion as long-term investors looking to build success with the time-tested virtues of patience, hard work, and planning.

DON'T FEAR THE ZOMBIE APOCALYPSE

The zombie what? The zombie apocalypse! That time in the near future when the undead will roam the planet and we will have to figure out in real time if any of the zombie shows in circulation correctly nailed the proper way to un-animate the walkers (can you "kill" something that is already dead?). Money and finances are usually of little concern during this period.

Fortunately, we are nowhere near that moment (at least we think…). The current environment certainly has its peculiarities, but changes in monetary policy or a softening economy are no reason to panic. With good planning, you should feel confident that you can weather any environment.

There has been much discussion lately surrounding interest rates and the current and near-term state of the economy. The Federal Reserve kept interest rates steady at a range of 5.25-5.5% at the September meeting of the Federal Open Markets Committee and indicated there might be one more increase before the year is over.

Higher interest rates present trade-offs. On the downside, borrowing continues to be more expensive and can negatively impact some decisions such as purchasing a home with a mortgage. More beneficially, higher rates provide investors greater options to earn a return. In recent years, investors coined the acronym "TINA" for stocks—There Is No Alternative. If you were looking for a return outside of stocks, you were disappointed with the yields offered on vehicles such as savings accounts, certificates of deposit (CDs), bonds, and money market funds. TINA is dead and you can now put your cash to work outside of the stock market.

From an economy-wide standpoint, having alternatives to equities is a bonus particularly with uncertainty over the timing of a recession (there will always be recessions as a natural part of the business cycle—we just don't know when, how long, and how deep they will be). Nevertheless, staying invested in equities remains a critical component for long-term financial success. We remind you of two studies that we highlighted in the July 2022 edition of *The Cook Report* that show it is time in the market—not timing the market—that leads to long-term gains.

Like a zombie that keeps re-animating, we offer another visual that further illustrates the importance of remaining invested. The chart on the next page looks at stock market returns one, three, and five years after market downturns of 10%, 20%, and 30%. From 1926 through 2022, staying invested five years after a decline yielded cumulative returns that on average exceeded 50%. Embrace the alternatives, but don't abandon the equity investments you have.

INSIDE THIS ISSUE:

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The Albert T. T. Cook Company is an independent registered investment adviser committed to meeting client objectives with comprehensive, unbiased financial advisory services.

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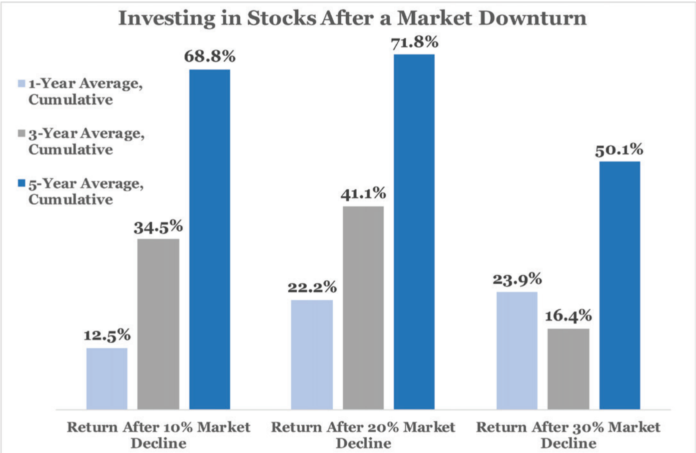
The Albert T. T. Cook Company
Impartial. Independent. Since 1984.

Albert T. T. Cook, Jr.
alcook@attcook.com

Timothy M. M. Cook
timcook@attcook.com

ALL HAIL THE AUTUMNAL EQUINOX (cont.)



Fama/French Total US Market Research Index Returns, July 1926-December 2022. Source: Dimensional Fund Advisors (https://www.dimensional.com/us-en/insights/stock-gains-can-add-up-after-big-declines). Past performance is no guarantee of future results. Individual results will vary.

IGNORE POLITICAL MESSAGING

Perhaps scarier than fending off the undead, silly season is here in our political discourse (has it ever gone away?!). As campaigns begin in earnest, we encourage you to ignore it all—at least as it might pertain to your long-term investment philosophies and goals.

While policymakers influence long-term plans through legislative changes, it is important to respond to them incrementally and only after they have been signed into law. Adjusting your plans based on new laws is appropriate and encouraged, but doing so based on candidate proposals and election results is foolish if legislation cannot be passed. Moreover, new laws generally affect a specific industry or economic sector such as health care, making a further argument to maintain a diversified portfolio.

As 2024 is a presidential election year, you will see articles in the financial press touting analyses of historical stock market gains or losses depending on which party takes the White House, Senate, or House of Representatives. Enjoy them for their entertainment value, but don't let them tempt you into timing the market.

LEGISLATION TO HEED

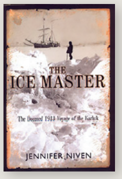
Speaking of legislation influencing financial decisions, many changes have been made to the rules surrounding retirement account required minimum distributions (RMDs), especially with passage of the SECURE 2.0 Act at the end of 2022. We touched on these changes at the beginning of the year and remind you to take any RMDs prior to December 31 of this year to avoid penalties.

Particular attention should be paid by non-spousal inheritors of retirement accounts. Whereas non-spousal inheritors previously could stretch RMD payments over the lifetime of the inheritor, inheritors must now take—with a few exceptions—RMDs each year and have all the funds removed from the retirement account within 10 years. This has significant tax implications for those who inherit retirement accounts because any funds taken out (including RMDs) are taxed at current income (with the exceptions of Roth accounts). For more, see the first article listed below.

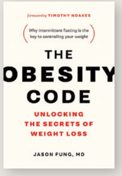
CHEERS!

Despite the occasional feeling that the zombie apocalypse is nigh, we enter the final months of 2023 feeling positive about the coming months and years. While there are always ups and downs in the economy and markets, we hope you are reassured that current events and trends should have little impact on those with a long-term plan. If you still have concerns or need more reassurance about the lack of zombies, we are here for you. Cheers to a wonderful autumn and a happy, healthy holiday season!

READER'S CORNER



The Ice Master/The Doomed 1913 Voyage of the Karluk, by Jennifer Niven (Hyperion, New York, 2000) relates the painful and tragic loss of an Arctic expedition led by Vilhjalmur Stefansson. A stark contrast to the successful leadership of Ernest Shackleton and the Endurance rescue in the Antarctic.



The Obesity Code/Unlocking the Secrets of Weight Loss, by Jason Fung, MD (Greystone Books, Vancouver, 2016) is a fascinating and readable discussion of what causes weight gain and addresses the many failed ways in which we try to lose weight. Discussion of insulin and insulin resistance is particularly enlightening.

IN THE NEWS

- "What Inheritors of IRAs Need to Know About Required Withdrawals," by Leonard Sloane (*The Wall Street Journal*, August 6, 2023) helps with confusion regarding Required Minimum Distributions (RMDs).
- "Congress Ended a Tax Break. How That Might Help Higher Earners," by Laura Saunders (*The Wall Street Journal*, August 4, 2023) deals with a 2022 change in "catch-up" contributions to 401(k)s, which can only be made into ROTH 401(k)s.
- "5 Books to Read if You're Thinking of Changing Careers," by Simon Constable (*The Wall Street Journal*, September 17, 2023) includes What Color is Your Parachute, by Richard N. Bolles, which we have recommended to clients and friends