

Survival and Just Manageable Challenges

Market Summary > S&P 500

INDEXSP: .INX

4,593.62 +2,401.67 (109.57%) ↑ past 5 years

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1 day 5 days 1 month 6 months YTD 1 year **5 years** Max



Open	4,664.63	Low	4,589.04	52-wk high	4,743.83
High	4,664.63	Prev close	4,701.46	52-wk low	3,594.39



At first glance, a chart of the S&P 500 at all-time highs and the “Survive” Tropic Thunder meme might not make any sense, but financial survival is at the greatest risk at time periods like this. 2009 and March 2020 present the greatest opportunities for financial success. Today, investors feel like they are on top of the world right now buying NFTs, lottery ticket stocks and making money hand over fist. Confidence becomes the default mindset and this “game” feels easy. This is when mistakes are made. People add too much leverage or take too much risk just as it feels like nothing can go wrong. But there is much more risk in the market right now than there was 18 months ago. The key to surviving these times is to control the urge to go “all in” and prepare mentally for more downward volatility.

The best investors don’t try to predict the future, they try to deeply understand the present. To give you an idea of where the market is right now, below are two charts showing the number of companies trading at a price/sales ratio above 10x and the median price/sale ratio of the market (3.5x). This means that an investor is paying \$3.50 for every \$1 of revenue a company creates. This ratio was at 2/1 right before the great financial crisis and 1.75/1 right before the bursting of the tech bubble in 2000.



The current trend is not sustainable and will reverse. When that will happen, I have no idea. But I do know that a reversal is more likely today than it was 12 months ago. Now is not the time to do something dramatic. If you are in your 20s, 30s, 40s, or 50s, keep allocating money to your 401(k), rebalance every year back to your target portfolio weights, and remember that you are investing for the long-term. If you are in retirement or have a shorter-time horizon with your investment goals, maybe take some risk off the table.

Just Manageable Challenges

Life is wonderfully dynamic. As we get older, our financial situations get more complex as new variables are introduced (house, kids, jobs, goals, and responsibilities). Attempting to solve for all of these issues at once can seem overwhelming because solving for one variable will affect how you can solve for all other financial issues (allocating more money for retirement means less money available for near term goals like vacations). Instead of trying to solve for everything at once, it's important to first figure out what your priorities are then once those are established, develop a plan for each priority starting with the highest priority issue. Once that is solved for, take a break and work on the next priority. Breaking the problem down into pieces makes an overwhelming task manageable.

But even trying to figure out what your priorities are can be hard. **So, if you want help figuring out what your priorities are, if you are saving enough for retirement, or you want to know if you are invested in a way that is correct for you, I would be happy to help. Email me or call me and we can work together to solve an issue.** Thank you as always for reading and have a wonderful holiday season.

Sincerely,

Casey Wolf