CMR FINANCIAL ADVISORS
Wealth With Simplicity®

Cliff's Notes

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Election Misconceptions

by Cliff Robello

The noise can be deafening. It seems to come from everywhere, all the time. It can cause headaches, frustration, even anxiety. Sometimes, you wish you could turn it off altogether.

No, I'm not referring to whatever music the kids are listening to these days. I'm referring to the noise surrounding the upcoming presidential elections.

Election season is one of the most important aspects of our political system, but there's no doubt that getting through it can be stressful. All of us, at some point, will wonder things like, "What if my preferred candidate doesn't win?" "Who is my preferred candidate, anyway?" "Does so-and-so really mean this?" "Did so-and-so really say that?" "What's fact and what's fiction?"

But one thing you shouldn't have to stress over is how the elections will impact the markets. There are a lot of misconceptions that spring up every four years about what presidential contests might mean for your portfolio. Most of these cause investors to worry unnecessarily. As your financial advisor, it's my job to help you feel confident in your financial future, not anxious. So, in this letter, let's do a brief dive into three misconceptions about election season and the markets.

The first misconception is that presidential elections lead to down years in the markets. It's understandable why we might feel this way. When we look back at past elections, the first things we remember are probably the controversies, uncertainties, and negativity. Election years feel volatile in our minds and memories, usually because there's so much drama and so much at stake.

But statistics prove this misconception is a myth. Since 1944, there have been twenty presidential elections. In sixteen of those, the S&P 500 experienced a positive return for the year.[1] In fact, the median return for presidential election years is 10.7%.[1] Of the four election years that saw a negative return, two did occur in this century – in 2000 and 2008 – but on both occasions, the nation was either entering or in the midst of a significant recession.

Now, we do sometimes see increased volatility in the months leading up to an election. If we just look at how the S&P 500 performed from January through October in a presidential election year, the median return drops to 5.6%.[1] That's not bad, but it is nearly 50% lower. This suggests the uncertainty over who will triumph in the election – and the debate over what each candidate's policies will mean for the economy – does tend to have at least some effect. Then, as the victor is announced and the picture becomes a little clearer, volatility tends to subside, and investors move on to other things. So, in that sense, election season does matter, but nowhere near what the media may have you believe. Elections are just one of the many ingredients in the gigantic stew that is the stock market… and they're far from the most important.

The second misconception is that if one candidate wins, the markets will plummet. This narrative is, frankly, driven by pure partisanship. The fact of the matter is that the markets have soared under both Republican and Democratic presidents. Naturally, they've occasionally soured under both parties, too. Since 1944, the median return for the S&P 500 in the year after a presidential election is 9.8%.[1] Since 1984? The median return rises to over 24%.

The reason for this is because of that gigantic stew I mentioned. You see, the markets are driven by the economy more than by elections. By the ebb and flow of trade, the law of supply and demand, by innovation and invention, by international conflict and consumer confidence. And while the president does have an influence on all this, it's just one of many, many influences. As a result, the markets are far more likely to be affected by inflation and whether the Federal Reserve will cut interest rates than by the election.

Election Misconceptions (cont'd)

When you think about it, the markets are like life. The course our lives take isn't determined by one gigantic decision, but by the millions of small decisions we make every day. The same is true for the markets. I don't know about you, but I find this comforting.

The third misconception is that we have no control over any of this, and thus, no control over what happens to our portfolio.

It's true. You and I can't dictate who the president will be. We can't determine how the markets will react. But what we can control is what we will do. And that, «Informal Name with Spouse», is a mighty power indeed.

There's a reason I began this letter by referencing noise. As investors, one of the keys to long-term success is filtering out the noise and focusing on what really matters. You see, the goal of all political campaigns – and the media that covers them – is to create noise. That's because noise provokes emotions. Fear. Anxiety. Anger. A greater emotional response leads to more clicks, more views, more shares, more engagement… and, yes, more money. It's understandable why campaigns and the media want these things. But what we must guard against is letting those emotions drive our financial decisions. Emotions promote the urge to do something – buy, sell, get in, get out, take on more risk, less risk, you name it. They prompt us to make short-term decisions to alleviate what is, when you think about it, a short-term concern.

A presidential term lasts four years. But the goals you have saved for, and the time horizon you have planned for, lasts much longer than that. That's why our investment strategy is built around the long-term. It's designed to help you not just tomorrow, or next month, but years and years from now. It's designed so that the president of the United States, as important as he or she may be, is only a passing mile-marker on the much longer road to your goals and dreams.

So, as we draw near to another election, «Informal Name with Spouse», remember: Tune out the noise. Remember these misconceptions and avoid them. And most of all, remember that my team and I are here to answer your questions and help you however we can. Please let us know if there is ever anything we can do.

Have a great summer!

QUOTES WE'VE BEEN THINKING ABOUT:

> *Trade money for time, not time for money. You're going to run out of time first.*
>
> Naval Ravikant

Sources

[1] "Election year market patterns," ETRADE, us.etrade.com/knowledge/library/perspectives/daily-insights/election-stock-patterns

What's Over the Next Hill:
What do I Want to Improve on in Retirement?

by Cliff Robello

It' s been said that no one truly grows old until they start thinking about yesterday more than tomorrow. While physical growth stops once you reach adulthood, personal growth doesn't ever have to end.

If you think about it, "life" is essentially a finite resource. Because it's finite, that means it can be measured in how well we use that resource. But the thing about resources is that they become worthless if unused. Money isn't much good if it never leaves the piggy bank. Food turns rotten if left uneaten. And life becomes empty if we don't use it to progress and grow.

To prevent that from happening, start determining now how you want to keep growing. What skills do you want to learn or refine? What obstacles do you want to overcome? What milestones do you want to reach? While it's nice to imagine a retirement spent lounging on a hammock, many people find that gets old rather quickly.

But becoming more than what you already are never does.

To us, that's the most wonderful thing about retirement. Suddenly, you have the time to learn those skills or reach those milestones. You see, time is another finite resource. But retirement gives you a blank check on that resource that you can cash in however you want.

Most people think of places they want to see in retirement, and activities they want to focus on. But don't neglect making a list of what you want to improve on or get better at. While most people are happy to ditch the daily grind once they retire, one thing you should not give up on is the chase . The chase for a better life. The chase to be a better you.

This is the way to keep growing in retirement. And a retirement spent growing means you will never ever get old.

FUN FINANCIAL FACT

The California Gold Rush started in 1848 when James Marshall found flakes of gold in the American River. News spread rapidly, prompting roughly 300,000 prospects to flock to California from all over the world. Not every prospect would strike gold, but if you were a merchant who catered to miners, business was booming! From workwear entrepreneurs to saloon owners, merchants who provided the goods and services that prospectors needed made out like bandits. It paid to follow the gold frenzy.

In fact, recent studies have found that merchants made far more money during the Gold Rush than the miners did!

What's Happening at CMR...

Cliff...

I am just back from a business conference in Vancouver, Canada. I realized that this was the first trip I took this year. Pictures are limited, so I will have to leave it up to your imagination 😊 I will have many to share after our family vacation.

I hope you have a fantastic summer and that all your travels are everything that you want.

Sheri and Zane...

It's nice to be entering summer. Our kids had their May day performance. Zeke danced to Moloka'i Slide and Zaia was a Huli Huli Chicken. It was so adorable.

Margaret and Roxanne...

2024 Accelerate Conference for Administrative Professionals and Support Staff in Scottsdale Arizona was great! We met some amazing people and learned some valuable information that we can put to good use here at CMR.

We hope you all have some fun in the sun cause it's Summer time.

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