

The Old Fashioned

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WEALTH MANAGEMENT TEAM

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Introduction

Happy New Year! Hard to believe twelve months have gone by since the last time I communicated in this manner. There is so much to cover let's begin with an outline of the four goals of this annual letter.

One: A reiteration of those fundamental philosophies we hold to be true in the world of financial planning and investing. The bullet points here are a word for word repetition of last year...they are after all fundamental philosophies. The preamble is a bit different this year and dives deeper down the behavioral well and I hope you enjoy this added context.

Two: A recap of the year from an investment perspective. As a reminder we are not predictors of the market, and it would be detrimental to think anybody had that skill. However, I think it's informative to look back on where we have been as further edification of the fundamental philosophies.

Three: Team announcements: this year we have several new co-workers and we've all lived busy lives and would love to share some highlights with you.

Four: A few personal learnings and guidance I have developed in the past year that I think would be helpful to share. A sort of fireside chat through newsletter format.

Please enjoy this letter and know that the whole team is looking forward to meeting with each of you soon.

Unalterable Truths of Financial Planning/Investing

I was asked recently by an individual considering employing our team as his family's financial guide, "How does your team protect us against losing our money in a market downturn?" They expected me to talk about portfolio construction, diversification, market timing or even superior product selection. However, none of that matters when fear of loss comes a knocking...no, what saves us in those moments is the hours and hours of training we have done in advance. I told them we would have many conversations that go a little something like this: "About two out of every ten years the equity markets will drop precipitously. I have no idea when these panics happen, what will trigger them or how long they will last, but they will happen, and they will be temporary. In those moments you must trust in the temporary nature of those declines. For if you don't, your investment plan does not stand a chance." I explained that we would have all these



conversations in advance of these market panics. Together we will put in the work to fortify our investment philosophy so that when the markets inevitably panic our conviction will outweigh our fear and that is the only way by which an advisor can truly protect anybody from inevitable market downturns. I am pleased to say that family elected to join the RMB family of investors and is as fervent a believer in the below as all of you are!

The following are the unalterable truths of successful investing:

1. Create an investment plan that is goals focused
2. Use your plan, not the market, to define your success
3. Risk is only measured as the probability of not meeting our financial goals (ie. Running out of money!)
4. Long term commitment to equities is the single greatest risk reduction tool we can utilize
5. Owning a small amount of “risk-off” assets creates the confidence to maintain a majority position in equities
6. All market declines are temporary and should be opportunities for the disciplined investor

These rules get battle tested year in and year out and have yet to fail me or any of you. My team’s role is to provide the steady hand at the wheel in these tests. In the event you lose your confidence we are the guides that push you back towards the path we have created together. We look forward to serving in that role for many decades to come, and if we keep in mind the truths above, I am confident we will succeed.

“Together we will put in the work to fortify our investment philosophy so when the markets panic our conviction will outweigh our fear.”

2021 Markets Synopsis

In my remarks last year, I shared with you that my personal slogan for 2021 was “The Year of Abundance”. Turns out the stock markets adopted that same motto! The S&P 500ⁱ started 2021 at 3,764 and finished at 4,766 up approximately 26.6%. Many other major indices around the world followed a similar trend. From the March 2020 Covid low, fed by expanding earnings reports, positive economic indicators, increasing valuation multiples and rising inflation, stock markets around the world have been on an almost uninterrupted trend upwards. Global stock markets have been so productive the last two years that when our team completed our annual tax loss harvest review at year end, we could not find any substantial losses. In response to this run of incredible returns we have lowered our forward forecast in stocks to the lower end of the range. As a reminder, we tilt these forecasts to better model your financial plans for the markets ahead. These tilts are by no means a call to action, but simply an acknowledgement of the future risk return trade off. Stocks, as always, remain the main driver of growth for disciplined investors. However, investing in 2021 wasn’t entirely without difficulty, which brings us to the core bond markets.

Core bonds (ie. highly rated bonds) continued to face tremendous pressure in 2021 as a consequence of the worldwide low-rate environment combined with anticipated rate increases. This combination has led to most bonds trading at a negative return net of inflation. The pressure in the municipal market only increased throughout the year as a declining level of new issuances (due to the amount of federal stimulus given to state governments) has created a large supply demand imbalance which further compressed yields and raised prices. The low yield environment that began in 2009 has now lasted twelve years. There is no doubt that Americans have never been paid less for keeping their money safely invested and we are keeping this in mind as we build portfolios to meet the necessary return objectives for our clients.

Inflation is the big topic of conversation amongst investment professionals these days. The debate is no longer, “Will we see inflation?” but instead “How high and how long will it last?”. Inflation is a larger threat to those people no longer participating in the labor force as they don’t get to experience the positive impacts of rising wages that help offset price increases. Inflation is why unalterable truth number 4 is so important, without a strong dedication to long term equities any level of inflation will erode your purchasing power. The great news is that in periods of moderate inflation equities are the best performing asset you can own. If some of the perceived short-term inflation shocks due to Covid do not subside it could make sense for some of you to consider directly hedging against inflation using a basket of commodities, real estate

investments, CPI swaps or even digital assets like Bitcoin. More to come on that as the markets evolve, but trust we are closely monitoring this trend.

Speaking of Bitcoin, digital assets like Bitcoin, NFT's, and other blockchain related assets that saw significant press coverage this year as they came out into the forefront of institutional investing options. Endowments like Harvard, Yale, MIT and Dartmouth made substantial investments into Bitcoin. Coinbase (an exchange for cryptocurrencies) began trading on the public exchanges. Goldman Sachs and Fidelity investments made Bitcoin available on their platforms. Major companies like Tesla announced large sales of US dollars and purchases of Bitcoin to serve as their reserve currency. Regulatory agencies across the world developed more transparent guidelines for the purchase, sale and reporting of digital assets. All of this led to dramatic increases in price for many digital assets. Let's be clear, all these digital assets are speculative investments that function very differently than the core stocks and bonds that should dominate your portfolio; however, to ignore block chain's impact on the technology space or digital assets impact on store-of-value like vehicles is foolhardy. There are several viable investment theses' around blockchain and digital assets and our team is well equipped to talk through whether a VERY tiny portion of your investments could be directed toward digital assets and we look forward to having those conversations soon. To be clear, digital assets are not suitable for the vast majority of investors, but some could benefit from a position and in either case it's important to have that conversation.

In conclusion, 2021 was truly a year of abundant stock market returns and overall portfolio performance. My largest takeaway of the last two years continues to be, "What an incredible example of the truthfulness behind our fundamental rules of investing!" If you kept your conviction ahead of your fear you have kept yourself on your financial plan it's been an incredibly rewarding period to be a disciplined investor. As always, I haven't a clue what will happen in 2022, but I know we will spend the whole year coaching our families to be ready to respond confidently to anything the markets bring.

2021 Team Updates

Emily Van Grinsven: Emily is joining us fresh off an amazing four years at the University of Wisconsin-Whitewater. She



graduated Cum Laude while also winning the Peter J. Barrett Student Integrity Award and was a nominee for the Greenhill Servant Leadership award. Emily worked numerous internships and campus jobs while at school and still had time to be a tutor, participate in several clubs and founded the first ever Doctors Without Borders Student Chapter at UW-Whitewater. Emily is engaging, friendly, smart, and an incredibly hard worker. She will begin her career studying under Molly and will quickly get to know all of you as she starts taking on more of the essential administrative and operational tasks we conduct every day. I cannot wait for you to begin interacting with Emily as she marks the start of her professional career at RMB.



Molly Jordan: 2021 marks Molly's third year with the team. Her diligence and responsiveness continue to be an example the rest of us strive to follow. Molly's attention to detail and rigorous procedural expertise again contributed to us receiving very high marks during our internal compliance audit. 2021 was incredibly busy year for Molly personally as she got engaged and bought a home! Many of you had such wonderfully kind things to say about Molly and the service she provided this year. She said she is thankful to get to work with all of you and can't wait to catch up on the phone soon.



Robert LaGrant: Robert has 23 years of experience as a financial advisor, partnering with families in Wisconsin to help them meet their financial goals. Robert's character, experience, charisma, and relationship centered focus jumped out during our advisor search process. His previous time at JP Morgan, Fidelity and Charles Schwab were great training grounds for the career he will have at RMB Capital. Robert and his wife Syneathia have one son in high school and another who just started at Howard University. Robert is an avid Bucks fan and is a constant student of the markets. He serves on the Endowment Committee at the Boys' & Girls' Club of Greater

Milwaukee, the Board of Directors for SecureFutures, AB Korkor Foundation for Mental Health, and the Pilgrim Rest Church and is a Business Advisory Council Member for the Sussex Hamilton School District. (Robert is a busy guy!) His heart for serving his community is self-evident. I could not be more excited to welcome Robert to the team and look forward to giving you all the opportunity to spend time with him.



Grant Beck: Grant completed his 2nd full calendar year with the team in 2021. As a reminder he played competitive golf at UW Parkside and took a job with an advisory firm on the East Coast before deciding that his heart was in the Midwest. Grant has spent 2021 getting to know many of you better. He has been my constant companion in meetings and has added tremendous behind the scenes. This year Grant will spend time building relationships with many of you as he takes more active advisory duties under his belt. Grant enjoyed the Bucks championship run he keeps himself busy golfing, skiing, mountain biking, and pheasant hunting with his family. On our ropes course team outing Grant was the only team member to successfully complete all 18 obstacles!



Trevor Isham: I am now on year 10 at RMB Capital, which means I'm closing in on my ten year sabbatical award. (If any of you have any great travel recommendations I am starting to collect them.) On top of my duties as Sr. Wealth Manager, I also serve on the RMB Capital Investment Committee. In that committee I bring the unique voice of being a front-line advisor that is married with a deep investment background. Much of my energy was spent expanding our team's capabilities by hiring two new team members who are off to promising starts. Personally, I began serving on my local Young Life chapter's committee and enjoy contributing my time and talents to that organization. On the family front my daughters are now 3, 5 and 7 years old. We are

encouraging our girls to try anything they want to help them find what they might love; therefore, I can be found at ninja camp, basketball courts, soccer fields, golf driving ranges, bible study homes, sailing school, dance class, gymnastics, ski hills, and tennis courts. All this chauffeuring has certainly had a negative impact on my biggest hobby, golf, and I regret to inform you that my handicap regressed back above single digits...there is always next year!

Conclusion

Our team meets several times a week as a group to check in on our many business duties. The conversations and subject matter of those meetings vary dramatically, but they always start the same way: 5 minutes of silent meditation. The meditations vary, but my favorite has become the time we spend meditating on our fear. To quote the recent movie (but very old book) Dune, "Fear is the mind-killer." I would expand that idea and argue that unspoken or unresolved fear is one of the primary drivers of poor decision making, fractured relationships, and unfulfilled souls. Our challenge within our meditation is identify our fear, allow it to saturate us completely and resolve to act so that we might move past or through it. Professionally we might be fearful of delivering bad news, we could be harboring fear around the investment markets, or perhaps our fear lies deeper in our own confidence and abilities to get our jobs done. Left unchecked, our fears will begin to guide our lives and lead to negative outcomes. Therefore, after personally contemplating our own fears, we voice them out loud and help each other create an action plan through them.

As you can imagine the past two years have been rife with fear: “I am going to get Covid and suffer”, “Working from home is going to destroy my career and my relationships”, “This market will never recover from the pandemic”, “Someone I love is going to fall ill”, “Inflation is running away and can’t be stopped”, “The government has screwed up badly”, “I don’t have what it takes to succeed in today’s world”, “I am going to lose my job”, “I don’t have enough money saved for retirement”...and these are just a few examples! As part of our commitment to not be ruled by our fears our team began to track our own fears and those expressed by our clients. Once we had gathered that information, we crafted proactive steps to address them and help ourselves and all of you. Let’s start with our plan to address many of your common fears expressed over the last few years.

Our team has developed a presentation called 3 1/2 Obstacles to Successful Investing that we commit to sharing with each one of you this year. This short presentation is focused around identifying fear-based obstacles and bringing the light of truth to them to increase your chances of financial success. This was crafted as a method by which we are going to help all of you combat the fears that could be holding you back from living a financially peaceful life. We have been incubating this presentation for some time now and are ready to share it with you. I genuinely believe it will be a fantastic tool for increasing your probability of investment success. We also believe there are probably many people in your lives who need to hear this message as well and we are looking forward to meeting them. What’s the 1/2 obstacle you might be asking...well you are going to have to wait until our next meeting to find out!

Now allow me to share one of our team’s most consistent fears and our action plan for addressing it. Our most consistent fear is “Are we doing enough for our client’s?” More specifically, “Do they have unspoken needs that we are not addressing?” We get feedback from you regularly and are extremely appreciative of the time you spend to give us praise or criticism, but we are concerned that some of those critiques aren’t making their way back to us. We can’t fix what we aren’t aware of and therefore our action plan is simple. If you are our client today, I want you to respond to this email directly answering two questions: 1. What is something we are doing, but not well enough? 2. What is something we aren’t doing, but you feel we should be? Our quest for continuous improvement will not end but we need your help to help us focus on delivering the services you want or need.

Earlier this year, a colleague shared this quote with me, *“Everything you’ve ever wanted is on the other side of fear.”* (George Addair) I think it’s a fitting way to end this year’s letter. Challenge, change, and fear are inevitable but our response to them is within our control. It’s our duty as your advisor to prepare you financially, mentally, AND emotionally. Together we will put in the work to fortify our investment philosophy so when the markets panic our conviction will outweigh our fear. For when we break through to the other side we are richly rewarded. My hope is that you have somebody who is doing that same work with you on your other life’s pursuits. To that end I encourage you to take five minutes and meditate on your fear and decide whether it’s causing you suffering and if yes, plan to move past it.

It’s been an honor to serve you in 2021 and the entire team looks forward to it again in 2022. Please don’t forget to respond and let us know how we are doing.

1. What is something we are doing but not well enough?
2. What is something we aren’t doing but you feel we should be?

ⁱ The S&P 500 Index is widely regarded as the best single gauge of the U.S. equity market. It includes 500 leading companies in leading industries of the U.S. economy. The index focuses on the large-cap segment of the market and covers approximately 75% of the U.S. The index includes dividends reinvested. One cannot invest in an index.