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Resolute Connections

With much of the financial press focused on short term trading and 'meme stocks' like GameStop we thought *Asset for the Long Run* would provide a little perspective for those who tend to focus on their futures instead of next week. *Executor Pitfalls* is relevant for anyone who has had a friend or relative ask you to be the executor of an estate.

And for those chomping at the bit to get out in the world and travel, the articles *COVID Restrictions on International Travel* and *Cruise Ship Updates* touch on the latest travel rules, restrictions, and possibilities.

Please be safe and we wish you continued health. If you have any questions about anything we have covered in the articles, or a specific situation please feel free to give us a call, or visit our website, www.ResoluteFinancial.com.

Asset for the Long Run

One of the most common educational props in the financial planning world is something known as the Callan Periodic Table of Investment Returns. The table is constructed in various ways—either with annual returns, or monthly returns—but the result for those shorter time periods is always the same and vividly illustrated. As you can see from the yearly and monthly return chart below, (with apologies for the legibility of the chart,) the rank order of different asset classes, (each asset class is color coded, with highest performers at the top of the chart, worst returns at the bottom,) is always random.

See for yourself whether you can discern any pattern. This illustrates, better than words, that we really cannot predict whether international stocks will outperform domestic large cap or small cap stocks in any given year, or whether any of them will outperform various bond investments in the next 12 months. This explains why professionals recommend diversified portfolios. They simply don't know, from one year to the next, which asset class is going to perform better.

But the interesting thing is that if you look out over longer time periods, the returns are not nearly so random. In fact, when a professor of business analytics at the University of San Francisco, Stephen Huxley, constructed the same chart over rolling 30-year periods, he found that small cap stocks and value stocks pretty nearly always finished with the highest returns. You can see from the long-term Periodic Table that real estate investment trusts consistently fell in the middle of the pack, and the bond investments alternated places at the bottom of the long-term return chart.

Exhibit 8
Rolling Overlapping 10-year Spans

What does this mean? To professionals, the striking consistency of this simple chart is strong evidence of something that is talked about but never actually proven: that over longer time spans, returns become more consistent and predictable than they are in shorter intervals, and that certain asset classes consistently, if unpredictably, provide more upside potential than others. A simple way to think of it is that as an owner of companies (buying stocks), you will eventually earn higher returns than if you are a lender to companies (buying bonds). You just have to wait long enough for the trend to play itself out.

Does this mean we should throw away the idea of diversification? Of course not. But it might mean that, if you have a long enough time horizon, you have a decent chance of earning higher returns if you overweight certain categories of stocks, and underweight bonds. You should still hold both and rebalance each year, which raises the odds of experiencing a smooth investment ride while you wait for the asset returns to sort themselves out over time.

Executor Pitfalls

A friend or relative asks you to be the executor of her estate. What, exactly, is she asking you to do?

An article on the NerdWallet website offers many detailed insights into the scope of the task that you would be taking on, and it is clearly not for the faint of heart. The executor has to find the deceased's relevant documents, inventory his or her assets and debts, and arrange appraisals for the tangible assets that the deceased may have owned. This is in addition to communicating with financial institutions and governmental agencies, managing property and keeping careful records of everything. If the estate includes a home, the house may have to be emptied of possessions and readied for sale.

Individually, these activities may not seem intimidating, but they add up. A survey by EstateExec, an online tool for executors, found that the typical estate takes about 16 months to settle, and requires 570 hours of effort. Estates worth $5 million or more typically take 42 months to settle and 1,167 hours to complete. Some of those hours will be hired out to professionals—attorneys, a CPA and a wealth advisory firm—but the executor has to watch over and coordinate everyone's efforts.

Disputes are not uncommon. You may find yourself in the role of referee when the heirs disagree about the way the assets were divided, and they may disagree with some of your judgment calls, such as whether to spend the estate's money to fix up a house for sale.

Before you accept the role of executor, you might insist on seeing the will or trust documents to ensure that there aren't any unpleasant surprises that could cause discord among the heirs, and ensure that everything is inventoried and the assets are in good order. You can also insist that the documents name alternates in case you can't or decide you really don't want to serve in this complicated role.

COVID Restrictions on International Travel

From January through October of last year, there were 900 million fewer international tourists from the same period the year before—due, of course, to the global pandemic. That's not especially catastrophic for the U.S. economy, since travel and tourism represent only 2.8% of U.S. GDP. But what about the Philippines, where international tourists sustain 25% of the country's total economic activity? Tourist arrivals there are down 84%. Other countries that rely on international travelers include Thailand (22% of GDP, visitors down 83%); Greece (22%, down 77%);

Portugal (19%, down 75%); Hong Kong (17%, down 94%) and Mexico (17%, down 46%).

The situation is not likely to get better for international travel—at least for a while. A website operated by an individual who calls himself "The Points Guy" tells us that we can't travel to Canada currently; the border remains closed at least until March 21, and any foreigner attempting to enter the country for reasons of tourism, recreation or entertainment will be turned away. Mexico, meanwhile, has opened all of its airports to Americans who are willing to undergo health checks, but unlike most countries, Mexico imposes no testing requirements.

U.S. citizens are currently banned from travel to Croatia, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Norway, Poland, Portugal, Russia, Sweden, Argentina, Chile, Paraguay, China, India, Indonesia, Japan, Malaysia, the Philippines, Taiwan, Vietnam, Australia, New Zealand, Israel and Saudi Arabia.

Still technically open to Americans are Ireland (which requires 14 days of self-quarantine for all incoming travelers), Serbia (which requires a negative PCR test within the previous 48 hours), Switzerland (business travel only), Turkey (14-day quarantine after arrival), the U.K. (requires proof of a negative COVID-19 test and 10-day quarantine), Brazil (no testing or quarantine required), Colombia (requires proof of a negative COVID-19 test), Ecuador (proof of negative test), Peru (14-day quarantine), Pakistan (negative test), South Korea (14-day quarantine), Thailand (Americans can apply for a 60-day visa and present proof of medical insurance plus a bank statement, and a reservation at one of the nation's alternative state quarantine hotels for 14 nights), Egypt (negative test), Kenya (negative test), Morocco (negative test), Nigeria (negative test), and South Africa (negative test).

Cruise Ship Updates

Are you ready to get back on a luxury cruise? A surprising number of people are answering "yes."

According to the website CruiseMarketWatch.com, post COVID-19 sailings will begin, industry-wide, on March 1 of this year, and the cruise industry will resume its operations at roughly 50% capacity, based on advance bookings. The site expects the ships to reach 90% capacity by the end of the year, and after that the cruise ship market is projected to get back to being chronically overbooked.

But the experience will not be exactly the same for those brave pioneers who step back aboard luxury liners. For one thing, under the new Cruise Passenger Protection Act, all cruise ships will be required to have a trained physician onboard, and they must install video cameras in all public places. New air filters and purification systems are being installed in the interior cabins on several lines, including Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises.

In addition, passengers will be required to undergo testing before boarding the ship and before disembarking the ship at their final destination, and fill out health screening questionnaires in advance of their trip. Face masks will be required onboard ships in all public spaces. Restaurant tables will be more spaced out, and crew members will serve guests at buffets, instead of the usual self-serve protocol. And perhaps most importantly, for the first part of the year at least, the Center for Disease Control has mandated that cruise sailings will be limited to no longer than seven days.

It's possible that the booking data is misleading. Many cruise lines are allowing guests who book now for a cruise departing before December 31 to cancel up to 30 days before departure and receive a 100% credit good toward sailings through December 21, 2022. So, some of the capacity may shift into next year if the pandemic is not under control by the summer months.

Source:
Bob Veres Inside Edition Newsletter

For more information on these topics or for a free consultation, contact Resolute Financial, LLC at (978) 463-8771 ext. 1003.

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