RESOLUTE FINANCIAL

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Resolute Connections

War and the Casino

After all the months of troop buildups and all the warnings that Russia intended to move into the sovereign nation of Ukraine, and all the denials and hope that war could be averted, the invasion began last month on February 24th. For the second time since 2014, Russia is using its army to seize territory in blatant disregard of international norms or, it should be said, human life.

Compared to what Ukrainian citizens are enduring now, Americans are in relative comfort - no shells bursting overhead, no tanks rolling through our streets. That doesn't mean there won't be some discomfort; already the price of gas has risen, even before sanctions cut off the world's number two oil producer.

There will be no small discomfort for Russian citizens. The U.S., European governments and Japan are escalating their sanctions against the Russian economy, which will effectively isolate the country from the global banking system and obstruct or shut off many opportunities for trade. The Germans have cancelled the Nord Stream 2 pipeline that was to have bypassed Ukraine to deliver Russian natural gas directly to European consumers, which represents a huge financial blow to the aggressor nation.

Whenever there is war anywhere on the planet, it is natural to feel uncertainty at the least, fear at the worst. We cannot sugarcoat the fact that this aggression will heighten political tensions in Europe and around the world, and we can look forward (if that's the right word) to a parade of the kind of unsettling images that wars produce in abundance.

The investment implications of all this are uncertain—but, of course, that is true at literally every moment in time; none of us can see the future, and we especially cannot see how the markets will respond to any particular event. There is an interesting phrase on Wall Street, that 'the smart money' is betting on this or that outcome. But the truth is that the smartest investors, the investors who have enjoyed the best long-term outcomes, don't bet at all. They understand that nothing that happens along the Ukraine border will change the underlying value of U.S. stocks.

There are two ways to lose money in the markets. The first is to harvest losses in stocks, funds or ETFs for tax purposes, and that often leads to re-investment once the tax benefits have been reaped. The other is to sell when the markets are dropping, which transforms paper losses into tangible ones. In past downturns, many people locked in their losses while long-term investors ignored the random white noise of market ups and downs, rode out the declines and never experienced any loss at all.

The allegedly 'smart money' is currently looking for the right bet to place on the rumble of tanks in Europe. If the past is any indication, the 'winning' investors will be the ones who refuse to enter the casino.

Retire to Where?

You may have read that a record number of people decided to retire during the Covid pandemic, but in fact only about half of all people aged 55 and over are actually retired, just 2% more than before the pandemic began. According to statistics compiled by the U.S. Census Bureau, people who are moving as a result of retirement are three times as likely to leave their state as those moving for work-related reasons. Of all the people who retired and moved away from home, a remarkable 47% decided to leave their home state.

Where did they go? The rankings differ modestly from 2020 to 2021, but it seems clear that retirees generally prefer a warmer climate and tax-friendly jurisdictions—but not always both. In 2021, Tennessee was the most popular relocation state (13.1% of retirees), followed by Florida (11.3%), Pennsylvania (10.7%), North Carolina (10.3%), South Carolina (9.4%), Kansas (7.0%), Arkansas (7.0%), Georgia (6.3%), Maine (5.4%) and Louisiana (4.3%). The top states in 2020 were, in order, Florida, Arizona, North Carolina, Texas, Tennessee, Idaho, Oregon, Nevada and Alabama.

Of those states, Florida, Nevada, Tennessee and Texas do not impose a state income tax or tax on pension income, while Florida, Arizona, North Carolina, South Carolina, Kansas, Missouri and Texas do not levy state taxes on a retiree's Social Security benefits.

Some of the most popular cities for retiree relocation included (again, in order): Mesa and Scottsdale, AZ; Henderson, NV; Savannah, GA, Paradise, NV; Charlotte, NC; Fort Myers, FL; Cary, NC; Eugene, OR; and Tucson, AZ. But it should be noted that these are net numbers, where the retirees moving out were subtracted from the number of retirees moving in. Charlotte, Mesa, Henderson and Tucson were among the cities which also experienced the largest number of retirees moving away.

Are College Costs Moderating?

One of the biggest differences between attending college in the pre-1980s era and today is the enormous cost difference, to the point where virtually every college student must take out student loans in order to matriculate. These loans then sit on the graduates' balance sheet for years and sometimes more than a decade, reducing their standard of living in the early years of employment. In the 1980-81 school year, tuition at a private, non-profit four-year college cost an average of $11,810 in today's dollars. Last year that cost had risen to $38,780. Tuition at public four-year universities rose from an average of $2,620 to $10,980—again, in today's dollars.

The rapid rise in college tuition costs may be finally easing. The College Board recently issued a report showing that public school tuition costs didn't rise for the 2020-2021 school year, while private tuition declined very slightly. The trend became more pronounced for the 2021-2022 year, where private school tuition dropped by 1.6% and public-school tuition fell 2%.

This may be due to simple supply and demand. University enrollment has been declining since 2012, and the pandemic accelerated the decline; undergraduate enrollment fell by 3.4% and 3.2%, respectively, in the past two academic years. The shrinking customer base made it harder for universities to raise prices. In addition, the various pandemic surges have shifted the college experience, periodically, away from campuses to online learning, which has reduced the overall quality of the college experience.

It remains to be seen whether lower tuition fees represent a trend or just a blip, but in this high inflation environment, the real cost of attending college is below what it was two years ago—good news for students who may face a slightly reduced level of debt in their early working years.

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