Comprehensive Investment Management, LLC
Fee Only Personal Financial Planning
Quarter Ending March 31, 2025

Right now you probably are *not* asking yourself how the financial markets performed over the first 3 months of 2025. But the most recent quarter is what this newsletter usually covers, so here is a brief review. The S&P 500 experienced its worst 3 months since the inflation-driven downturn of 2022. That's when the Federal Reserve responded to inflation by increasing interest rates which brought bonds into the fray. Through mid February the S&P was up 4% but finished down 5% at the end of March. The reasons for the turnaround were announcements about possible tariffs, as well as an overall slowdown in economic activity. President Trump mentioned the possibility of a recession which added to a continuing drop in the Consumer Confidence Index. Company CEO's continued their wait and see approach as tariff announcements loomed.

On April 2 the S&P completed a 3 day run up of almost 2%. Why investors were buying on the eve of Liberation Day remains a mystery. After the close of business the announced new tariffs exceeded the worse case anticipated by the markets. Maybe investors shouldn't have been surprised, but they were. Apparently Wall Street bankers had been assured by administration insiders that tariff talk was a negotiating tactic. But now they were real. A global sell off was on.

Over the next few days, a great many of economists as well as market and political commentators expressed bafflement about the tariffs. They said the design and even the math didn't make much sense. Mark Zandi, chief economist of Moody's Analytics, said they will likely have a major negative impact on the economy. He has been talking to other economists and not one of them disagreed with him.

Despite the seriousness of their consequences, the President himself said aspects of the tariffs were still being discussed just a day or two before they were to be announced. He mentioned a rumor that 15 or 20 countries would be affected. In fact, the number was 182. Apparently the increase was due to a last minute decision to reciprocate against any country (except Russia) that has tariffs. Not included was Canada and Mexico, which have been holding separate negotiations.

There is a reason Economics is considered the "dismal science". It studies the distribution of wealth and the implications of industrial capitalism, and reveals the stark inequalities and

Average Annual Returns of Select Mutual Funds

As of March 31, 2025	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 years
US Stocks	-5.4	-5.4	-.6	4.2	14.1	9.9	12.3
Foreign Stocks	2.7	2.7	5.2	1.7	10.0	6.4	6.2
Intermediate Bonds	3.1	3.1	5.7	.9	1.2	2.1	3.0
High-Yield Bonds	.1	.1	6.0	4.8	8.3	5.2	6.4
Mutual Fund 65/35 stocks//bonds	-2.8	-2.8	5.8	6.0	12.0	8.5	9.3
Mutual Fund 35/65 stocks/bonds	2.9	2.9	6.9	3.2	6.2	5.4	6.6

Over the past 15 years $10,000 in a 65% stock fund would have grown to $40,100 vs $26,800 in a 35% stock fund.

systematic issues within society. Economics does not deal with the concept of fairness because the perception of it has so many variations. In the end Economics is primarily based on the simple tenant of supply and demand, and yet how that principal plays out in the real world is quite complicated.

There is a hands-down consensus that the most misunderstood concepts in Economics are Foreign Trade Surpluses and Deficits. When you shop for groceries you run a trade deficit with the Acme. You buy what you want and give the Acme your money. You run a trade surplus at work where your boss pays you for your efforts. Clearly the term surplus and deficit don't apply in their usual sense. Of course, matters concerning foreign trade are bound to be more complicated than your trip to the store. When the US imports exceed its exports to a country the result is more dollars flowing out than in. Since dollars are legal tender only in the US, they eventually come back to the US in the form of investments. An example is the purchase of US treasury bonds. China owns 8.9% of the US national debt, second to Japan (13%) and just slightly ahead of the UK (8.87%).

Anybody who tells you they know how the trade war is going to work out is lying. At CIM we know, but since nobody will believe us anyway, we'll keep it to ourselves. What we will tell you is that the US financial markets and its economy, if nothing else, are resilient.

Consider March, 2020. COVID-19 had been declared a global pandemic by the World Health Organization. It marked the beginning of unprecedented disruption in daily lives, healthcare systems and economies. The number of COVID cases surged resulting in strict lockdown measures to curb the spread of the virus. Public spaces, schools, and businesses were closed, and people were instructed to stay home. Stock markets plummeted, businesses shuttered, and millions of people lost their jobs. Since Covid was so different from prior viruses, providing a vaccine was expected to take at least a couple of years. *(Over the last five years there have been at least 7 million Covid deaths, 1.2 million in the US.)*

Despite the grime prospects the S&P regained its March 2020 36% drop before the end of August. The average portfolio of CIM clients dropped 11% in those first months but finished 2020 up 14%. There is no way to diminish the impact of Covid on lives of people, their livelihoods and their finances. The economy took longer than the market to recover and resulting inflation took a toll on both the economy and markets for the next two years.

The point here is the world's economies and markets recovered from a worldwide pandemic that took its instructions from no one. Yet both made a fairly quick recovery. So why not be optimistic about a similar recovery from unilateral tariff decisions that are man-made. They are adjustable and some have already been suspended for 90 days. But even with the suspension, the remaining tariffs are 4 or 5 times higher than they were on January 1. We won't know for sometime whether a plan to bring manufacturing to the US will be successful. It may not even be a good idea. What is clear is that to suddenly upend a global economic era is resulting in turmoil. A recovery will take a good bit of time.

Meanwhile take some comfort that a significant portion of your investments are in lower risk assets. The average allocation for CIM clients is 49%.

Approximate US 2024 Deficit		
In Trillions	**In**	**Out**
Payroll taxes	1.7	
Social security		1.4
Medicare		.9
Sub total	1.7	2.3
Individual taxes	2.3	
Corporate taxes	.5	
Other	.4	
Non defense		1.0
Defense		.9
Interest		.8
Medicaid		.7
Other		.6
Social support		.5
Totals	4.9	6.8
Deficit	1.9	

CASH IS STILL KING

Cash is king serves as reminder of the importance and vital role of liquidity not just in the business world but in personal finances as well and particularly true in uncertain times. While cash is essential, balancing its security and liquidity with investment opportunities is key to financial success.

Cash and cash equivalents take many forms. They are defined as readily available short term financial instruments with high liquidity, minimal or no market risk with short maturity. Bank checking and savings accounts meet that definition, but so do treasury bills and money market accounts. Certificates of deposits are readily available but there is usually a penalty if they are redeemed prior to maturity.

An excellent question is why do many banks offer such ridiculously low interest rates on my accounts? Don't they want my money so they can lend it out at interest rates multiple times what they pay me? To clarify the lowest rates are paid by typical commercial brick and mortar branch banks. You may do better with a credit union, which is tax exempt, but they don't pay a whole lot either and have fewer services and branches.

So why do those institutions pay out so little? The 2008 financial crisis ushered in an extended era of low rates and for short term instruments it continues. After long term rates bottomed out during Covid, banks are simply not anxious to get back to the risk of longer term lending. Currently they can earn 2% by investing in short term notes. So if they pay a depositor next to nothing, they have a no-risk profit. In addition, since deregulation in the 1980's banks have expanded their products. They have added investment services and encouraged customers to compare the low rates they were getting on their accounts with the higher rates offered by annuities and mutual funds. Another reason banks offer low rates is the rule of supply and demand. They are flush with cash, so there's no need for them to compete with other banks for deposits. Bank customers with larger balances tend to be conservative and not interested in risk. They value the security of a local branch and FDIC insurance. They may shop around but find little difference in local offerings. Eventually they simply become accustomed to the lower rates.

Although recent events may be changing some minds, long term investors typically keep bank balances to a minimum. They will keep the minimum balance to avoid service charges. The break even point to avoid a $25 monthly fee is about $10,000. That is, a short term investment of $10,000 can earn about $25 per month. In fact, though, you would not be comfortable with a low balance unless you had overdraft protection. If you usually maintain a balance of say $5,000, then the additional $5,000 would only cost you $12.50 month. Another small factor is that interest income is taxable. The accounts with a lower minimum balance most likely won't pay interest.

Remote banking, once an oddity, is now main stream thanks to the internet. In the US there are now over 100 million online bank accounts. The great majority are FDIC insured, but don't assume that. As covered in CIM's September 2024 newsletter both Vanguard and Altruist now offer the convenience of easy access to online FDIC insured high yield banking. There are no restrictions. Links to your local bank account are part of the package. Vanguard transfers reach your bank the next day, at Altruist they are often completed the same day. Current yields are Vanguard at 3.65% and Altruist 4%. Vanguard says its rate is 8 times the average US bank savings rate of .4%. TD bank currently pays .02%.

While cash and its equivalents are not going to get the return expected from your longer term investments, they serve the role of an emergency reserve. It is generally recommended to keep at least three months of routine spending in cash. Cash is a place to set aside savings for planned expenditures such as a car, home renovations, school tuition, etc. Overall it's important that enough to cover five years of expected draws from an investment portfolio not be in higher risk assets.

Comprehensive Investment Management, LLC

Investment Management &
Personal Financial Services
Fee Only—Fiduciary

It's still morning in the personal financial services industry

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The CIM investment strategy:
Control risk yet outperform the market by using well managed, no commission, low cost mutual funds. Maintain appropriate asset allocation and diversification. Minimize taxes.

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Newsletters, information, and other features are available

Referrals are welcome.
Friends don't let friends invest any other way

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Upon request a complete copy of the Company ADV can be provided to clients.

Q & A's

Q. How concerned should I be about US finances being on the right track?

A. Despite some severe interruptions, our country's economic progress has been breathtaking. Our unwavering conclusion: Never bet against America.
—Warren Buffet

A. Having a long-term investment horizon is critical. You need to be able to withstand the short-term volatility to benefit from long-term compounding.
— Abigail Johnson, Fidelity CEO

A. Stay the course — *Vanguard*

A. Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future. *— JFK*

A. Diversification is the only free lunch in investing and the market rewards those who stay in their seats. — *Mary Erdoes, JPMorgan CEO Asset Mgt*

A. Our country must be strong enough to solve problems, and that means we must learn how to work together again. *— Gabby Giffords*

A. The world population is 8.2 billion. Our US population is 340 million (4%). We should be interested in what the others are thinking. *— Prof. Timothy Taylor*

A. If there is one common theme to the vast range of the world's financial crises, it is that excessive debt accumulation, whether by the government, banks, corporations, or consumers, often poses greater systemic risks than it may seem they do during a boom.
— Carmen Reinhart, PhD, World Bank, Harvard

A. There are people in every time and every land who want to stop history in its tracks. They fear the future, mistrust the present, and invoke the security of the comfortable past which, in fact, never existed.
—RFK, Sr.

A. It will take time, but this too shall pass. — *CIM, LLC*

A. Enclosed article: The Stock Market Doesn't Care How You Voted — *The Wall Street Journal*