Quarterly Newsletter

Roth FINANCIAL PARTNERS

Q3

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Should Investing Be Exciting?

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This is the first newsletter we have written now that Roth Financial Partners is an independent and stand-alone registered investment advisor (RIA). For Pete, this transition has been a culmination of an almost 37-year (and going strong!) career. We truly believe that this transition will allow us the additional flexibility to creatively innovate with our financial planning capabilities through new technology and functionality to continue to support you and your families for the years to come.

As you have spoken with Pete these past couple of months, I hope you've heard the *excitement* in his voice as he talked about the transition – I've definitely heard it (even when he has his office door closed!) That excitement comes from a passion for his job and our clients, and it is something that all of us here share.

On that note, a thought-provoking question arises: considering the industry in which we work, and especially how it is portrayed in popular media, should investing be exciting?

It is one thing to say that investing in the capital markets is *interesting*. For some, myself included, it definitely is interesting! I cannot tell you how many articles and papers I've read in the past six months about both the Federal Reserve's decision to lower the Federal funds rate to the "lower bound" (near 0%) in response to the recent economic downturn, as well as its expectations to keep the rate low for the next couple of years. I get a kick out of reading and studying such decisions and what folks a lot smarter than me believe to be the first-, second- and even third-order effects.

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There is a difference, however, between being intellectually stimulated by something as opposed to emotionally stimulated. Though we would hope that popular media would lean toward the former as their aim (and maybe did in the "good ol' days"), it feels rather evident that news outlets tend to rev us up emotionally which only draws us to keep tuning in or clicking those click-bait headlines.

One of our goals as your financial advisory team is to help act as a release valve for the emotions that arise when it comes to your finances. We hope to be as pragmatic as possible by providing a historic lens for you to view the capital markets and the many financial decisions you must make in your lifetime.

Election Season

Obviously one of the most emotional items on our agenda as a country is the upcoming national and local elections. The rhetoric is high on both sides and there is plenty of uncertainty in the air as November 3rd approaches. Signs are up, advertisements are everywhere, and promises are being made by those seeking the various offices. We all have various political beliefs and some of us feel adamant that our side is correct – adamant enough that those beliefs go from being a purely intellectual exercise to one that reflects something more personal about who we are as opposed to what we believe. That personal connection is what drives these intense emotions. When those beliefs are attacked, then it becomes a personal attack.

It is at this point where this connection between our beliefs and our worth causes us to lose the ability to view related subjects objectively. We think back to the more emotionally resonant events and believe them to be the most important while often ignoring data that may disagree with our main beliefs. When this phenomenon affects your investment strategy, mistakes can be made. Decisions about money are emotional enough – politics just amplifies those emotions and make it even more difficult to make a decision with a clear mind.

Though our elected officials can have some impact on our investment returns on a day-to-day basis, the number of variables that must be accounted for when thinking of the price of equities, fixed income, and the strength of the global economy is staggering. If there was only one variable that was important to the price of financial instruments, such as stocks and bonds, I strongly believe that it would have been discovered by now and it would already be baked into the prices.

Stocks have gone up (and gone down!) under the leadership of both political parties and they will continue to do so. Through 2019, there have been an equal number of negative years in the S&P 500 between Republican presidents and Democratic presidents. Returns during their administrations are roughly equal. What about taxes? Both income tax cuts and hikes have not had a significant impact on the stock market in the year they were ratified.

We may think that we know what will occur in the next couple of weeks, but if 2020 has taught us anything, it is to expect the unexpected. We do not know who will win, how the victor will govern (and with what mix of senators and house representatives over their entire term(s)), how consumer behavior will be impacted, and what expectations are already priced into current prices. We can easily find articles over the past decade giving a lot of thoughtful analysis about how the past two presidents (Obama and Trump) were going to crash the stock market over an extended period of time – neither occurred.

The Emotional Effect

One of our core beliefs is that investors are irrational in the short-term and that their emotions are directly reflected in the short-term volatility that occurs in the markets. When emotions are negative and market participants are pessimistic, it can be uncomfortable. However, over the long-term, you can think of yourself as getting "paid" to have that discomfort via the outperformance, on average, of stocks over bonds/cash.

Note that the sentence above states "long-term" – as we have noted in prior missives, there are plenty of periods in the recent past (including multi-year periods) where stocks are outperformed by bonds and cash. We try to prepare for those periods by having multiple years of potential expenses in those lower-volatility investments – this is why we always seek to dive deep into your fixed and discretionary cash flows and ask if there's any large purchases on the horizon. By having these lower-volatility investments (i.e. bonds, which often produce lower returns) to lean on during both potential and realized volatility, we can seek to attain the gains from the higher-volatility investments (i.e. stocks, which often produce higher returns) in your portfolio.

The above paragraph may seem boring, but a lot of investing is really just that – knowing your potential cash flows, keeping those amounts in lower-volatility investments, and removing the emotion from your investments in higher-volatility stocks.

It is important to take a step back and remember that elections always seem to amplify our emotions, which are often filled with both uncertainty and fear. The markets dislike uncertainty, which is only heightened more and more as November 3rd draws closer. However, as it has been with prior elections (including some of the most polarizing ones in recent memory), we continue to maintain confidence in long-term investing. This year is no exception to that belief.

As always, we look forward to our next conversation and review.

A quick reminder:

As Pete has mentioned to you during recent conversations and email exchanges, our transition to becoming a fully independent registered investment advisor (RIA) is complete, and everything went very smoothly. To reiterate, nothing has changed on your end. Raymond James continues to be the custodian of your assets and our relationship with them remains intact, just in a different way behind the scenes. That being said, your accounts, account numbers, investment attributes, Client Access login information, our website, our phone number, our office space, etc. all remain the same. If, however, you notice anything that does not look right or you have a question on, please let us know immediately.

The *only* things that have changed are our email addresses (which are no longer @Raymondjames.com). As a reminder, our new email addresses are:

Peter.roth@rothfinancialpartners.com
Jimmy.roth@rothfinancialpartners.com
Eric.johnson@rothfinancialpartners.com
Cindy.guynes@rothfinancialpartners.com
Stephanie.powers@rothfinancialpartners.com

Additionally, the manner in which you log in to your investment account(s) remain the same: You can continue to log in to your online account directly via Client access: https://clientaccess.rjf.com/ or by visiting our website www.rothfinancialpartners.com and clicking the yellow button in the top right corner titled, "Client Access." As mentioned above, your login credentials all remain the same.

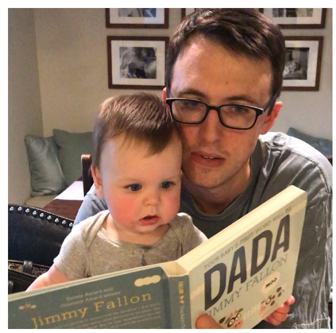
If you have any questions, please don't hesitate to call **(281) 973-8816** or email.

Around The Office Updates

Time Flies

Believe it or not, Kaylee is already 3 years old and Maggie will be 9 months old at the end of the October. Even though everyone warned Jimmy and Sandi, they are learning firsthand that these girls have very different personalities. Kaylee's passion in life is dressing up like a Disney princess while Maggie's passion is eating food and relaxing. (Seriously, this girl is about as chill as one can get). Together they are goofballs and constantly make each other laugh – something that never gets old.

Dada!



Eric and Ellie are keeping themselves plenty busy as they spend time with Abe, who will turn 9 months old at the beginning of November. He is a very happy little guy who loves to eat and jump as often as he can in his Jolly Jumper.
As you can also probably tell, he is a big fan of reading books, and the race is on to see if he will say "Dada" first or "Mama" first!

Heeere's Charlie!

As you may have heard, Pete and Carla had to say goodbye to their 12-year-old lab, Scout, this past summer. While it is never easy to say goodbye to beloved pet, they are happy and thankful to welcome another furball in the house to fill their four walls with joy. We are pleased to introduce, Charlie! She is a 3-month-old lab and is growing *fast*. In addition to already being a very smart pup, she has demonstrated her ability to dig many holes in the backyard at record speed.

Play Ball!

As the weather continues to cool off, Cindy's grandchildren are just getting warmed up. For them, baseball season is in full swing and they are red hot this year. They are hoping to keep their high level of play intact throughout the entirety of their season. Cindy is also crossing her fingers that the Cleveland Browns will continue to keep their red-hot streak alive too! Meanwhile, Stephanie has remained busy spending time with her grandchildren as well. And with Halloween just around the corner, you can bet that there is plenty of planning and debating between these kiddos on which costumes they will don this year. All in all, everyone is doing well.

Looking Into Q4

Capital Gain Distributions

Mutual Funds are required to distribute 95% of the gains realized over the taxable year. The distributions typically take place in November or December. There is nothing you need to do – we monitor those distributions, and we will keep you posted if there are any tax ramifications you need to be aware of.