

the BENCHMARK

BCS Wealth Management's Quarterly Newsletter



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By Scott Linn

Are You Taking Advantage of Higher Interest Rates with Your Cash?

When most folks think of a wealth management firm, they think of a company that helps clients manage a portfolio often consisting of stocks, bonds, and other investments. This approach aims to help them achieve their long-term goals such as retirement. Stocks and bonds have historically far outperformed cash over the long term, making these investments appropriate for goals further out in the future.

Meanwhile, clients are often saving for short- to intermediate-term goals. Investing in stocks and bonds would be inappropriate due to their volatile nature. For near-term goals, cash or cash equivalent investments are often appropriate. A holistic financial plan discusses near-term cash reserves as well as a longer-term portfolio.

As a rule of thumb, we typically recommend having a cash reserve, or emergency fund, of three to six months' worth of living expenses. One to two months' worth of living expenses should be kept in a checking account for everyday expenses. The remaining

months' worth could be kept in a highly liquid interest-bearing account, such as a savings account. Those savings are reserved for the nice little "surprises" that tend to creep up at the worst times, such as having to repair a car or replace an air conditioning unit.

For the past several years it didn't matter where you held your cash earmarked for short to intermediate goals. It was difficult to find any account yielding over a few fractions of one percent in a safe, short-term solution. Savings accounts, CDs, money markets, and other short-term vehicles for cash offered little, if any, interest. However, that has rapidly changed.

The Federal Reserve has aggressively raised rates over the past thirteen months. While that has been one of the primary reasons for market volatility, the upside is better rates for savers. If you are earning less than 4% on your intermediate-term emergency savings, we have options at BCS Wealth Management that may help you do better.

Through our custodian, Charles Schwab, we have access to cash management vehicles such as brokered CDs and money market funds. Schwab's inventory of CDs allows us to shop rates from across the country and gives us the opportunity to spread larger amounts across several banks ensuring we stay within FDIC limits. Short-term FDIC-insured CDs could be found paying over 4.8%¹ as of April 17, 2023.

We also have access to several money market funds currently yielding up to around 4.5%² as of the same date. While money market funds are not protected by FDIC insurance, they are protected by SIPC coverage. SIPC safeguards investors from assets going missing (not declining in value) in the event of a brokerage firm's failure. Money market funds can technically dip in value. However, a fluctuation in value is extremely rare. In general, money market funds are designed to provide stability and a market-based interest rate.

If you are holding any cash in excess of your cash reserves in low interest-

bearing accounts, we have access to better options for you. Feel free to reach out to us and we would be happy to have a discussion on how we can help you best manage the cash allocated for your more near-term goals.

1 Rates on most CDs are expressed as APY, or the annual percentage yield, and is accurate as of April 17, 2023. Rates are subject to change. Fees may reduce the earnings on your account. There is no penalty for early withdrawal, however, early withdrawal requires selling on the secondary market which may be selling at a discount to your original purchase price. Different account types have different

restrictions, therefore, stated rates may not be available to you depending on your specific situation. CDs are typically sold in \$1,000 increments with a \$1,000 minimum. Please note, BCS Wealth Management has a \$100,000 account minimum for cash and cash equivalent accounts (accounts investing only in cash, money market funds, CDs, and/or Treasuries). Contact us for more information.

2 All Schwab Money Funds with the exception of Schwab Variable Share Price Money Fund seek to preserve the value of your investment at \$1.00 per share, but cannot guarantee they will do so. Different account types

have different restrictions, therefore, stated rates may not be available to you depending on your specific situation. Please note, BCS Wealth Management has a \$100,000 account minimum for cash and cash equivalent accounts (accounts investing only in cash, money market funds, CDs, and/or Treasuries). Contact us for more information.

Scott Linn,
RMA®
Financial Advisor



Service Projects for #BCSWM25For25

We are excited to announce that our firm is celebrating its 25th anniversary this year! We are grateful for your unwavering support and trust over the years. We look forward to continuing to serve you with excellence and dedication for many years to come.

BCS Wealth Management has always had a heart for service, both to our clients and our community. We've been committed to making a positive impact in the community that we call home. To commemorate our 25th anniversary, we have set a goal to give back to the community by completing 25 community service projects this year.

We firmly believe that giving back to the community is essential in creating a better and brighter future for everyone. Our team is eager and enthusiastic to take on these projects and hope to make a

meaningful difference. If you have a particular service project that is near and dear to your heart, please let us know!

We are grateful for the opportunity to serve you. We look forward to sharing more updates on our community service projects as we embark on this exciting journey. We have created the "hashtag" #BCSWM25For25 to help promote and track these events. Watch for this link on our website and social media pages, and use it to keep track of our progress and to see what we've been up to.

We enter April having already participated in many meaningful projects. These include Random Acts of Kindness Week, Valentines to Seniors, reading in local schools for Read Across America week, the canned food drive for Second Harvest Food Bank, and others.

We invite you to help with one of our upcoming projects, the Marsh Blood Community Blood Drive on Tuesday, May 2nd. The Marsh Bloodmobile will be with us at our Johnson City office from 10:00 am to 3:00 pm. Please call us at 423-283-9821 for more information and to reserve your spot. Help us reach our goal of 25 units for 25 years!



Nathan Goodwin,
JD, CFP®
Partner & Senior
Financial Advisor





By Nick Clay

Quarter Review

What a relief it is to see some *green* in the chart below after a predominately negative and volatile 2022! It's quite rare to see all the indexes positive in the same quarter, but it's also unusual to see nearly all the indexes down for the year as they were last year. Stocks and bonds typically maintain an inverse relationship that rewards diversification, but last year was a "black swan" type of year where there was seemingly nowhere to hide.

While most indexes notched their second consecutive winning quarter, markets are still confronted with some of the same concerns as last year, chiefly inflation. In addition, markets are grappling with a new concern in the form of a mini-financial panic brought on by the collapse of Silicon Valley Bank.

The Fed's Delicate Job

The Federal Reserve (Fed) aggressively continues to use monetary policy to fight inflation, but the scare in the banking system has put a kink in their

all-out assault on inflation. The Fed's new Bank Term Funding Program has helped stem the crisis. Nevertheless, the Fed's job has gotten increasingly more complicated. They must juxtapose their war on inflation alongside the financial system's balance sheets in an effort not to destroy financial stability.

We believe the overall U.S. banking system is healthy. In our assessment, the recent bank collapses are unique to certain banks with a specific client and depositor base. This is coupled with those banks' mismanagement of deposits that was compounded by aggressive Fed monetary policy.

Macroeconomic Factors through an Investment Lens

Inflation is falling, especially within the major hotspots of inflation

during the last two years. Recently the Fed toned down their guidance of further rate tightening. The Fed is now signaling that the end of the rate tightening cycle is nearing. We believe this bodes well for the investment markets. Jeffrey Kleintop, Chief Global Investment Strategist at Charles Schwab, comments, "In the U.S., history shows that after each of the last rate hikes by the Fed, the S&P 500 Index posted, on average, a gain of almost 15% over the next 12 months since 1970, with gains in eight of the 11 one-year periods following each peak in the federal funds rate."

Major Stock Indexes	1st Quarter 2023	Year End 2022
DJIA	0.4%	-8.8%
Nasdaq Composite	16.8%	-33.1%
S&P 500	7.0%	-19.4%
Russell 2000	2.3%	-21.6%
Global Dow	6.1%	-10.7%
Japan: Nikkei 225	7.5%	-9.4%
Stoxx Europe 600	7.8%	-12.9%
UK: FTSE 100	2.4%	0.9%
Major Bond Index	1st Quarter 2023	Year End 2022
Bloomberg Barclays US Aggregate (Total Return)	3.0%	-13.0%

Even though the market has performed better in the last six months, investor sentiment remains fairly negative due to the recent shocks in the banking system. Are there positives as we move forward?

Absolutely. Stocks and bonds both continue to play an important role in investment portfolios after a less than stellar year. Many analysts believe bonds offer the most attractive prices we've seen since the Great Financial Crisis. For stocks, history suggests a positive 1st quarter signals a positive year. Since 1980 the S&P 500 has been positive 28 times in Q1, and only in four of the 28 years has the S&P 500 finished the year in the red. Additionally, April is typically the best month of the year for stock markets.

Emotions and a Long-Term Approach to Investing

The psychology of financial planning continues to grow as an emphasis in both academic and practical applications. The psychology of financial planning is now one of the eight knowledge domains of the Certified Financial Planner™ course curriculum.

It's prudent to pay attention to your investment portfolio, especially if you are within 2-5 years of milestone events like retirement. However, over-analyzing things too often can be a problem. From a psychological perspective, there is an emotional bias known as "loss aversion." It states that financial losses sting twice

as badly as financial gains feel good. Furthermore, "myopia loss aversion" is the bias that says the more frequently you look at your portfolio, the more likely you will feel the pain of loss aversion and, therefore, the more likely you are to make changes that could hinder your long-term investment plan. As we've discussed previously, timing the market is a dangerous game that rarely ends in victory.

Long-term investing works, but short-term investing is more like gambling. Going back to 1926, the stock market is up 55% of days, so it's almost a coin flip to predict if the market will finish positive or negative on any given day. But if we extend the statistics over a longer period they start to skew even more in favor of the investor. Again since 1926, the stock market is positive 63% of months, 76% of years, 88% of five-year periods, 95% of 10-year periods, and 99.8% of 15-year periods.

While the headlines would lead you to believe the world is ending, the reality is we have been through turbulent times in the past. The efficiency of markets causes markets to work themselves out time and time again. Our approach is to be long-term investors at nearly every phase of life, even if your long term is from an estate perspective. Thus, we invest in a time-tested approach that includes regular reviews, pruning and adjusting along the way as life changes.

During our reviews, we implement items in your financial plan and

investment portfolio that add value and returns over time. These include proper asset allocation and diversification that match your goals, optimal tax efficiency in taxable accounts, efficient spending and withdrawal strategies, rebalancing to keep the portfolio from drifting from our targets, individual investment review, cost-effective implementation, and investment asset location strategies between investment accounts.

25th Anniversary Happenings & Keeping in Touch

Hopefully by now you've heard that this year is our firm's 25th anniversary, and we plan to celebrate all year long! In addition to client events and establishing our scholarship funds at Milligan University and ETSU, we have set a goal to complete 25 community service projects throughout the year. You can keep track of our fun in the community as well as other announcements and market updates by following our social media accounts on Facebook, Instagram, and LinkedIn.

Thank you for the opportunity to serve you.

Nick Clay,
CFP®, CPWA®,
AIF®, AAMS®
Managing Partner &
Senior Financial Advisor



Connect with us!

Stay up to date on the latest news regarding upcoming legislation, planning opportunities, and BCSWM firm updates by subscribing to our blog and following us on social media.

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BCS Wealth Management



BCS Wealth Management

What is Your Money Personality Type?

We work in the field of personal financial planning. The word “personal” appears in the name of our profession because the endeavor is based on your specific goals and resources, which are different than anyone else.

The word “personal” also underscores an even more intimate part of the financial planning process. Each of us sees finances and our relationship to money through unique lenses. Those lenses are the most individual things of all – our personalities.

How would you describe yourself in a few words? Whatever words you might pick, they reflect your uniqueness. Like we all have personalities, we each have a “money personality” too.

We probably don’t all feel the same about money. There are nuanced differences about how we approach financial management. If we’re not in touch with our emotions, we’re not going to be able to make the best moves with our wealth.

So, what do you know about your

money personality? Let’s find out by looking at some different money personality types and how each one naturally handles finances.

Keep in mind that these money personality types are just broad, common categories. Our true financial personality is likely a blend of a few of these. Nonetheless, one personality type might stand out as being your dominant trait.

1. The Busy Bee

Money Superpower: Giving your all to your work and your money-making endeavors.

Personal Pitfall: Always putting work and wealth ahead of your relationships and experiences. **Most Likely to:** Do the extra work to get ahead financially.

2. The Saving Squirrel

Money Superpower: Saving money and squirreling away wealth, even if you have no plans on how to spend it.

Personal Pitfall: Letting fear of “losing” or spending money prevent you from ever really enjoying it.

Most Likely to: Know the best deals and bargains; have the biggest rainy-day fund.

3. The Lavish Lion

Money Superpower: Showing your generosity and treating others and/

or yourself to the finer things, even when there’s no “occasion.”

Personal Pitfall: Giving into lifestyle creep, going overboard, and losing sight of financial options that could be better than spending right now.

Most Likely to: Be the life of the party; take risks; be the best shopping buddy.

4. The Indifferent Iguana

Money Superpower: Not sweating the small stuff financially, not stressing about money, and being resilient to uncertainty.

Personal Pitfall: Not thinking about money when making important decisions; starting to think of money as “evil.”

Most Likely to: Think money isn’t the key to happiness.

5. The Concerned Camel

Money Superpower: Keeping a close eye on your finances and planning for worst-case scenarios.

Personal Pitfall: Obsessing about losing or running out of money, or letting your fears get in the way of opportunities to enjoy life or level-up your wealth.

Most Likely to: Know where the exits are in a room; have a backup plan.

Which personality or personalities describe you best? Whatever it is, remember there are no “good” or “bad” types. They all have desirable attributes.

Reflecting on your tendencies helps you understand your natural skills and Achilles heels when it comes to finances. It’s a basis to explore your financial wellbeing, make better choices, and give yourself a better outlook.

These traits don’t appear in a vacuum. Rather, these financial attitudes connect to our non-financial personality traits closely. Underneath each of these money personality traits are fundamental emotions, which stem from deep in

our core.

Feelings that influence our approach to money could be optimism, generosity, anxiety, fear of failure, or numerous other emotions. These feelings span a wide range of attitudes. These root feelings are often in our subconscious, making it important to pause to reflect on them. Directly or indirectly, our feelings about life itself impact our financial decisions.

Our worldviews – and their effect on our money personality traits – may ebb and flow as circumstances change. We should periodically assess our financial attitudes with ourselves and,

ideally, our household. We should do so without judgement. The conversation with ourselves and/or our family should be led by curiosity so that we can grow in self-awareness. It is better to be constructive than critical.

The bottom line? Exploring your money personality and the emotions behind it could provide a framework with which to be more comfortable with your money management.

Building a financial plan and communicating with people you trust will help, no matter which of these traits resonate with you.



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BCS Wealth Management is an independent financial planning firm in Johnson City, TN. We help individuals, families, and businesses reach goals important to their financial wellbeing. We provide investments and financial planning, insurance, and group benefits.

bcsworld.com



Community Involvement

We kicked off our 25th Anniversary year by getting out in the local community. Look for our hashtag #BCSWM25for25 on Social Media to keep up with us and our goal of completing 25 service projects by the end of the year!



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