

Advisor Spotlight: Greg & Cassie Graves



Greg and Cassie Graves live in rural Grangeville, in the beautiful state of Idaho, where they combined their “Brady Bunch” family in 2023. Greg brought three daughters—ages 21, 13, and 11—while Cassie brought twin 12-year-old sons. The couple had previously worked together helping Federal Employees and later discovered they had much more in common, including parallel career paths. Both are deeply committed to raising their children with strong Christian values in a world where such faith is often challenged. They share a mission to stand firm in their convictions, both for their children and each other, as they navigate life’s many challenges. Along the way, they also discovered a shared chemistry and a mutual love for outdoor adventures.

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Real Estate Revaluation

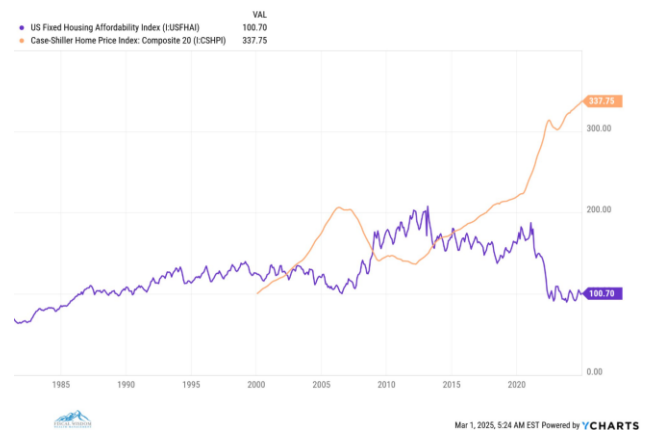
Every few years, real estate is revalued in most towns to get an updated appraisal and then reset tax rates based on the new information. In the last issue of Words of Fiscal Wisdom, there was a discussion about the state of the U.S. real estate market, and while we know history does not always repeat, it often rhymes.

This made me think about *The Big Short*, the book written about the 2008 financial crisis that was released on March 15, 2010... 15 years ago. The film by the same name was released 10 years ago. I read the book first and recommend it.

I also highly recommend Michael Lewis’s first book, *Liar’s Poker*, which he wrote as a warning to graduate students — and many took it as a how-to manual on making lots of money on Wall Street. In this firsthand account, Lewis discusses his time at Salomon Brothers, who invented the collateralized mortgage obligation (a significant part of the housing bubble burst).

Michael Burry, played by Christian Bale, is still a hedge fund manager who occasionally tweets and has recently made some big bets on China. Steve Carell as Mark Baum — who, in real life, was Steve Eisman, a hedge fund manager who made a killing betting against collateralized debt obligations — was at Neuberger Berman as a portfolio manager until last year, when he was put on indefinite leave for a controversial tweet.

Michael Lewis, author of *The Big Short*, most recently wrote *Going Infinite* about cryptocurrency company FTX and its now-jailed CEO, Sam Bankman-Fried (also known as Sam Bankman-Fraud). The chart below shows how high home prices are (orange) vs. the housing affordability index (which we jokingly call the "unaffordability index" today! 😊)



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In their free time, they enjoy spending time with their kids, camping, hiking, hunting, gathering, worshipping God, and turning away from the errant paths of the modern world in favor of the ancient ones—where true wisdom is found. Fiscal and spiritual wisdom is a cornerstone of their lives.

Greg joined Fiscal Wisdom Wealth Management in 2021 while trying to rebuild after harmful government policies had disrupted or shut down many small businesses and schools in his area. As a former police detective, Greg began his financial services career in 2015, focusing primarily on serving Federal Employees. He earned his Series 65 license and his CRPC® (Chartered Retirement Planning Counselor) designation, among others and now focuses solely on financial advice for Federal Employees, in partnership with Cassie.

Cassie, Greg's wife, is the CEO and founder of Fed Options Consulting and Information Services—known as FOCIS. With over 15 years of experience in the insurance industry and more than a decade specializing in federal benefits, Cassie recognized early on that Federal Employees struggled to find financial professionals who could help them navigate their complex benefits. After attending her first federal benefits training in 2014, she committed herself to educating federal employees and their spouses.

Over time, Cassie's mission expanded from working directly with Federal Employees to also supporting financial advisors across the country who specialize in this niche. Her impact has since grown exponentially.

Fed Options is dedicated to helping Federal Employees and their spouses receive the honest guidance and personalized service they need to retire with confidence and peace of mind. FOCIS supports financial professionals by educating them on how to set realistic expectations and maximize the value of federal employee benefits, while identifying when private solutions may be more effective. This allows advisors to better assist their clients without needing to become federal benefits experts themselves.

Together through Fed Options, Greg and Cassie provide a range of services, resources, and tools that help financial professionals elevate their service, build trust, and enhance credibility with the federal employee community. By partnering with Fed Options, advisors save time, money, and effort—while remaining the master of the solution.

Today, Greg and Cassie spend their time supporting financial advisors who serve Federal Employees, helping position them as trusted experts in the federal space.

Precious vs. Risk Assets?

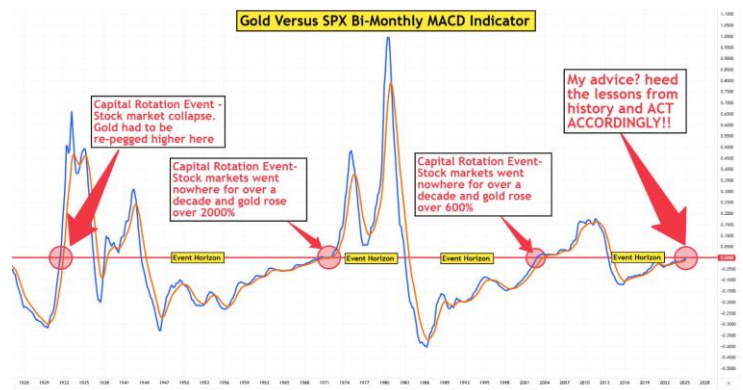
We commonly refer to risk assets as stocks, but they're not all the same today. The hottest stocks that have been the most popular over the past 10–15 years — and are still the most popular on the planet — are some of the riskiest assets to own today. The common thinking of “Apple will never go anywhere” — or substitute Amazon, Tesla, Microsoft, Google, etc. — may be true in terms of their continued existence.

These companies will likely be with us for decades to come without much question. But as investors, we don't care if the firm will be around — we care if the share price will be higher in 3, 5, 10, or 20 years from now. And the only way to help ensure that is to buy things that are undervalued. The most popular stocks today are not undervalued — they're grossly overvalued.

The key is to look where nobody is looking. Unpopular, even hated sectors provide savvy investors with an opportunity to buy things at a discount — and that's where the money is made. It's not about buying popular things at astronomical prices; it's about buying solid things at fantastic prices. I'd much rather own something boring at 10% of book value than the best and most innovative thing in the world at 50 times sales. The former has a very attractive runway; the latter is a money loser from day one when you pay that much for it.

Interestingly, there are ratios we look for that track where capital is going on a high-level, macro-thesis basis. We don't see this often, but there has been a trigger in a capital rotation that is rare. Being value investors, we've been in this space for some time now and hadn't received much love — until the past 6–9 months, where the love has been plentiful.

Each time this capital rotation event has triggered in the past, we've found that markets tend to be flat for 10–30 years, and hard assets grossly outperform major market indexes. We're at the very beginning of a cycle here, and this tells us very clearly that we should underweight the general stock markets and overweight hard assets. Few people see this happening.



Noteworthy News!!!

- Deepest sympathies to the Hutchinson family on the passing of Michael — a wonderful man, brother, son, uncle, and friend.
- Congratulations to Susan Bartomioli on her recent retirement!
- Our condolences to the Embleton family on the passing of Dicky — a wonderful man, son, father, brother, uncle, and friend.
- Our condolences to the Krasnowski family on the passing of Joan — a wonderful woman, mother, sister, grandmother, aunt, and friend.

Question & Answer

Ask any financial question you have, and we will address it here.

Q: Is inflation that big of a deal over the long haul?

Absolutely — it's probably the biggest risk society faces in the next decade. It's often referred to as the "stealth tax," but lately, it hasn't been very stealth-like, as the public has been feeling real inflation since the pandemic hit. Closing down the world and printing a large percentage of the available currency will do that. The more dollars there are in circulation, the higher inflation will be — end of story.

Prior to 2020 and the pandemic, inflation was tame, and people didn't feel it or talk about it much. The thing is, inflation comes in waves. We'll have periods of very high inflation that last for 5–15 years, followed by long periods where inflation is much more tame and people don't feel the impact — even though it's still present.

The reality is, inflation is a huge issue. The graphic below shows what a century of inflation will do. This is primarily driven by the political class, but it is a reality for all of us. We need a positive return above that of inflation, or we're going backwards. Keep this in mind when you plan out your financial future.

\$1.00 in 1913 buys a mere 3.67 cents' worth today. Terrifying!

Purchasing Power of the US Dollar (1913-2021)



Source: BLS

Carpe Diem AEI

Real Estate Revaluation Cont

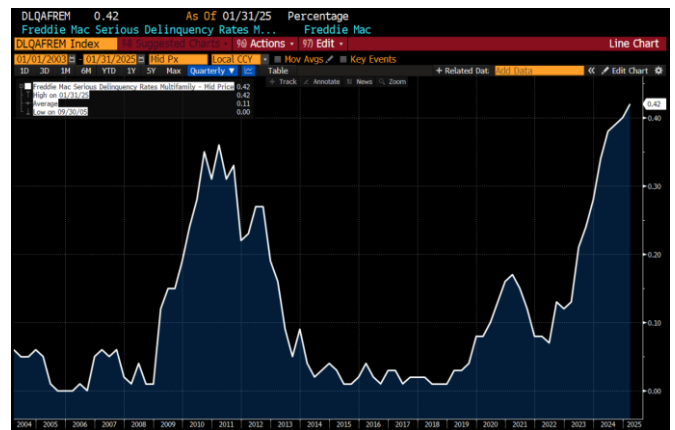
Michael Lewis has discussed the financial crisis of 2007–2009 and has said the three biggest problems that caused the crisis are still not fixed:

1. Ratings agencies such as S&P and Moody's — They are paid by Wall Street for favorable risk ratings on collateralized debt offerings like CMOs and CLOs.
2. Credit Default Swaps — Warren Buffett once called them "financial weapons of mass destruction." If you don't know what CDS are — you don't want to know. Kind of like how you really shouldn't learn what's in hot dogs if you ever want to eat one again.
3. People taking actions/risks with other people's \$\$\$ — They would never take these risks with their own hard-earned capital. (i.e., NINJA loans = No Income, No Job, No Problem 😊)

Many reforms occurred post-crisis: stricter lending requirements, and the biggest of the "too big to fail" banks have gotten even bigger. There is still not enough housing for the U.S. population; housing construction has not "caught up," and some think we are in another real estate bubble, as the percentage of income required to buy or rent is higher than ever.

One characteristic of all bubbles is that timing the end or top of a bubble is difficult — and bubbles always go on longer than we think they will.

The chart below represents the Freddie Mac loans that are in a state of serious delinquency. Note: it's higher than in 2008–2009 and heading north. Risk is mispriced in real estate today; the sellers' market will evaporate soon.





This month's trivia question is about sports. What is the only American major professional sports team to be named after an actual person? The winner gets lunch on us at Chick-fil-A! 😊

Losing a Decade!

The mania today is to buy index funds, always be invested, and expect to make 10–12% annually. This is the biggest fallacy the world has ever known. While that may be true in broad strokes, it doesn't take into account valuations, cycles, or statistics — all of which are very important today.

From a valuation perspective, we're in a time that we don't see 99% of the time — stock and real estate valuations are sky-high by any metric. Markets have cycles, and we're at the top of a stock cycle and the bottom of a commodity cycle, so make your moves accordingly. Statistically, not much is favorable in indices or in broad strokes, but in individual issues and certain sectors, there are massive opportunities.

The chart below shows what a lost decade looks like. If you buy into an index when the statistics are like they are today, you're likely to go nowhere for 10 years. I'd suggest we'd be lucky if it only lasted 10 years — it could very easily last 15 or 20.

The past few flat market cycles we've seen were from 2000–2014 (14 years), 1966–1982 (16 years), and 1929–1955 (26 years), while Japan is still in one from 1990 (35+ years). The data is important — never act without supporting data!



Source: @i3_invest

<https://www.investopedia.com/50-best-cities-to-retire-in-the-us-11685732>

The article above lists 50 cities and is broken out by region. I have probably read over 20 similar articles over the years. There are a lot of different criteria to consider. This Investopedia article focuses on home prices, food costs, average age of residents, and some intangibles like health care providers and hospitals.

Every person has a different vision of what retirement means to them — what they want to do for fun, hobbies, and of course, weather (which is not discussed). Having a lot of golf courses might be appealing for some, but less so if all the courses are very expensive. The proximity to health care and hospitals should be a factor for every retiree, but obviously more so if existing health issues are prevalent.

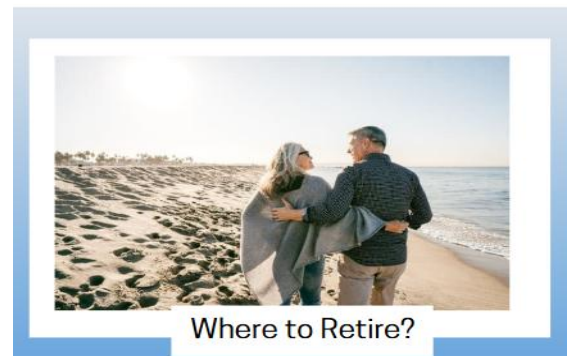
One consistency I have seen in many discussions of great places to retire is being in or near college towns. This makes a lot of sense because colleges and universities provide lots of culture and entertainment, usually at reasonable prices. Whether you like classical music, art, sporting events, coffeeshops, or the ability to audit a university class... all are easily accessible in a college town or city.

If travel is a core focus — especially early in retirement — proximity to airports is important. The same can be said if you choose to retire not too close to grandchildren! Are there interesting places to visit within driving distance? Or would you rather choose a more inexpensive area to live and remain remote?

Two important factors, along with home prices and cost of living, are whether the retirement home is in a state with no state income tax. Furthermore, a state like South Dakota has no tax on Social Security, pension withdrawals, or capital gains.

Every person has their own list of criteria when deciding where to retire, and I think that crime should also be considered — especially since there has been an increase in retirees moving to inner cities and downtowns, where they can walk to most places, helping them stay active.

Personally, I hate the cold winters, so I understand the snowbird mentality, but I'm not sure I would want to go to the same place every winter. We have many folks who go north to retire — they know how to stay warm regardless of what Mother Nature is dishing out! Canada is COLD!



Where to Retire?

Inspirational Quotes

- People complain about this generation, but they forget who raised us.
- Everyone smiles in the same language
- It takes a strong person to say sorry and an ever stronger one to forgive
- Man can believe the impossible, but can never believe the improbable, Oscar Wilde
- Think big thoughts, but relish small pleasures, Jackson Brown
- Ideas not coupled with action never become bigger than the brain cells they occupied, Arnold Glasow
- A wise person knows there is something to be learned from everyone
- Sometimes the blessings are not in what he gives, but in what he takes away



We can piece the puzzle together and make your money work for you!

Investing is subject to a high degree of investment risk, including the possible loss of the entire amount of an investment. An investor should carefully read and review all information provided by Fiscal Wisdom Wealth Management, including, the Form ADV, Part 2A brochure and all supplements there to, before making an investment.

Bank Holdings

Not many people are talking about bank balance sheets lately, but they soon will be. In 2008 and 2009, this was the only thing Wall Street cared about — the non-performing assets on bank balance sheets. Well, here we are 18 years later, and it's not even a topic of conversation, but the problem is far more acute.

The chart below represents the losses of assets currently on bank balance sheets. We're looking at a train wreck, plain and simple. Look how much more acute this problem is today compared to 2008–2009. It's even on the same page, so it's just a matter of time before this hits your daily news cycle.

People talk about how strong real estate is — well, that's not going to last, because a lot of these assets on bank balance sheets are loans tied to real estate mortgages and other types of securities. Buyers, be patient here in the real estate sector. Sellers, get moving — you'll never see these prices again in real estate for decades to come.



If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart!

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