

MANNERS-KOESTERS MONITOR

Hello Summer, Bring on the Sunshine!

2nd Quarter 2019



D|A|DAVIDSON

For What It's Worth

by Russ Manners

Happy belated Independence Day from your team at DA Davidson. We're finally drying out a bit and thankfully some of those hurt by the recent floods seem to be getting some relief. Water levels weren't the only things hitting highs this quarter, as both the stock and bond markets rose nicely. It's now been about 10 years since the market lows were reached during the financial crisis. I suppose it's natural to ask how much higher stocks can go from here without a significant correction. The question reminds me of an old quote (of questionable origin) that goes something like "forecasts are hard, especially those about the future." This is particularly true when it comes to the stock market. Nevertheless, we do believe it's a good time to review your portfolio, after the recent rally, and consider if current stock/ bond/ cash balances are reasonable, based on your personal circumstances. No two periods are exactly alike, but we suspect studying history can give us some perspective when considering possible future outcomes.

I recently finished a couple of great books I would highly recommend. The first is [The Boys In The Boat](#) by Daniel J. Brown and the second is [The Life and Times of The Thunderbolt Kid](#) by Bill Bryson. One is about the rowing team from the University of Washington that won the Olympic gold in Berlin in 1936. The other, a very humorous tale about growing up in Des Moines in the 1950s. They were very different reads that at first blush seem to have little to do with investing. But in reading them it struck me how much can change in a relatively short period of time. The books span the period from the Great Depression to the great prosperity of post World War II America. A young man or woman starting their working lives around 1932 would live through one of the darkest periods in our history and then by middle-age, he or she would experience one of our brightest.

These two talented authors do an excellent job of humanizing the personal impact of both prosperity and abject poverty. Below I've listed a few statistics from [The Boys In The Boat](#) that particularly struck me:

- Several years into the Great Depression, 25% of working Americans were unemployed and two million were homeless.
- Millions lost their savings as thousands of banks were shuttered.

- Over two days in October of 1929 the market was down over 25%. It would drift lower until July 8, 1932 when the Dow Jones hit 41.22!
- A headline from a local Seattle paper read "15,000,000 to get U.S. Relief."

At the other end of the spectrum...from The Thunderbolt Kid:

- During WWII, the U.S. had built up its' war related production capabilities to unprecedented levels. After the war, factories quickly shifted from battle ships to Buicks and Frigidaires. Cash from savings and war bonds were quickly put to work.
- By the early 1950's, almost 75% of Americans had washing machines, vacuum cleaners, telephones and gas or electric stoves. 90% had refrigerators.
- The U.S. produced almost 40% of the world's electricity and 66% of its steel. Americans owned 80% of the world's electrical goods.
- In 1952, the unemployment rate was 2.7%.

Fortunately, the extremes of today aren't as dramatic as those from the 1930s as many of the safeguards put in place after the crash seem to be working. However, these two very different books got me thinking about what challenges and opportunities the next decade or so might yield. Can we learn anything from those that survived or prospered in both of these periods? And how might we best be thinking about our portfolios relative to these potential future challenges and opportunities? My shortlist includes:

- Excess at both ends of the spectrum seem to lay the groundwork for severe change. Unfortunately, the excess often goes on for so long we no longer recognize it as excess! It strikes me that the growing government debt (both state and federal) seems to get less and less attention.
- It's very difficult to see trouble or prosperity ahead. The crash of 1929 came on the heels of the "Roaring 20s" and the strength of the 1950s grew from the depths of World War II, a war that wiped out a good portion of the economic engines of the world. Perhaps our best course is to limit our attention to the macro and focus rather on individual investment holdings and continually consider price versus value.
- Most everyone struggled during the depression but those with more debt had far worse outcomes than those with less. This was true for businesses, farmers and individuals alike.
- It's hard to be opportunistic if you don't have any liquid funds to put to work when prices are low. During good times it's wise to put a few dollars aside for a "rainy day." These funds should be held in the highest quality, short term investments you can find. The yield here will be uninspiring.

While it's impossible to know in advance whether we are in for more of the same from our investment markets or whether a bear market is around the corner, I do believe that challenging our assumption's as we review portfolios is wise. We hope to use our conversations together this year to expand on these issues and to make sure your portfolios are best positioned to meet your future needs.

Reading history opens our eyes to what is possible...both good and bad. For me (a natural worrier) it's good to be reminded of the strength, the resilience, the ingenuity and sheer determination of the human spirit. It's smart to be an optimist. Go U.S.A.!

Leaving a Legacy

by Susan Koesters

What comes to mind when hearing "what legacy do you want to leave"? For some, it means their name on a building or endowing a scholarship fund. For others, it means leaving assets to the next generation and/or to charity. For many, it means the values and memories left behind for our loved ones. And for most, I suspect it's a combination of the above.

For me, I hope my greatest legacy is my children. Currently, they're ages 12 and almost 9. So far, so good, but only time will tell. My hope is that they become productive members of society. My husband and I try to model hard work, kindness, integrity, healthy relationships, fiscal responsibility, a sense of the world beyond ourselves and also some fun! As with most families, we don't specifically talk about or write down these things because it's just a part of our daily lives. However, I was introduced to the concepts of a written legacy statement and family meetings during my classes to become a Chartered Advisor in Philanthropy®. These ideas aren't just for the ultra-wealthy. In addition to modeling one's values, it can be beneficial to write down or have formal discussions about these concepts. If you have an interest seeing what these concepts might look like, you can visit www.thelegacyspectrum.com/forms for specific forms and resources. In addition, please let me know if you have any questions or might want to explore these ideas.

Russ and I recently attended a client's Memorial Service and we heard many heart-warming memories provided by his adult daughters. It's interesting what kids remember from their childhoods. I suspect that if you polled my kids today, they'd say we're the meanest parents ever...we make them learn in the summer and limit their screen time! Let's hope they live long lives and their sense of our legacy evolves a bit closer to our hopes and dreams for them.





Russ Manners

Senior Vice President,
Financial Advisor
402-392-7850
rmanners@dadco.com

Susan Koesters, CAP®

Associate Financial Advisor
402-392-7854
skoesters@dadco.com

Jennifer Digilio

Senior Registered Associate
402-392-7856
jdigilio@dadco.com

Kelli Damgaard

Senior Registered Associate
402-392-7810
kdamgaard@dadco.com

We are on the web!

Please visit us at:

www.mannerskoesters.com



**MANNERS KOESTERS
INVESTMENT MANAGEMENT GROUP**

Advisors with D.A. Davidson & Co. member SIPC

Jennifer's Journey Back in Time

June 30, 1971 - The 26th Amendment to the U.S. Constitution was enacted, granting the right to vote in all federal, state and local elections to American citizens 18 years or older. The U.S. thus gained an additional 11 million voters. The minimum voting age in most states had been 21.

July 16, 1945 - The experimental Atomic bomb "Fat Boy" was set off at 5:30 a.m. in the desert of New Mexico, creating a mushroom cloud rising 41,000 ft. The bomb emitted heat three times the temperature of the interior of the sun and wiped out all plant and animal life within a mile.

August 15, 1969 - Woodstock began in a field near Yasgur's Farm at Bethel, New York. The three-day concert featured 24 rock bands and drew a crowd of more than 300,000 young people. The event came to symbolize the counter-culture movement of the 1960's.

(Source: The History Place™)

About Us

We are comprehensive financial advisors specializing in individual portfolio management. We look for investments that we can truly understand and value. It is important to understand our "circle of competence" and stay within that circle no matter how promising a potential investment might appear. Sound investing requires discipline and the ability to keep emotions from corroding common sense — one of the greatest challenges to successful long-term investing. Our philosophy tilts towards well-established companies with solid balance sheets, good pricing power, and strong management. We strive to act like business owners. We search for the characteristics that an actual long-term owner would seek in choosing to purchase an entire business.

About D.A. Davidson

At D.A. Davidson Companies, we believe there is only one way to navigate through the wealth of financial services options: straightforward. We offer clear strategies with smart, personalized solutions that match your goals and show you the path to achieve them. We're with you every step of the way—leveraging our nationally-recognized research, capital market and investment banking expertise, and the largest network of financial advisors headquartered in the West. Our personal approach is rooted in the values, stability, and discipline of our 80-year-old employee-owned company that is as independent as you are.

The information in this publication is not investment or securities advice and does not constitute an offer. Neither the information nor any opinion in this publication constitutes a solicitation or offer by D.A. Davidson or its affiliates to buy or sell any securities, options, or other financial instruments or provide any investment advice or service. D.A. Davidson & Co. Financial Advisors are available to discuss the ideas, strategies, products and services described herein, as well as the suitability and risks associated with them. D.A. Davidson & Co. does not provide tax or legal advice. Questions about the legal or tax implications of any of the products or concepts described should be directed to your accountant and/or attorney. D.A. Davidson & Co is a full-service investment firm, member FINRA and SIPC.