Wenzel
Analytics
Inc

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Clients,

As you are probably aware, markets are down. The market broke through the June low today and is likely heading for the lows of two years ago. At any rate, I'd rather be writing this report in mid-August when the market was up 17% from the June and current lows.

The good news is that apart from your fees being down, it matters very little. When the market is down, it is time to button the hatches and wait it out. I've been doing very little selling. A down market can be alarming when looking at the value of your account but is of no account until there is a sale and the unrealized loss becomes a realized loss.

The second reason it matters relatively little is that we are primarily positioned for income rather than for taking gains out of a rising market. Over all accounts, we are 51% in preferred stocks, which as you know are not equity or stocks, but rather debt instruments like a bond or note. These have cash coming into your accounts at the rate of 9.7% of what was originally paid, and at 17.4% of the current price. For those of you taking retirement withdrawals, the income covers most of your withdrawals, meaning we don't have to sell at bargain prices to meet cashflow needs.

The third factor is that overall, we are only 15% in portfolios aimed at price appreciation, for which we are waiting for the market to come back. Usually, the market takes about twice as long to come back up as it did to go down. The other portfolios are either also very high dividends and income or are less tied to the general market swings. In this case, I see the market decline as primarily related to financial or money supply issues rather than economic issues. Most businesses are prospering. Unemployment is low. We have a Wall Street issue more than a Main Street problem.

My challenge has been to change my thinking and help you change yours about looking at income rather than market gyrations. As an example, I get a lot of emails from brokers wanting to help me sell my practice or acquire one. That is not something I would consider and have never placed a monetary value on my business. I think of it only in terms of income, time, responsibilities, and relationships. Similarly, I evaluate preferred stocks based on their income, not their valuation. Valuation is only about buying opportunities, or taking gains if they trade above the $25 par.

I find myself less anxious with the change in perspective to income rather than market gyrations. Also, as I'm getting older and more financially secure, I'm not needing new clients and growing the business, although new involvements are always interesting and affirming. I recently became involved with the Preserve Association, our homeowner's association for 1,600 households, and have helped them move out of Certificates of Deposit paying 2% or less and into preferred stocks. Inflation at 8% was a motivator.

Let me know if for tax planning purposes you need a year-to-date list of dividends, and which are qualified and which not.

Thanks for your trust.

Sincerely,

Lee

***An alternative to mutual funds.***

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