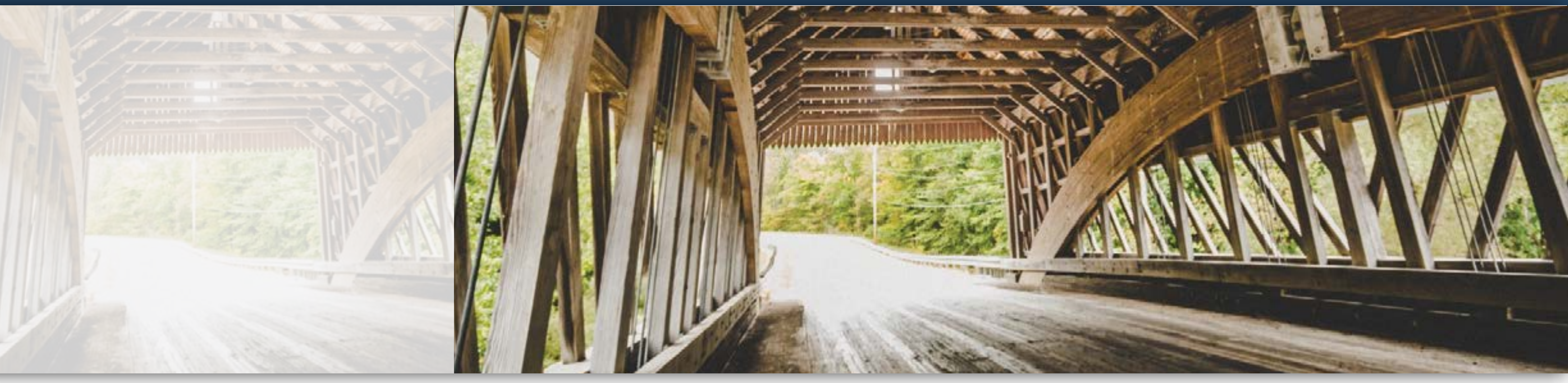
Horizons

2021 Quarter 2

HUFFMAN · MAYER · PAOLO
WEALTH MANAGEMENT GROUP
of Wells Fargo Advisors



On bad investments

Phillip T. Anderson
Financial Consultant

Over a lifetime investing, you are bound to have a few dogs. Even the world's best and most famous investors have had some embarrassing stock picks – positions they kept adding to, talking up, explaining the "bull case" for...and yet they just kept losing money on them. This is a topic that has been particularly on our minds in late January, as the craziness has been in full swing. The wild daily moves in some stocks highlights a couple of things that we think are fundamental to managing yourself as an investor, which is often the hardest part of the whole process.

First, let me say that we do not believe all bad stock investments are created equally. At least to our way of thinking, there are "good" bad investments and "bad" bad investments. The process of learning about something before you buy it is inherently valuable – it not only helps you understand the company you're thinking about buying, but it can also give you insight into the industries it competes in, and builds up a reservoir of knowledge that comes in handy as you consider future investments. ***Picking any type of investment requires either:***

1 ***A belief that you know something about the future of the company, industry, country, etc. that the market isn't factoring in yet or...***

2 ***A belief that the market knows about those things but isn't valuing them properly today.***

Continued on the next page

Investment and Insurance Products:

NOT FDIC Insured	**NO Bank Guarantee**	**MAY Lose Value**

In this issue

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Obviously, any time you're trying to "know" something about the future there is a margin for error. We would assume that when generally great investors make a poor choice its usually of this type – a "good" bad investment. These are situations where someone has taken their time to learn about a company and how it fits into the competitive landscape, has reviewed projections, gotten an understanding of what the market thinks is most important to the stock's performance, and maybe even done their own projections of future growth and profitability. It is entirely possible to go through this whole exercise and still pick some bad investments – there's a lot of competition, and everyone's view of the future can't be correct. As with many things in life, we think that investors who have a philosophy and a process and who stick to those things will be rewarded over time. As Peter Lynch very succinctly said "Behind every stock is a company... find out what it's doing."

Now, let's talk about "bad" bad stock picks for a moment. Many of us have gotten sucked into a few of these in our lives. This is the stock you buy because "it's going up" or because someone else that you know socially (who may not have any real expertise on the company) said they were making money in it. Often, this type of behavior really runs in cycles. It takes a lot of discipline not to buy stocks that seem to be generating huge daily gains for everyone else – this is the so-called "herd mentality" that pops up from time to time in the investing world. The stock bubble in the late 1990s is a prime example – many people were buying with no real knowledge about the underlying companies did or what the fundamental value of that business was. To quote Jeremy Grantham: "there is nothing more supremely irritating than watching your neighbors get rich."

In these periods of excess, enough people get into the market that there is hardly anyone left to sell to – that's when a hyped market gets really dangerous. Don't misunderstand me – some people did get rich in the 1990s bubble, a few of them probably out of luck (getting "in" or "out" at just the right time), but most of the people who do well in a bubble have at least some idea of the fundamental value of the things they are buying and selling, and recognize when the market is getting dangerous. Not understanding these things when you get "in" means you probably won't recognize when it's time to get "out."

Even some of the most successful investors have "play" accounts – money that they are willing to speculate with, take bigger chances with – money they could afford to lose entirely without jeopardizing any of their plans in the real world. For some people, this kind of speculative investing helps to keep them interested and engaged. If you are someone who feels the need to speculate, our advice is simple– don't take bigger risks than you can afford, and never lose sight of which parts of your portfolio are real investments, and which ones are speculation. In the cases that people do the most damage to their finances, it is usually because they speculated on stocks, but believed they were investing. This is doubly harmful, because they often lose money when the story driving the speculation falls apart, *and* they come to believe that they lost money while "investing", so the market must be rigged, or unfair in some other way. This conclusion can be much more harmful to a person's finances than the actual monetary losses because it can turn them away from real investing permanently.

We continue to believe that the stock market is one of the greatest engines of wealth creation in human history. Successful investing doesn't mean never buying a poor performer – it means having a consistent process, understanding why your poor performers didn't behave like you expected, learning from those mistakes, and reacting appropriately when the market deals you a setback. ◆

The importance of planning

Between the COVID-19 pandemic, widespread social protest, various natural disasters, and several hotly contested elections, the year 2020 was one pretty much impossible to even begin to predict. Such a volatile and uncertain environment may make setting and sticking to an investment plan seem like an exercise in futility. Yet the best investment plans are usually precisely the ones that have anticipated in advance how to adapt to changing conditions. It all starts with planning.

Why planning can make a difference

In its 2019 Retirement Study, Wells Fargo found that investors with a planning mindset felt they had greater personal control over such matters as personal debt, investment performance, career, and their overall financial life.

The planning mindset was defined according to four key components:

1. *"I am able to work diligently toward a long-term goal."*
2. *"In the last six months, I have set and achieved a goal or set of goals to support my financial life."*
3. *"I prefer saving for retirement now to ensure I have a better life in retirement."*
4. *"It makes me feel better to have my finances planned out in the next 1–2 years."*

According to the study, approximately one-third of workers[1] have the planning mindset. Those workers are nearly ***twice*** as satisfied with their overall financial life as those without a planning mindset, nearly ***twice*** as confident that they'll have enough money saved for retirement, and ***five times*** more likely to have a plan for dealing with the unexpected.

[1.] Workers refers to working adults who participated in the survey. On behalf of Wells Fargo, The Harris Poll conducted 3,918 online interviews of 2,708 working Americans 18-75 or older and 1,004 retired Americans, surveying attitudes and behaviors around planning, saving and investing for retirement. Working Americans are age 18-75 or older and working full-time (or at least 20 hours if they are working part-time) or are self-employed. Retired Americans self-identified as retired regardless of age.

This article was written by/for Wells Fargo Advisors and provided courtesy of Huffman-Mayer-Paolo Wealth Management Group of Wells Fargo Advisors in Ashtabula, OH at (440)228-4047.

Steps to becoming a better planner

The good news is that all investors have the ability to develop or strengthen planning skills that can help them improve their financial outlook.

The first step is to obtain general financial education, which could include reading books or listening to podcasts on personal investment planning, taking a course online or at a local college, or talking with a financial advisor.

Next the simple (although not always easy) step to spend less and save more. Financial apps can help with tasks such as budgeting and tracking spending. Automated nudges—such as a yearly increase in the 401(k) savings rate—can help keep savings plans on track. Just remember that it can take time and practice to change financial habits. Beginning with smaller steps can reinforce the new habits and build confidence to move to the next level.

Then, focus on developing a long-term investment plan, including contingency plans to help deal with the unexpected. Tools such as vision boards – a collage of images that represent future desires – can help investors flesh out goals such as home ownership or retirement preferences. Once the basic plan is in place, continual updates allow investors to adapt to changes in the economy and their own circumstances. A plan should be documented and should be living and breathing – not something you create and forget. Life changes and your plan should keep pace.

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In particular, tax changes could trigger updates. Recent years have brought several changes to tax and estate law, including the Tax Cuts and Jobs Act of 2017, the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. These acts collectively brought changes to IRA withdrawal policies and the estate tax exemption, as well as other changes that could significantly alter how an investor will manage their investment plan.

With education and effort, investors can use a planning mindset to help achieve long-term financial health and the life that they desire the most. Now is the time to review your plan and make necessary adjustments to strengthen your efforts toward achieving your ultimate goal. ◆

Wells Fargo Advisors is not a tax or legal advisor.

Easter interviews with the kids

Easter can be such an exciting time. The weather is finally starting to warm, the sun is beginning to shine again, and of course the very best part, Easter candy. Here at Huffman-Mayer-Paolo Wealth Management Group of Wells Fargo Advisors, our kids couldn't agree more. We asked them a few of our favorite Easter questions to spread Easter cheer and get them excited for the Easter Bunny's big debut. See what they had to say...

Have you ever been in an Easter play? What role did you play?

ALL: No, I haven't

1. ***Which part of a chocolate Easter bunny do you eat first?***

   REESE: Ears
   NORA: Ears
   MACSEN: Ears
   ADDI: Ears
   GRAHAM: Ears
   SAWYER: Ears
   JULIA: Ears

2. ***What is your favorite Easter candy?***

   REESE: Jelly Beans
   NORA: Chocolate
   MACSEN: All of it!
   ADDI: Cadbury Eggs
   GRAHAM: Peanut butter filled chocolate eggs
   SAWYER: Jelly Beans
   JULIA: Chocolate bunnies

3. ***Do you remember where you found your Easter basket last year?***

   REESE: No
   NORA: No
   MACSEN: On the kitchen table
   ADDI: On the kitchen table
   GRAHAM: No
   SAWYER: No
   JULIA: No

4. ***Where would you hide an Easter egg that you think no one would find it?***

   REESE: In the microwave
   NORA: Under the couch
   MACSEN: Behind the couch
   ADDI: In the tall lamp
   GRAHAM: In a decorative bowl
   SAWYER: In a shoe
   JULIA: Behind a couch cushion

5. ***Baby chicks or baby bunnies?***

   REESE: Baby chicks
   NORA: Baby chicks
   MACSEN: Baby bunnies
   ADDI: Baby bunnies
   GRAHAM: Baby bunnies
   SAWYER: Baby bunnies
   JULIA: Baby bunnies

6. ***If you had to choose a new animal to be the Easter mascot, what would you choose?***

   REESE: Hedgehog
   NORA: Easter dog or Easter cat
   MACSEN: An "Among Us" character
   ADDI: A unicorn because it is my favorite animal
   GRAHAM: Kangaroo
   SAWYER: Easter rat
   JULIA: Deer

Join Our Upcoming Event on Zoom

On Wednesday, April 21, we will be hosting our first in a series of quarterly Zoom calls with our clients. We will be discussing a variety of topics and asking clients to let us know what they would like to talk about with us.

We will update you as soon as we have the rest of details to share. Stay tuned!

Congratulations!

Our team members are proud to be consistently recognized by Wells Fargo Advisors and some of the industry's leading publications.

Daniel M Huffman, Managing Director – Investment Officer, has been given the distinction as a member of the firm's Premier Advisor Program for 2021.

Wells Fargo Advisors has, for the 11th consecutive year, designated James E Mayer, Jr, Managing Director – Investment Officer, Branch Manager, as a member of the firm's Premier Advisor Program. He has also been named as one of the 2021 Best in State Wealth Advisors by Forbes.

Premier Advisor Program

Forbes BEST-IN-STATE WEALTH ADVISORS 2021 SHOOK® RESEARCH

The Premier Advisor distinction is held by a select group of Financial Advisors within Wells Fargo Advisors as measured by completion of educational components, business production based on either of the past two years, and professionalism. Additional criteria, including length of service, may also be used to determine recipients. The Forbes Best-in-State ranking algorithm is based on industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC, which does not receive compensation from the advisors or their firms in exchange for placement on a ranking. Investment performance is not a criterion.

Fun fact:

Ashtabula County formed on February 10, 1807. It was the first county created in the Western Reserve. The county is named after the Lenape word ashtepihəle, which means "always enough fish to be shared around." Ashtabula County boasts the construction of many bridges, one bridge as recently as 2016: Riverview pedestrian bridge, which is located under Smolen-Gulf.

What our team is watching

The Resident
Susan Paolo

Vikings and Billions
Margie Gilliland

Re-watching Modern Family and House M.D.
Phillip T. Anderson

Outlander
Crystal L. Harrington

Blue Bloods
Daniel M. Huffman

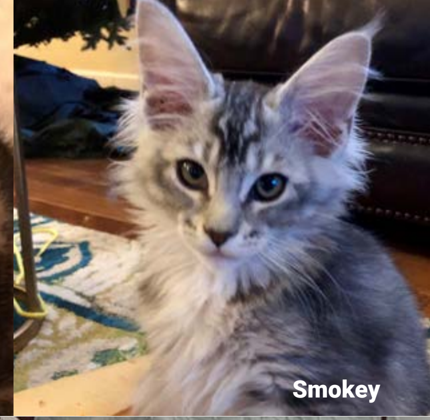
Wandavision
James E. Mayer, Jr.

The Cobra Kai TV series because it reminds her of the Karate Kid movie
Donna Hassett

Apparently Patt & Ryan do not watch TV.


Mocha & Ellie


Zeus & Hades


Smokey

Pets of Huffman-Mayer-Paolo Wealth Management Group

The Gilliland Family was blessed with Mocha, who is a 10-year-old shepherd mix, when she was dropped off on their road as a puppy. Ellie, who is a 2-year-old Australian shepherd and bull terrier mix, came many years later when they adopted her from a rescue organization. They have also welcomed two Bengal mix twin brother kittens to the family who are now 6 months old named Zeus and Hades.

Smokey, the Anderson family's 4-month-old Maine Coon kitten could reach as much as 30 pounds when he's full-grown in a couple of years! How cool is that?!

Honey, the Paolo family's precious pup is waiting patiently for more toys.

Star, Crystal's 9-year-old American pitbull terrier smiles ear to ear after belly rubs. Ruby, Crystal's 3-year -old bull boxer loves to play in the snow, and boy does she sleep well when she comes back in.

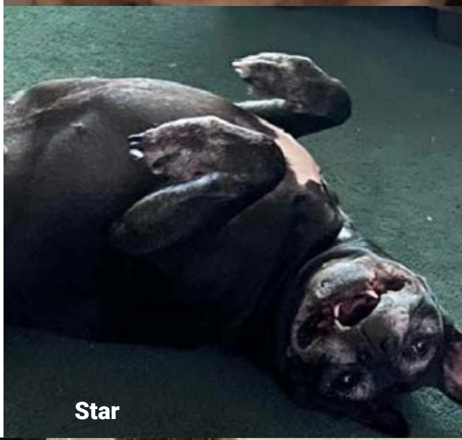
Baker, the Mayer family dog, helped the Browns bring home all their big wins this season.

Chip is Dan's outdoor cat. She was rescued at the age of one and has been with his family for thirteen years now. She has her own heated outdoor hut for the winter! Dan's cat chip wasn't up for a photo shoot- lucky for us she looks just like everyone's favorite cat meme featured here.

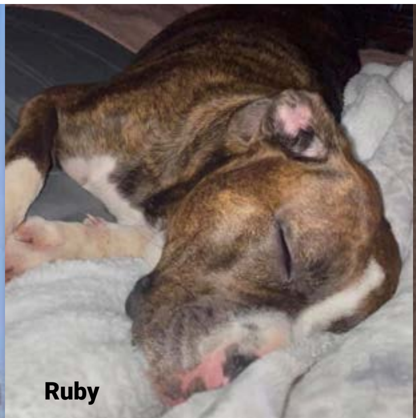
Champ became part of Donna's family as a puppy – he was the runt and now he is over 120 pounds of pure love! Callie was originally to be her daughter's college companion – that lasted two weeks. Now she lives with "mom & dad" but is a pure joy to have around. ◆


Honey

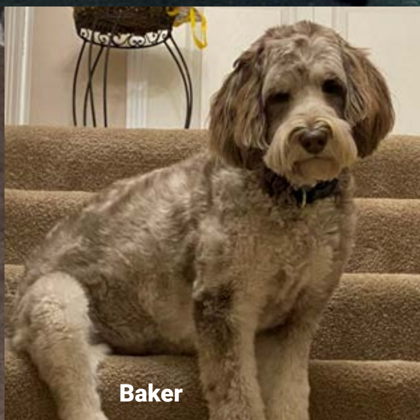

Champ


Star


Chip


Ruby


Callie


Baker

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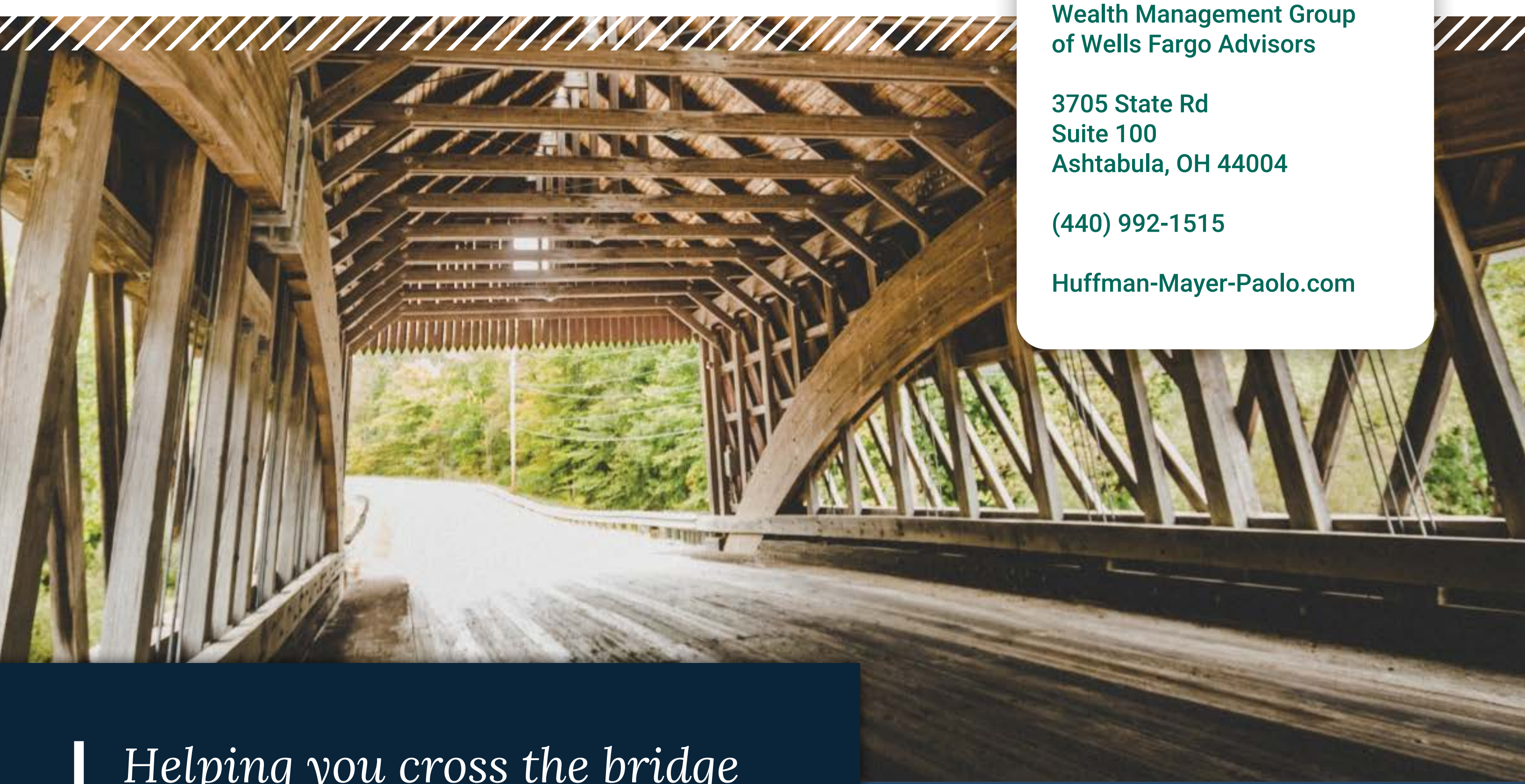

Helping you cross the bridge from working to retirement

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