

Lottery Predictions

Traditionally for Thanksgiving my brother-in-law gives everyone in the family a handful of lottery scratchers as a fun activity to do after dinner is done and the dishes put away. One by one, we go around and try to predict which ticket of ours will be a winner. We also say what we would do if we won the big prizes of \$1,000, \$10,000 or \$1 million.

What Would You Do If You Had An Extra \$10,000?

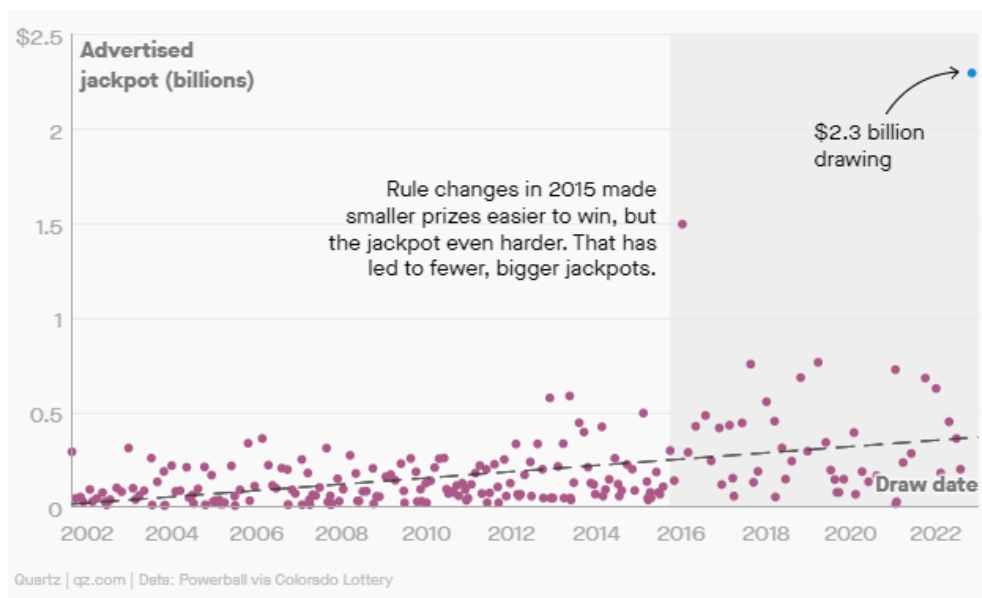
As someone who studies investor behavior, I found the answers my family gave as to what they would do if they won much more interesting than seeing if they could correctly guess if a given ticket was a winner or not.

It didn't matter if the prize was big or small, they would either: spend it, save it, invest it, give it, or some combination of the four. When times were good, I was more likely to hear family members say spend it words like "I'd go on a vacation" or "I'm going to buy X." When times were tough, save it phrases like "I'd pay off all my credit card debt" became more common.

Additionally, the bigger the prize, the more tended to go into the invest it and give it buckets. Example, "If I won \$1 million, I would buy a new car, pay off my house, then I would donate the rest to the local food bank." Rarely was investing or charity mentioned if the prize was small.

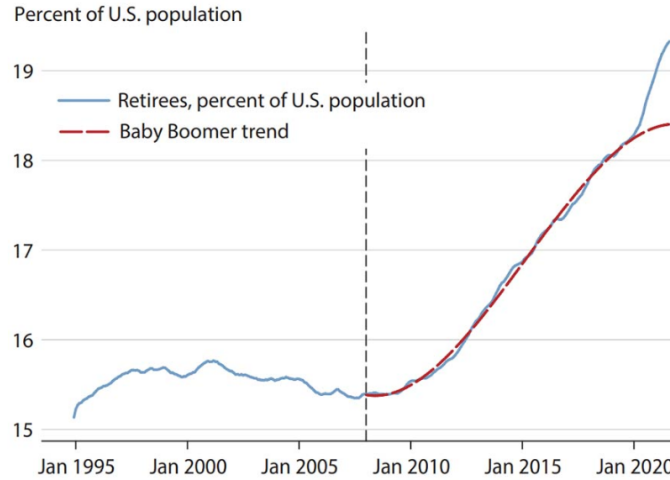
Big Prizes Drive Big Changes

My guess is the organization that runs the state lotteries also tracks investor behavior. When Powerball faced slowing growth in 2015, the lottery responded by changing its rules with the effect of creating fewer, but larger jackpots. They found that the bigger the jackpot was, the more likely people would change their behavior and buy a ticket if they normally didn't or buy multiple tickets if they normally only bought one.



Now I am not suggesting that millions of baby boomers won the lottery and now live on private islands, but I am suggesting that the recent turmoil of 2022 was not enough to change their behavior from being retired to be forced to return to the workforce. See chart below from the St. Louis Federal Reserve which shows more Baby Boomers retired recently than expected or this article from Bloomberg [Even Soaring Inflation Can't Lure Many Retirees Back to Work](#)

Percentage of Retirees in the U.S. Population and the Baby Boomer Retirement Trend

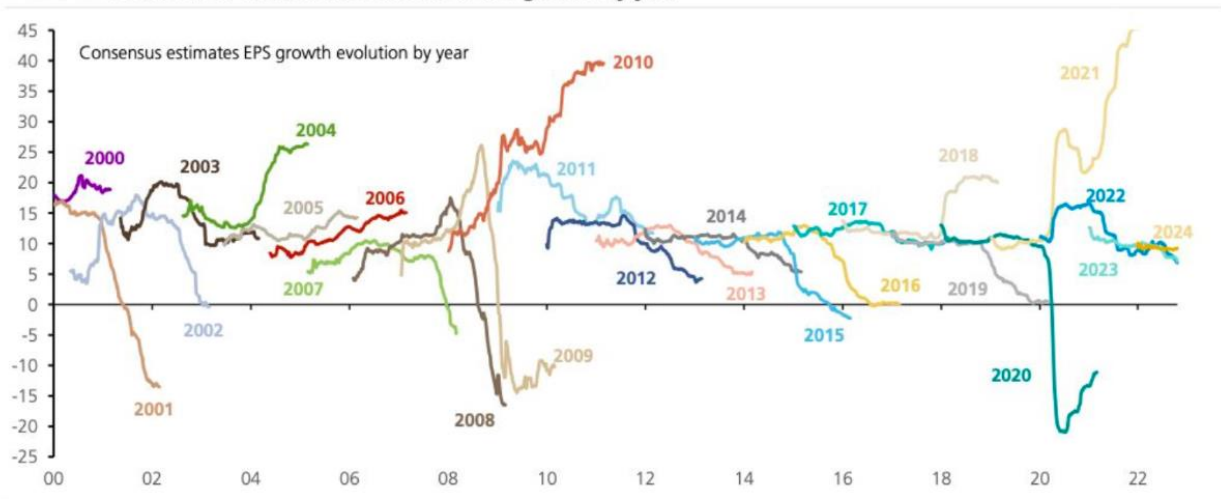


NOTE: The percentage of retirees is a 12-month moving average, and the Baby Boomer trend is a cubic trend estimated between January 2008 and February 2020.
 SOURCES: Current Population Survey and author's calculations.

Lottery Predictions.

It feels to me like every financial TV show, magazine, or brokerage firm is currently publishing a variation of “See what our economists are predicting for this year!” This rush to offer predictions routinely happens at the start of every new month, quarter, and year. If history is a guide, these predictions will repeatedly be scrapped and adjusted until the calendar changes when it will be time to start the process all over again. See chart below which shows how much the consensus estimates change from the start of each year to the end.

Evolution of consensus estimates of EPS growth by year



Source: FactSet, UBS

Planning Not Predicting.

- I don't know what the inflation rate will be a year from now, but do know the price I paid for my first house was higher than what my parents paid for their first house which in turn was higher than the price their parents paid for their first house. Looking out decades vs. days can be helpful.
- I don't know where interest rates will be six months from now, but I can work with you to go over what you own and what you owe to identify items that may likely be impacted if rates change.
- I don't know if we will be in a recession soon or not, but I do know it takes a lot to change consumer behavior and right now:
 - unemployment is low, inflation as measured by CPI is falling month over month, foreclosures are low, credit card defaults are low, despite some layoff announcements the economy is still adding more jobs than it is shedding, and discretionary spending on items such as online shopping, pets, youth sports, travel, and going out to eat at restaurants remain high.
- I don't know exactly how much the stock market will rise or fall next year but I can work with you to review your investments and identify various paths we can take to meet your income needs.
- I don't know what the hot sector will be this year, but I can review your investments to help identify any stock or industry concentrations and assist you in making any necessary adjustments to help your account stay balanced.

I do know I enjoy being your trusted advisor and am happy to answer any questions or concerns you might have. My team and I are here to help.

Mark Delp, CFP®
Branch Manager

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