



"You will fall backward. But eventually you will spring ahead."

Arnie Levin; © Condé Nast — Used by permission

## AUTUMN: "Back to School" & what that means to me now—Ned Montag

My brother John and I are only one year apart, and I'm the older one. However, when we are introduced together to folks who don't know us, it's to my silent glee when folks inevitably assume John is older.

Even with our closeness in age, my kids are a bit older than his, and I've come to understand what "back to school" means in recent years as I've now sent my second one off to college. You see, for them, the academic year is just beginning, the start of something new, and in my family's case, in a land far away (from me).

This summer past with my family was a special one in many ways, and it makes me think yet again about the families we serve at MONTAG. As such, I want to THANK YOU all, so much, for letting us serve your families through the years as they grow...and go back to school.

Enjoy the autumn season! **M**

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## MARKET OBSERVATIONS — John Montag, Chief Investment Officer

### The Ol' Chicken and Squirrel Game

I'm sure you're thinking "didn't he mean chicken and egg game?" but no, I did, in fact, mean chicken and squirrel. So, what do these animals have in common? Well, they share one concept in particular... "the road." You see at MONTAG, our road, or our path through the investment world, sometimes will look like the metaphorical "road" of the chicken, or sometimes the literal "road" of the squirrel.

Let's start with the chicken. Stop me if you've heard this one: The chicken's reason for crossing the road is as simple an explanation as there is. To get to the other side, of course. It's a simple question that deserves this simple, utilitarian answer. It synchs up with an investor's mindset, too. Why do investors invest? To make money, plain and simple.

The good news for investors during the third quarter is the U.S. markets continued their ascent and made money. In fact, the third

quarter bore fresh highs for all three major indices in August (NASDAQ) and September (S&P 500, Dow Jones).

The Dow Jones, S&P 500 and NASDAQ all finished the quarter up: 9.63%, 7.71%, and 7.41%, respectively. Year-to-date these performances have been 8.83%, 10.56% and 17.48% on a total return basis.

Conversely, we have the squirrel. The squirrel needs a rapid assimilation of information, and a diametric reaction, to make sure it moves across the road the best way it can. As a squirrel, what it chooses to observe, and believe, might help it cross the street without getting hit. Evidence as follows:

Concurrent to the strong and extended run in U.S. markets, international markets are moving in the opposite direction of the US markets. The Bloomberg World Index shows that the number of non-US members experi-

*Continued on page 2*

encing a bear market has risen to 28%. The zig and zag, as it were, moving from one piece of information (U.S. market health) to another (international market turbulence) as the squirrel decides which step to take next.

This is especially true of emerging markets in particular, with U.S. tariffs and geo-political friction shaking those markets at a time when a strong dollar makes domestic markets more attractive in an absolute sense.

### **The Fed, Interest Rates, and the Economy**

Right before the end of the third quarter, the Federal Reserve (the Fed) met to discuss interest rates (among other things) and just as the markets anticipated, they raised rates a quarter of a percentage point, or 0.25% for the third time this year to 2.25%. While we are still firmly ensconced in a range only described as “historical lows” for interest rates, it is clear the Fed would like to continue to raise rates at a measured pace, while keeping an eye on inflation. Simply put, if inflation were to rise beyond the Fed’s target rate of 2%, they would likely raise interest rates in larger intervals to control inflation and any deterioration in the purchasing power of the strengthening dollar.

Similarly, the proxy for bond market health, the 10 year Treasury rate, has continued its upward climb and has definitively, crossed the 3% threshold and on its way to 3.1%. As the bond yields continue to rise, they will become relatively more attractive to stocks,

which may put pressure on the equity markets.

On the economics front we focus on meaningful data indicating that unemployment is at a record low. As we’ve expressed in previous issues of *Viewpoints*, this is an obviously strong indicator of our economy’s health, but as is the case in life, too much of a good thing can bring about unintended consequences. A hot economy can give rise to wage growth for the average American worker, which can create more demand for goods and services. That, in turn, leads to a rise in prices and we are, again, back at a wary acknowledgement of inflation. That will definitely get you that squirrelly look in your eye!

### **Conclusion**

To sum it up, our work at MONTAG illustrates to us a continued interconnectivity of variables into a mesh we know as the investment landscape. While the bull market has continued to push on and equity markets have resumed new highs, we are not interested in jeopardizing your wealth by trying to time the markets. In other words, and I never thought I’d say this, we all want to be a chicken (ha), but sometimes we have to be nimble like the squirrel to achieve our investment goals! **M**



John Montag is President & Chief Investment Officer

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*Concurrent to the strong and extended run of U.S. markets, international markets are moving in the opposite direction*

## **WE KNOW WHO GOT MOM'S PEARLS, BUT WHO GOT MOM'S PEARLS OF WISDOM? – Haley A. Schwartz, Esq.**

Your legacy is not just a collection of your possessions and assets that you leave to others when you die. Your legacy is also, and arguably most importantly, the essence of how you live your life, how you influence others to live their lives, and how you are remembered for what matters most to you. The receipt and gift of life lessons and values can be the most valuable “inheritance” you receive from your loved ones. Each one of us has something to share and intuitively we know the importance of passing on an enduring message. However, there is a deep disconnect between recognizing the im-

portance of expressing one’s message and doing it in a permanent and tangible way. Preparing an Ethical Will provides the solution.

An Ethical Will is not a legal document like a Last Will and Testament. It does not direct the disposition of the things that you have to others, rather, it shares with them the thoughts that you want them to know. Ethical Wills are deeply personal and can include any number of topics. For example, an Ethical Will can preserve your family heritage, express your hopes and dreams for the future, provide life lessons and rules to live

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*Ethical wills can be thought of as the voice of your heart, and as such, each one is as unique as the person crafting it*

### DID YOU KNOW? (Tree Trivia)

Which of these three historically-recognized tree stories is associated with **Athens, Georgia**?

- A. "The FDR Oak Tree", given by A.J. Barnes – November, 1932
- B. "The Tree That Owns Itself", given by William H. Jackson, 1832
- C. "The Jackson Magnolia Tree", given by Andrew Jackson in 1835

(Answer on Page 4)

by, emphasize your spiritual values, explain why certain charitable causes are important to you, and perhaps provide an opportunity to ask for forgiveness or to forgive others. Quite simply, it is the voice of your heart and every Ethical Will is as unique as the person crafting it.

The product of your Ethical Will is for your intended audience, but the process of preparing it can be just as affecting for you. By articulating your philosophical essence and values you can create your own personal mission statement to live by. You may engage in meaningful self-reflection. Your words could encourage resolution of family conflict. And, you may find that you tap into new ideas or realizations that can impact, change, or strengthen your current relationship with others and/or your community.

The tradition of Ethical Wills has roots in the Bible and their form and substance have evolved over time. Central to the enduring practice of preparing an Ethical

Will is an intention to bequeath instructive values. Ethical Wills have no rules for construction. Commonly, Ethical Wills are handwritten or typed letters to your family, community, or unborn descendants. However, an Ethical Will can also be a scrapbook of pictures or a box of memorabilia with explanations of each selection. It can be a collection of quotes, recipes, books, or songs that resonate with you and the reasons why. And, it can be a personal sound or a video recording where your voice and/or image is shared along with your message.

If you do not express what matters most to you, who will? Leaving a legacy of your words through an Ethical Will may be the most important thing you give to others and to yourself. **M**



Haley A. Schwartz, Esq. is an attorney practicing with Abrams Davis Mason & Long

## AROUND THE RESEARCH TABLE



MONTAG Portfolio Managers continue to debate stocks, the economy, politics and everything else that may impact clients' investments. Here are a few of the highlights from Q3.

- **Valuations:** Although Stocks are not considered cheap at 17X earnings, if the fundamentals continue to trend as they have in 2017 and 2018, valuations appear to be reasonable relative to recent trends and expected growth.
- **Inflation:** With expectations of inflation rising in the coming 2 years, with low unemployment, potentially rising wages and strong consumer demand, inflation could become an important part of any investment conversation in 2019 and beyond.
- **Corporate Earnings:** High corporate earnings expectations are already factored into the stock prices so increasing historically high expectations in 2019 will be difficult... the stock market typically struggles when future expectations are being reduced.
- **Bonds and Income:** While many investors are in need of higher income from their portfolios, investing in longer term bonds to reach for higher income now is riskier than ever. We will continue to consider duration in client accounts. As many professional investment managers have shifted their bond portfolio's to short term bonds already, it is and will be an important part of any investment portfolio conversation over the next few years. **M**

## COMPLIANCE MATTERS – Stacey Godwin, Chief Compliance Officer

### WHAT IS A TRUSTED CONTACT?

Have you considered adding a **Trusted Contact** to your account(s) at MONTAG? As a result of recent regulatory changes, brokerages like Schwab and Fidelity are now asking clients to name a third party Trusted Contact to their records. A Trusted Contact is someone your custodian can get in touch with if financial exploitation is suspected or if there are signs a client may be unable to

manage finances without assistance. You should choose your Trusted Contact carefully and there are many things to consider when doing so. Proper planning in this regard can help to ensure your assets remain safe throughout the many life changes we all face. If you would like more information about Trusted Contacts, please don't hesitate to contact us. Look for more information in a future blog post on our website (montagwealth.com). **M**

## ADMINISTRATIVE REMINDERS – Client Service Team

As we approach the end of the year, we have a few administrative reminders for clients:

**Required Minimum Distributions (RMDs)**  
Must be taken from your IRA accounts, including Inherited IRAs, before the end of the year. If you turned 70 ½ this year, this is the first year you must start taking these per IRS regulations.

**Charitable Stock Donations** – Please let us know of any stock gifts you plan to make as soon as possible. The custodians set deadlines for processing at the beginning of December, so we cannot guarantee that any requests made after then will be processed in time for you to deduct the gift on your 2018 tax return.

If you have any changes to your personal **contact information**, please provide us an update. Examples include your email address, mailing address, new job, new phone number, etc.

We've had success providing many clients with their quarterly reports via our **secure portal**. If you still receive yours in the mail and would like to make a change, please let us know.

If you have any questions about these or any other items, please give us a call – The MONTAG Client Service Team is always happy to help! **M**



### UPCOMING EVENTS:

#### EXECUTIVE BREAKFAST SERIES—Tuesday, October 30 (7:30am – 9:30am)

MONTAG hosts the next in our series of breakfasts, with a presentation by brothers Ned and John Montag – For more information, contact Steve Whittington – *Business Development Director*, at 678-539-8245 or via email at [stevewhittington@montagwealth.com](mailto:stevewhittington@montagwealth.com)

#### FACTS & FINANCES FOR WOMEN –Wednesday, November 7 (9:30am – 1:00pm)

Join us for a morning of presentations from MONTAG staff members, subject matter expert Haley Schwartz, Esq. presenting on Ethical Wills, and remarks by a representative from area non-profit Trees Atlanta. Contact Bill Lee at 678-539-8243 or [events@montagwealth.com](mailto:events@montagwealth.com)

## DID YOU KNOW? (from page 3)

### Answer: B. “The Tree That Owns Itself”

Local folklore and newspaper articles tell the story of William H. Jackson, whose affection for his favorite childhood tree led him to deed it to itself:

*“For and in consideration of the great affection which he bears said tree, and his great desire to see it protected has conveyed, and by these presents do convey unto the said oak tree entire possession of itself and of all land within eight feet of it on all sides.”*



Answer “A” describes an Oak Tree in Meriwether County, near Warm Springs, GA, given to then President-elect Franklin D. Roosevelt by his friend A.J. Barnes. Known as the “FDR Oak Tree” by locals, it was struck by lightning in 1970 and lost. Today, a marker stands where it stood, placed by MONTAG staff member Bill Lee, current owner of the historic **Barnes Plantation**, c. 1830.

Answer “C” describes the Magnolia tree brought to Washington as a seedling by Andrew Jackson from **The Hermitage**, his farm in Tennessee. The tree was planted in his wife Rachel's memory, she having died shortly after his election to the presidency. The iconic tree, the oldest on the White House grounds, had suffered significant decay and was removed due to safety concerns in late 2017. (Have a look at the back of a \$20 bill—it's the tree visible to the left.) **M**

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