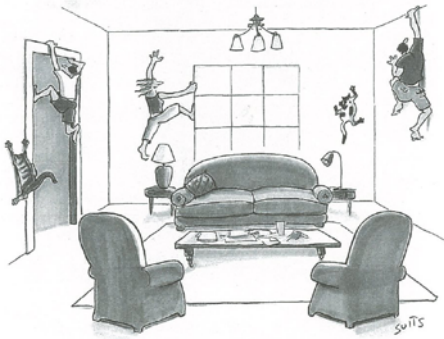


## LIFE IN A BUBBLE — Ned Montag

We recently passed Week 26 working from home at MONTAG, which is significant in that 26 weeks is exactly half a year. I guess you could say that after six months, working from home is the new normal as we wait for things to shake out with this pandemic, and you can learn a lot about yourself with that much time on your hands. I like gardening and making vichyssoise... who knew?

But seriously, the most important thing you can do during this strange time is to TAKE CARE OF YOURSELF. Even if you are working a full slate at home, you should take the time for a little self-maintenance, and maybe you can use these more fluid days to do things you may not normally be able to do. For example, do something restorative every day, and that's as simple as walking out your front door at lunch for a walk. Go sit on the floor of your bedroom and meditate for 20 minutes. These are things you probably couldn't take advantage of in a traditional work setting, so take advantage of the little things!

We are a family at MONTAG, and the more we take care of ourselves, the more we can stay engaged with all of you folks, our clients and friends. THANK YOU for trusting us to service you during this strange time, and get out of that bubble every once in a while! **M**



"It's great to have something we can all do together."

Julia Suits/CartoonCollections.com—Used by permission

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**MONTAG Viewpoints is published quarterly by MONTAG Wealth**  
 Visit us at [montagwealth.com](http://montagwealth.com)

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October 1, 2020

## MARKET OBSERVATIONS: Why are stocks so high? — Chris Guinther

The economy and the stock market continued to rebound in the 3rd quarter of 2020 from the terrifying pandemic induced lows, set back in late March. For the quarter, the S&P 500 had a return of 8.9%, while the Dow Jones Industrial Average returned 8.2%, and the NASDAQ returned 11.2%. Year to date, these three indices have returned 5.6%, -.9%, 25.4%, respectively.

In March, securities were being priced for unknowable unknowns due to a "Black Swan" event in the form of COVID-19. Black Swans are exceedingly rare and unpredictable events that wreak havoc on pricing expectations for all securities. Investors were forced to reduce risk, de-leverage, and make changes to protect their assets in case this event lingered. And then, out of the darkness, a couple rays of light provided clarity on what the future holds. Talk of vaccines, solutions and therapies, and significant Federal Reserve (the "FED") support for the unemployed and the banking system, akin to 2008, but on a much larger scale, were likely all coming in the near future. Veteran investors began to understand that not everyone, and not every company, was suffering. In fact, many were actually benefitting from the effects of the pandemic.

By our count, 62% of the S&P 500 was benefitting from the lock-downs, 15% was experiencing neutral effects, and the rest, primarily in consumer, travel and leisure, were at risk of going out of business. Few companies in the world have a rainy day fund that can sustain them through periods of near \$0 revenues, but since April, the markets quickly moved from pricing in \$0 revenues and back to some higher level of 'normal' revenues in just 5 months. All that made for high volatility, significant opportunities and many losses.

Casual observers are scratching their heads asking; how can the market be so high when there is so much unemployment and earnings are depressed? The fact is that markets tend to always be looking ahead and the analysis needs to look into the future.

As company after company reported their 2nd quarter earnings, many were exceeding previously lowered analyst expectations. What has become apparent is that the average company has cut operating costs significantly and right-sized their companies. They have cut salaries, cut travel and entertainment, trimmed marketing and advertising, and have begun to trim real estate in many cases.

Continued on page 2

What is not well understood or accepted is that these changes, while contributing to higher unemployment, pave the way for most companies to reach new highs in earnings (i.e., profits) in 2021 or 2022, even with far lower revenues than they had in 2019. That is, even with a lower revenue base, these companies are spending far less as a percentage of revenue than they had before the pandemic began.

Add to that change, inventories are low in many areas...have you tried to buy a bike, RV, boat, motorcycle or shoes that fit lately? Along with lower inventories, capital spending essentially stopped for months. All these factors pave the way for a rebound, WHEN not IF, vaccines are approved and distributed by early 2021. As mentioned above, security prices are based on future expectations and, since April, investors have been pricing in a rebound in spending by both consumers and companies, due to massive pent up demand, the FED's significant support of the capital markets and of course the multiple vaccines due to come out. The reality is, day by day the data continues to validate the improved outlooks and higher security prices.

MONTAG portfolio managers are certainly not dismissing the risks, which are significant, but as a group, we do want to keep an eye on the numerous reasons to be bullish and cognizant of the reason for stock prices being so high. In our constant effort to compare and assess different asset classes, we currently see little value in bonds, with yields below 1%, relative to equities which have average dividend yield of 2% and an annual historical growth rate of 2%, which equates to an estimated potential total annual return of 4%.

As we look ahead, we will continue to closely monitor changing trends and data to position our client portfolios in an appropriate manner to best meet the needs relative to their personalized investment objectives. The future will be interesting and challenging, but your investment team at MONTAG will continue to manage and adjust our thinking as necessary. **M**



Chris Guinther is a Portfolio Manager and Senior Equity Strategist

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*The fact is that markets tend to be always looking ahead and the analysis needs to look into the future*

The information provided is for illustration purposes only. It is not, and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action to be taken.

## **ESTATE PLANNING IN A PANDEMIC** — Dawn R. Levine, Esq.

Nothing gets you thinking of your own mortality like being trapped at home with your own thoughts, with lots of free time and a disease on a rampage around the globe. The Pandemic has changed lots of things, to be sure. It should come as no surprise that it has also changed the people seeking estate planning in several ways. First, more people than ever aren't just thinking about it but, rather they are acting on it as well. Estate planners have seen a sharp uptick in people who want to do planning. At our firm, the volume of estate planning clients contacting us was up 100% from the same period last year. It should be noted that, historically, at this time of year, many of the people we are doing planning for are contemplating getting on a plane (pre-travel planning). This year the numbers did not include any of that for obvious reasons, meaning that an even greater percentage of these clients were motivated by fear of the Pandemic or by all the free time caused by the Pandemic. These clients are not just different from the norm because of their motivations though. A second way these clients differ is in how they view the concepts. For many people who engage in planning for incapacity or death,

those concepts are an abstraction. You often hear phrases like "if I die" I want this or that. It isn't quite real in their minds. The clients who are coming forward right now are much more realistic about the prospects of death and incapacity in their future. They have a thoughtfulness and sincerity about the process that you often see in those who have just received a troubling medical diagnosis. It isn't just the clients who have changed though. The market to serve them has changed also.

The estate planning market has expanded dramatically due to the Pandemic in several ways, some for the better and some for the worse. One good change has been the adaptation to technology to produce a more efficient process. Many clients and attorneys have, by necessity, let go of the traditional face-to-face estate planning consultation. Zoom calls along with regular calls and email consultations have become the norm. Clients are seeing the value of this. They can have their wishes heard by a professional without taking a huge bite out of their day to travel to the attorney's office. A second favorable change is the scrutiny of some of the signing formalities in estate planning. Virtual

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*The Pandemic has brought about many changes in estate planning, some for the better — others not so much...*

**DID YOU KNOW?**

*Polio (poliomyelitis) was considered one of the most serious public health problems in the world, and epidemics were particularly devastating in the post-WWII United States. According to a 2009 PBS documentary, "Apart from the atomic bomb, America's greatest fear was polio. What American doctor is most closely associated with the development of a vaccine for Polio?"*

- A. Dr. Alexander Fleming
- B. Dr. Crawford W Long
- C. Dr. Marie Curie
- D. Dr. Jonas Salk

(Answer on Page 4)

notaries are now being looked at as a promising option rather than a threat to the attorney's practice. As good as those changes are, some of the changes in the market for estate planning have not been so great. Where there is this much opportunity, you are sure to see it abused. Offerings that have been inspired by the Pandemic are not always well done. Ads for docs-in-a-box abound, downloadable, fill-in-the-blank Wills and Trusts. I may see more than my share of these ads because key words like estate planning appear in my profile frequently. However, I think everyone on social media is seeing them to some extent. Many of these are under company names that didn't seem to exist a year ago. Who knows if they will still be here when the Pandemic has subsided. In addition to these new companies, many well-known, household names are now purporting to deliver estate planning packages (without the need for an expensive attorney, of course.) Suze Orman, I am looking at you. It doesn't end there either. The Pandemic threw lots of attorneys out of work. Criminal law attorneys have probably been the hardest hit. Without functioning courts, they have no work. Many of them have started dabbling in estate planning to keep their bills paid. The common theme in all of these negative developments is documents produced like a commodity without the application of any experience. Unfortunately, the clients don't know there is an issue with their documents. No one will know until these documents need to be used, once the client is deceased or incapacitated and it is too late to fix anything. Then, it will be the probate litigation attorneys who will be busy. **M**



*Guest contributor Dawn R. Levine is an attorney and managing partner of Georgia Wills, Trusts, and Probate Firm, LLC*

**AROUND THE RESEARCH TABLE**



MONTAG portfolio managers continue to debate stocks, the economy, and various recurring themes that may impact clients' investments. Here are a few of the highlights for Q3:

- ⇒ The Federal Reserve indicated they would be on the sidelines until inflation returns and can "exceed 2% for some time." This theme will be important as low interest rates should support stock prices for the next many years.
- ⇒ Having this low interest rate environment will create a shift in the way to find and think of meeting income needs from client portfolios. As we have lived through low interest rate environments before, we can again adjust portfolio's to find appropriate revenue and growth in other areas.
- ⇒ Expect to see a continuation in the trend of companies 'on-shoring' production and activities. Both President Trump and Former Vice President Joe Biden support on-shoring. Chinese direct investment in the US is already down from prior years as is US direct investment in China.
- ⇒ With inventories being low, a vaccine could lead to an increase in sales from pent up demand and therefore a rush by companies to produce and restock. Since many companies have cut operating expense during the pandemic, the new growth in sales revenue should lead to a rapid acceleration in earnings growth. **M**



## COMPLIANCE MATTERS: Texting Is Prohibited –Stacey Godwin, Chief Compliance Officer

Communication is one of the most important aspects of a good relationship with our clients. MONTAG will always be responsive to your requests and keep you up-to-date about your portfolio. **For compliance purposes, we want to remind you that our policy is not to communicate with clients through text messages due to regulatory concerns with archiving electronic communications.** Should you

reach out in this manner, we will respond either by telephone or via an e-mail. Please feel free to reach out through phone or e-mail and we will respond in a timely manner.

Thank you for your understanding as to this important limitation. **M**



Stacey Godwin is Chief Compliance Officer

## CHARITABLE GIVING: Through the Eyes of an Investment Advisor—Joe Foley, CFA

Investment advisors are charged with the task of integrating an understanding of the universe of investment choices with each client's numerous objectives. Such "missions" include growth of the client's capital base, generation of current income, protection from risks, preparing for the ongoing care and education of the next generation, wise and proper tax and estate planning, and so forth.

But over the years, I have had the joy of working with dozens of clients and colleagues who carried another objective that is deeply personal. Sometimes it is relayed to me, other times not; sometimes it is explicitly stated as the highest priority. For me, it came in the form of a life changing insight by clients who encouraged me to "make a lot of money so we can give it away." That expression of their commitment to giving has remained in my conscience as a source of personal and professional inspiration.

Another time, early in my career, I was directed to transfer shares to a client's church. I knew the client well, quickly calculated in my head the number of shares to be donated, and promptly relayed the instructions to my administrative assistant. The gift was completed and a few days later, I discovered that I had erroneously transferred shares with a value that was ten times the value that the client had directed. I promptly confessed my error to the client who assured me that, "it's OK, they'll need it sooner or later." Despite my careless action, I was forgiven by a beloved client whose generosity knew no

bounds, and to my great joy, our relationship endured for the remainder of her lifetime.

Recipients of these gifts range: Education, civic and cultural programs, health care, support for religious institutions, even direct financial support to others in need all come to mind. Many more could certainly be added to this list. Regardless of the beneficiary, each gift makes the world a better place.

The urge to share their blessings springs from a variety of personal instincts and philosophies. The charitable inclination seems to be inextinguishable, persisting without regard to changes in their portfolio from year to year.

Our industry's calculations of returns and measures of investment performance are quantifiable, and are frequently used to define investment success. Markets have a way of making participants think that the events of any given day are critically important, and that some portfolio action is called for immediately. While occasionally true, the folks described here are operating from a different perspective and see the vagaries of the markets in a different light.

These clients' steadfastness and sustained generosity have been wonderful reminders that some of the most important investment objectives cannot be quantified. **M**



Joe Foley is a Portfolio Manager

## DID YOU KNOW? (from page 3)

**Answer: D. Dr. Jonas Salk**

On April 12, 1955—the tenth anniversary of Franklin D. Roosevelt's death in his "Little White House" at Warm Springs, GA—news of the vaccine's success was first made public. Salk was immediately hailed as a "miracle worker", and chose to not patent the vaccine or seek any profit from it in order to maximize its global distribution.

Salk's bust appears in bronze next to FDR's on "The Polio Hall of Fame" on the historic Roosevelt Warm Springs Institute's campus. The memorial honors the doctors and scientists who made important contributions to our knowledge of polio.

President Roosevelt founded **The March of Dimes** to pursue research leading to a vaccine for polio. Beginning in 1946, FDR's face in profile appears upon the dime coin. **M**

## A PARTING THOUGHT

*"There is hope in dreams, imagination, and in the courage of those who wish to make those dreams a reality."*

Dr. Jonas Salk

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