

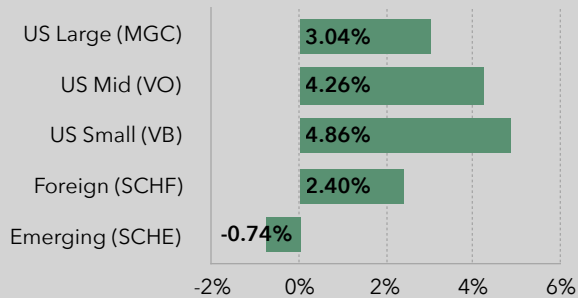
February 2019

Economic Data

- A paltry 20,000 jobs were added in February, well below expectations of 180,000 and the lowest gain since September 2017; the unemployment rate fell to 3.8%, however, as furloughed government employees returned
- The retail sales report for January has not yet been released due to delays caused by the partial government shutdown
- Y/y inflation (CPI) fell to 1.6% in January
- Existing home sales dropped for the third straight month in January, falling 1.9%

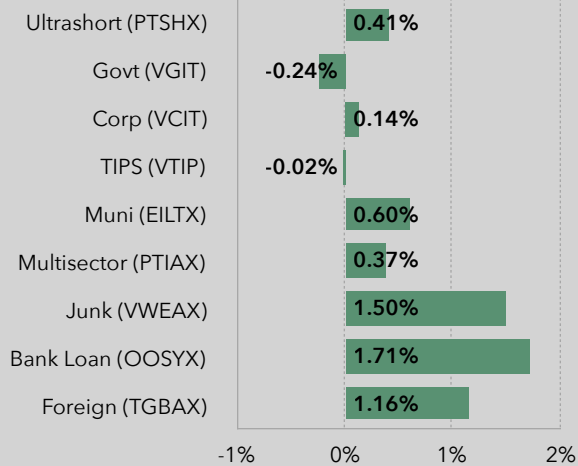
Stocks

February Returns



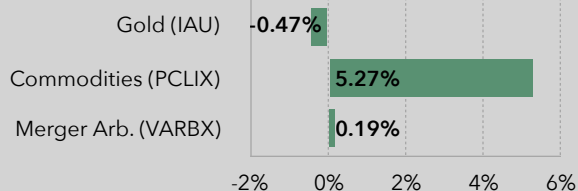
Bonds

February Returns



Alternatives

February Returns



Performance data provided by Morningstar.

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system – type 2 – that we want in control of our investment portfolios.

Is Millennial a Four-Letter Word?

That was the title of the speech I gave at the Trust Advisors Forum conference in the idyllic little golf village of Pinehurst, NC last week. Like Hannah Gadsby and her pivotal Netflix special “Nanette”, I submitted the title long before I knew what it would be about. Unlike “Nanette”, however, mine actually garnered a few laughs. To be fair, though, it’s not hard to be funny at a trust conference. The bar is pretty low. They aren’t demanding or expecting it, so it comes as a welcome respite from other important, yet often dry topics in the world of trust, estate planning, and wealth management. Anyway, the title worked, as Millennial has become a sort of pejorative term in certain contexts.

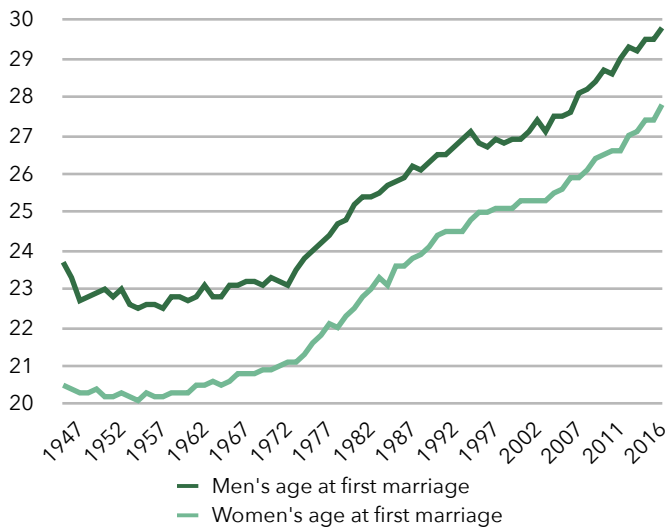
I have always tried to distance myself from being lumped in the Millennial generation, being quite adamant that I belong to Generation X. The Gen X’s end date is debated, ranging anywhere from 1976 to 1984. But the line is really quite clear, in my opinion. I still remember it today. I was in the second grade at Latson Elementary. School had just let out and I was heading to the bus when I noticed all the first graders were wearing the same t-shirt—“Class of 2000” was emblazoned across the chests of these gleeful children. The first class of the coming new millennium, which was a big focus during this time. And that’s where the term millennial came from. It was almost viewed as a fresh start; as if parents were saying we messed up before, but we’ll get it right with the Class of 2000. The second graders? No, they’re too far gone. So while I was working hard in class, these little darlings were treated to a day-long celebration about how special they were and were given free t-shirts for their efforts. And to me, that’s where the line was drawn. This is the day I began loathing millennials.

However, as I researched the topic, I began to change my opinion. I found dozens of negative quotes regarding the Millennial Generation, but I found dozens more for Gen X, baby boomers, the Silent Generation, and the G.I. Generation. In fact, I found quotes going back to the 5th century BC, criticizing the incoming crop of young adults. The reality is there has long been a propensity for the older generations to criticize the younger ones—it’s certainly not new to millennials. I found society’s current criticisms aren’t at all novel. The universal truth is this: young people suck, and they have always sucked. But they eventually grow up and become adults, even if it takes a little longer for some.

Each of us wants to think that our generation did it best. We raise each new generation the way we see fit, and then criticize the type of people they become. We put the burden on them to make the world a better place and fix the problems we created, while simultaneously telling them things were way better back in our day. It’s a pretty rotten thing to do.

Millennials have their faults, sure. We all do. But there are a lot of positive contributions they have been making. Take, for example, teenage pregnancy. Birthrates for 15- to 19-year-olds have fallen 51% since 2007, according to the CDC. They are also delaying marriage and in doing so helping to reduce the incidence of divorce. In the past 18 years (2000-2017) the divorce rate has fallen 28%, and it’s completely attributable to younger generations, as older generations are actually putting upward pressure on the figure. They also drink less, drive less, and—most importantly—do the two together less.

Estimated Median Age at First Marriage



Source: U.S. Census Bureau

Unfortunately, they are also investing in stocks less. One study conducted by mutual fund company MFS Investment Management, found that nearly half of millennials said they “never feel comfortable investing in the stock market.” The survey also showed millennials keep more of their assets in cash, less in stocks, and have a shorter time horizon for their investments than boomers or Xers. Cash is fine for an emergency savings account, but millennials would be better served if they could get comfortable with the stock market for their longer-term investments.

Another survey by Vanguard showed millennials who started investing after the financial crisis were more than twice as likely to hold zero-equity portfolios as those who started investing before (22% vs. 10%). This aversion to risk draws parallels with the Silent Generation who, having grown up during the Great Depression in the aftermath of the stock market crash, had a greater preference towards safer investments like CDs. However, thanks to a much higher prevalence of company pensions and a more reliable promise of social security, there wasn't as much need to invest in the stock market for them. It was seen as a playground for the rich. Millennials don't have that luxury.

It certainly makes sense that some millennials shy away from stocks because they were entering the work force in and around the Global Financial Crisis., but perhaps there is more to it than that. A generation

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Ultrashort			●		●
US Govt.		●			
TIPS				●	
Multisector			●		
Bank Loans	●				
Foreign Bonds			●		
Equities					
Large Cap	●				
Mid Cap	●				
Small Cap	●				
Developed Intl.		●			
Emerging			●		
Alternatives					
Commodities					●
Hedging					●

with a mantle adorned with participation trophies—through no fault of their own—may simply not be comfortable with the prospect of losing, particularly losing money. A generation that has become accustomed to instant gratification may not have the patience for an appropriately long enough time horizon for investing in stocks. Or maybe it's because we are living so long that retirement seems further away now than ever.

Whatever the reason, hopefully this is something that can be overcome. To be fair, most millennials who are investing are appropriately investing in stocks. It's just that smaller sub-set of the generation that needs some extra attention. Hopefully they will eventually learn about the pitfall of this short-sighted aversion to loss.

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Binge Box

Friends (Netflix)

I have been pretty busy the past month preparing for the speech I mentioned in this newsletter, and haven't had time to discover anything new worth bingeing. The only thing I've really watched is *Friends*, which is currently filling that unwind-right-before-bed time slot. I haven't watched it since high school, but it's still funny and is gaining a new audience with younger folks that are now discovering it. The clothes are poorly fitting in the first couple seasons, but other than that the show doesn't look all that dated. I don't understand why anyone would like Ross, though. He's a horrible person. And what's with the monkey in the first season? That's late series jump-shark type material.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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