

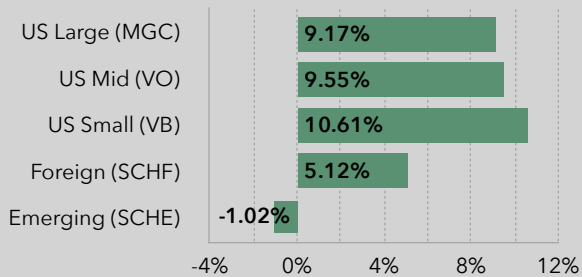
## July 2022

### Economic Data

- GDP declined for the second straight quarter, falling 0.9% in Q2 and marking a technical recession for the US
- 528,000 jobs were added in July; the unemployment rate edged down one-tenth to 3.5%
- Retail sales were 1.0% for the month of June with gas station sales up 3.6%
- Y/y inflation (CPI) reached a new 40-year high of 9.1% in June—the 14th month in a row at or above 5%
- Existing home sales fell for the fifth straight month in June, down 5.4%; supply increased to 3.0 months

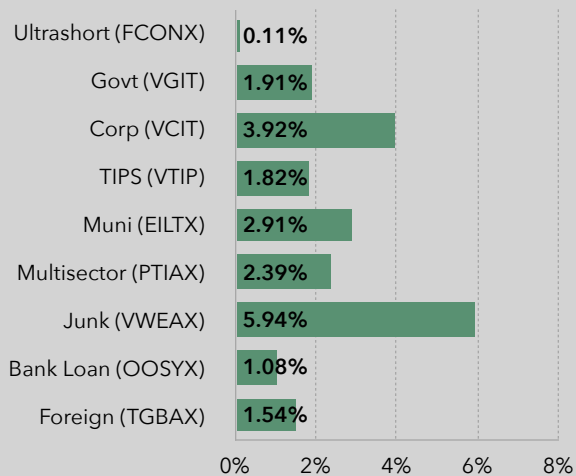
### Stocks

#### July Returns



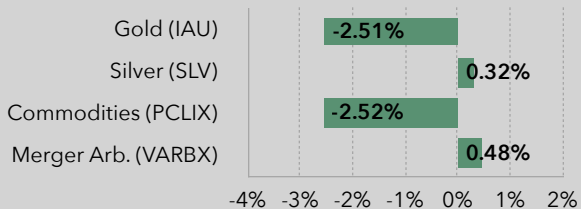
### Bonds

#### July Returns



### Alternatives

#### July 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 not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

**“Do you have life insurance? Cuz if you do, you could always use a little more. Am I right or am I right or am I right, right, right, right?”**



Groundhog Day (1993)

Ned : “Hey, hey! Now, don't you tell me you don't remember me because I sure as heckfire remember you.”

Phil : “Not a chance.”

Ned : “Ned... Ryerson. “Needlenose Ned”? “Ned the Head”? C'mon, buddy. Case Western High. Ned Ryerson: I did the whistling belly-button trick at the high school talent show? Bing! Ned Ryerson: got the shingles real bad senior year, almost didn't graduate? Bing, again. Ned Ryerson: I dated your sister Mary Pat a couple times until you told me not to anymore? Well?”

Phil : “Ned Ryerson?”

Ned : “Bing!”

Phil : “Bing. So did you turn pro with that bellybutton thing, Ned?”

Ned : No, Phil, I sell insurance.

Phil : “What a shock.”

That was one of my favorite scenes from Bill Murray's classic film, *Groundhog Day*. Stephen Tobolowsky is brilliant playing Ned Ryerson, the stereotypical pushy insurance salesman. Is this stereotype fair? Yeah, I mean probably. That's not to say there aren't great insurance agents out there, but simply that their interests aren't always aligned with yours. The more products they sell you, whether they are right for you or not, the higher their commissions.

Unlike what Ned pushes, there definitely is a point where you don't need a little more life insurance. Bill Murray's character, for example, is a single man without children—he probably doesn't need any life insurance at all. For many, though, they have a family that relies on their income and life insurance can protect their loved ones in the event of their premature death.

Life insurance can also be a useful estate planning tool. It can provide immediate liquidity to your beneficiaries without the delays associated with settling your estate. It can also be quite useful if a portion of your estate is illiquid, such as a privately held business or a large piece of real estate, both of which are difficult to separate and distribute equitably to your heirs.

## How Much Life Insurance Do You Need?

There are two different methods commonly used to calculate the amount of life insurance needed. The human life value method involves replacing the estimated net contribution to family finances that the insured would generate if they did not die. Essentially what you would make minus what you would spend on yourself. So-called "final expenses," such as funeral and other death expenses, are then added to get your total need.

The needs analysis method focuses on meeting the financial needs of the family. This typically involves estimating living expenses for survivors for a certain amount of time. This would typically be until post-college adulthood for surviving children, and for the remaining life expectancy of a surviving spouse. Education costs, final expenses, and any other special expenses are also included. These amounts are appropriately discounted back to the present value to calculate the total funds needed. We then subtract assets available from the amount to estimate your life insurance need.

Easy, right? Don't worry, I'm here to help you figure out what is right for you and your family. Just ask.

## What Kind of Life Insurance Do You Need?

The short answer, in my opinion, is almost always temporary life insurance, more commonly known as "term" life. The policy only exists for a certain term, say 20 years, and then terminates at the end of that period if the insured survives. This makes sense, because at a certain point in your life you will have (hopefully) built enough in assets to provide for your partner, and your children will have grown to (hopefully) become financially independent adults. At this point you probably don't need any life insurance anymore.

The other type is permanent life insurance, which includes universal life and whole life. These types of policies are typically not worth the dramatically higher premiums over term policies, except perhaps in situations with a lifelong dependent, such as a child with a disability.

There are a number of TikTok videos making the rounds touting whole life insurance as some sort of secret financial "hack". They basically try to pitch them as an unlimited bank to yourself, or some hot take like that. As a general rule, TikTok is better used as a time suck than a place to get financial advice. Not surprisingly, these videos are made by insurance salespeople who love getting fat commissions from selling whole life policies.

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
<b>Fixed Income</b>					
Duration	●				
Inflation				●	
Credit	●				
Foreign				●	
<b>Equities</b>					
Large Cap	●				
Mid Cap		●			
Small Cap	●				
Developed Intl.		●			
Emerging			●		
<b>Alternatives</b>					
Commodities					●
Hedging					●

It is true that whole life insurance can be used as a tax-sheltered savings instrument. It is a hybrid product, that is part insurance and part investment. There is a cash-value portion of these policies that invests the difference between the current cost of providing insurance coverage and the premium into a tax-advantaged account. These excess premiums grow over time sheltered from taxation and can eventually be cashed out. The so-called "hack" is that you can borrow against the cash value of your policy, giving you tax-free access to some of the money.

The problem is the premiums for whole life are typically five to 15 times that which you would pay for term insurance with the same death benefit. It also takes many years to build up a significant amount of cash value, as the premiums in your early years go mostly to paying for the cost of insurance and expenses like commissions. Furthermore, the guaranteed return you get is typically very low. Lastly, if you do borrow against the policy any outstanding loans will decrease your death benefit.

Quite simply, if you don't need permanent life insurance, you probably shouldn't buy it.

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## Binge Box

### Trainwreck: Woodstock '99 (Netflix)

In late July of 1999, about a week or so before my 18th birthday, I told my parents I was going camping for a few days with four buddies of mine, which was true. I just left out the part that we would be camping on an Air Force base in Rome, NY for Woodstock '99. What followed was four days that were the highlight of my summer, despite being subjected to deplorable conditions that were the result of corporate greed. I have never been to another multi-day music festival since, both because nothing could ever compare, and because why would I ever want to after dealing with those circumstances? You can get a taste of what that historic blunder was like by streaming the three-part miniseries on Netflix.

## 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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NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE