

# THE CLIENT

Pinnacle Asset Management  
a division of Pinnacle Bank  
Brick W. Sturgeon, Jr.

7651 Highway 70 South  
Nashville TN 37221



# FREE LETTER

Raymond James Financial Services, Inc  
Brick W. Sturgeon, Jr. – Financial Advisor

Phone: (615) 743-8301  
Email: [brick.sturgeon@raymondjames.com](mailto:brick.sturgeon@raymondjames.com)

## The Moxy

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*The Moxy* is a stylish and sleek boutique hotel chain in many large metropolitan urban areas, including one here in Nashville. We first experienced this hotel in New York City, attending one of our daughter's wedding ceremonies a few years ago. The atmosphere is cool, hip and well, very millennial. At first glance, it is shiny and new with everything you want. That is, until you need ice, extra pillows or heaven forbid, have a question about your bill. That's when a knowledgeable human would be nice. Never more so than when I needed to turn the lights on in the room. Yes, it was the first time I discovered that you must insert your room key in a magic master slot in order to operate the lights in your hotel room. My sweet wife will attest that I spent 30 minutes trying to get the lights turned on before figuring this out. Folks, I don't need a hotel room that is smarter than me. There are times where I would just like a little local help or advice.

I feel like this *low service, high-tech* movement is pervasive, perhaps because the younger generation was brought up to expect this. However, I have a client in Houston that has been a doctor for over 50 years, yet even in his 80s, still has more patients than he needs. Is this because he has the snazziest website or best marketing software? No, he has something far more important....experience. And I feel like financial services are no different.

2023 was a good example of this in my opinion. Quite frankly, there was no logical reason to be invested in stocks or bonds last year. The Federal Reserve was in the middle of one of the most aggressive interest rate hiking campaigns in history - all in an effort to bring down inflation. And bringing down inflation is generally done by crushing demand in the economy, a primary cause of *recessions*. Throw in geopolitical events as well as a possible government shut down, and no one in their right mind would invest based on such information, right?

But therein lies the difference between information and advice. After all, any piece of information that my 80 year-old doctor client has ever been exposed to is available at anyone's fingertips on the Internet. What *isn't* available is his 50 years of experience *using* that information.

In October, the market had just completed three consecutive months of decline as interest rates spiked again. We wrote to clients that this is "triple leg down" is how many bear markets can form a bottom and that it was likely too late to panic or make reactive changes. We also pointed out at our client dinner the historical correlation of 2023 to previous similar market environments, suggesting the possibility of a "*Santa Clause rally*".

What ensued was a very nice two-month year-end rally, which significantly changed the calendar year results for many. Does that mean we can predict the market? Absolutely not. I haven't met anyone yet that can do it consistently. To wit, last year's rally arguably caught us a little off guard as well, holding perhaps more cash than we would like. But we felt the time to sell was long behind us. Folks, I have often said that all of a year's gains in the market can come in a single month, we just don't know which one that is - so we have to remain invested for all of them. That is less about *information*, and more about *experience*.

You see, the mistake we see many novices make is to latch onto one piece of information and think that is the most important thing. I often hear: ***“Brick, I’m worried about the market because of”***:

**The debt level**

**Ukraine**

**Gas prices**

**Gov’t shutdowns**

**Weather**

**Climate change**

**Interest rates**

**North Korea**

**Biden**

**Trump**

**Or any other single issue.**

It seems confirmation bias causes us to think the most important issue to us is also the most important issue to the market. In reality, the market doesn’t really care what any of us think.

In its simplest form, asset prices rise when more money is available to push prices higher and they fall when money is scarcer. Pretty simple. Yet, the many variables and “change agents” that affect this dynamic are virtually impossible to predict ahead of time. But, because of our team’s 68 years combined experience, we are in a good position to think objectively and help clients get out of the way of their own biases. Yes, we’ve seen the movie before and while none of them are exactly the same, occasionally they rhyme.

As for 2024, I would not be surprised to see markets pull back at some point in the first half as investors may be overly optimistic about the speed and magnitude of Fed interest rate cuts this year. Historically, it is not uncommon for markets to have a 10% decline at some point in any given year. However, election years have historically been better than average on a calendar year basis and markets have produced positive gains in eight out of the last eight election years. Of course, past performance is no guarantee of the future, and as we have seen with the NFL playoffs, anything can happen. But using *probability-based* evaluation, I would be hesitant to bet against it.

Of course, we are always happy to share our perspective and answer your questions/concerns. After all, our money is invested side-by-side along with clients. We worry as much (or more) than you do....Just don’t ask me how to turn the lights on at a trendy hotel - you’re on your own there.

## Cole’s Corner

As financial advisors, one might be surprised at the scope of questions and issues we help clients with on a regular basis. It isn’t all about whether the stock market went up or down that day (nor should it be anyway). Instead, we find ourselves helping clients solve problems on a myriad of topics. Here are some examples we run across regularly:

Helping clients evaluate old life insurance policies. In some cases, the client may have outgrown the policy and if there is cash value available, it could perhaps be put to more productive use – including being invested more effectively or paying for future policy premiums if appropriate.

Evaluating the best way to pay for a new home before the old house sells. Depending on the situation, sometimes a home equity loan or margin loan can accomplish this without having to sell valuable investments and trigger tax consequences. We have even used the 60-day IRA rollover provision to help accomplish this for some clients in the past.

We have also helped many clients understand the relationship between their will, beneficiaries and trusts. We often see a misunderstanding of these items which can cause unnecessary work, costs and hassle down the road.

Please accept our offer to review any old life insurance or annuity policies you may be holding elsewhere as well as any estate planning questions you may have. This is one of many examples of how Brick and I are not only in the money management business, but as a **Certified Financial Planner™ professional**, also in the *advice* business. We have the experience and resources to help with a broad set of your financial questions.

As always, we thank you for your business, your friendship and the trust you place in us. Feel free to share this letter with anyone you feel may benefit – we appreciate the many referrals we have received over the years and encourage the introduction to others. Edie, Cole and I are happy to answer any questions you may have. Until then, wishing you health and happiness.

Regards,



**Brick Sturgeon, Jr.**

Financial Advisor, RJFS

Pinnacle Asset Management

A Division of Pinnacle Financial Partners

7651 Highway 70 South

Nashville, TN 37221

615-743-8301

615-646-4538 Fax



***“2019, 2020, 2021, 2022, 2023 RJFS Leaders Council Member”***

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**Top 100 Bank Advisors (2019)**

To compile the list, multiple variables were combined into one composite score. The six categories used are: (1) assets under management; (2) trailing-12 month production; (3) percentage increase in AUM from the previous year; (4) percentage increase in T-12 production; (5) amount of fee business; and (6) the ratio of production-per-AUM. (Note: 2018 AUM was defined as the amount an advisor had as of Aug. 31, 2018. Likewise, for T-12 production, the 12-month period ending Aug. 31, 2018, was used.) The nominees were ranked by each of the six categories and then six different scores were calculated based on where they ranked. Those six scores were used to compile the final list. The ranking may not be representative of any one client's experience, is not an endorsement, and is not indicative of an advisor's future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for this award/rating. BIC is not affiliated with Raymond James.