

Railway Ties

Keeping You onTRACK



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Iron Horse Junction

Lightning Slinger is the nickname for the railroad telegraph operator. This section has news from the office.

Emeralds are a name given to the green lights along the tracks letting the engineer know it safe to proceed. This section has news from the home front.

New Twist in the Labor Market

In December 2019, women outnumbered men in the U.S. workforce for the first time since April 2010, when layoffs due to the recession disproportionately affected male workers. A larger percentage of men age 16 and older (69.2%) are participating in the workforce than women (57.7%). However, there are more women than men in the population, and big industries such as health and education are keeping more of them in the workforce.



Source: U.S. Bureau of Labor Statistics, 2019

Iron Horse Junction

The Lightning Slinger

As things are slowly transitioning to a new normal because of the virus, we will start offering face-to-face meetings in our office in July. The Mayor of Pensacola has put out an order that all employees and patrons of a business will wear a mask while in the business. I think this is the solution the entire nation should have followed at the start of the pandemic. At any rate, we will operate using the mayor's guidelines for the immediate future. If you decide to meet in the office, please bring a mask with you. If you do not have a mask, we will provide one. Laneisa and I will be wearing masks too. We will also be cleaning the conference room tables and chairs between meetings for your safety.

Suki and I took a short vacation the week of July 6 and went to a cabin just north of Nashville. We took our dogs, Holly Joy and Summer, with us because they needed a vacation too. It was nice to just get away for a bit and we are glad to be home again.

Did you know our website has several White Papers on a variety of topics? Subjects such as Medicare Tax, When to Take Social Security, Maximizing Social Security Benefits, and Developing a Successful Estate Plan are some of the topics available. You can see these at www.ironhorsews.com under the Client Center and then White papers.

Emeralds

Our daughter-in-law, Yao, has been hired by Pine Forest High School to teach algebra. Our son, Alex, teaches chemistry at the same school allowing them to carpool and eat lunch together. How cool is that? They would both like to teach closer to their home in Pace, Florida and they will continue to look for opportunities there. Until then, this will save some car gas and offer some one-on-one time during the commute.

Saffie (our granddaughter) is developing so quickly. She can sit up without assistance and loves to sing. Saffie enjoys our dog Holly being around and likes to talk to her. Our other dog, Summer, not so much. She has an activity wall that is about 14 inches tall. She was sitting and facing the corner and pulled herself up to a standing position by holding the top of the walls. She stood for about 10 seconds and sat back down. I'm sure it will not be long before she is toddling around the house.

My reign of terror ended on June 30 as president of the Pensacola Suburban West Rotary Club. The virus made it a challenging year considering one of the main purposes of Rotary is fellowship. We met by Zoom and had several outdoor lunch meetings at the Blue Wahoos Stadium. The group is meeting at the Pensacola Yacht Club again, but there are limitations with the current group sizes in force. Sometimes you gotta do what you gotta do.

Until next month,

Rick

Portfolio Performance: Choose Your Benchmarks Wisely

Dramatic market turbulence has been common in 2020, and you can't help but hear about the frequent ups and downs of the Dow Jones Industrial Average or the S&P 500 index. The performance of these major indexes is widely reported and analyzed in detail by financial news outlets around the nation.

Both the Dow and the S&P 500 track the stocks of large domestic companies. But with about 500 stocks compared to the Dow's 30, the S&P 500 comprises a much broader segment of the market and is considered to be representative of U.S. stocks in general. These indexes are useful tools for tracking stock market trends; however, some investors mistakenly think of them as benchmarks for the performance of their own portfolios.

It doesn't make sense to compare a broadly diversified, multi-asset portfolio to just one of its own components. Expecting portfolio returns to meet or beat "the market" in good times is usually unrealistic, unless you are willing to expose 100% of your savings to the risk and volatility associated with stock investments. On the other hand, if you have a well-diversified portfolio, you might be happy to see that your portfolio doesn't lose as much as the market when stocks are falling.

Asset Allocation: It's Personal

Investor portfolios are typically divided among asset classes that tend to perform differently under different market conditions. An appropriate mix of stocks, bonds, and other investments depends on the investor's age, risk tolerance, and financial goals.

Consequently, there may not be a single benchmark that matches your actual holdings and the composition of your individual portfolio. It could take a combination of several benchmarks to provide a meaningful performance picture. There are hundreds of indexes based on a wide variety of markets (domestic/foreign), asset classes (stocks/bonds), market segments (large cap/small cap), styles (growth/value), and other criteria.

The desire to become a more disciplined investor is often tested by the arrival of your account statements.

Keep the Proper Perspective

Seasoned investors understand that short-term results may have little to do with the effectiveness of a long-term investment strategy. Even so, the desire to become a more disciplined investor is often tested by the arrival of your account statements.

Making decisions based on last year's — or last month's — performance figures may not be wise, because asset classes, market segments, and industries do not always perform the same from one period to the next. When an investment experiences dramatic upside performance, much of the opportunity for market gains may have already passed. Conversely, moving out of an investment when it has a down period could take you out of a position to benefit when that market segment starts to recover.

There's nothing you can do about global economic conditions or the level of returns delivered by the financial markets, but you can control the composition of your portfolio. Evaluating investment results through the correct lens may help you make appropriate adjustments and plan effectively for the future.

The performance of an unmanaged index is not indicative of the performance of any specific security, and individuals cannot invest directly in an index. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. All investments are subject to market fluctuation, risk, and loss of principal. Shares, when sold, may be worth more or less than their original cost. Investments that seek a higher return tend to involve greater risk.

Debit or Credit? Pick a Card

Americans use debit cards more often than credit cards, but they tend to use credit cards for higher-dollar transactions. The average value of a debit-card transaction in 2018 was just \$36, while credit-card transactions averaged \$89.¹

This usage reflects fundamental differences between the two types of cards. A debit card acts like a plastic check and draws directly from your checking account, whereas a credit-card transaction is a loan that remains interest-free only if you pay your monthly bill on time. For this reason, people may use a debit card for regular expenses and a credit card for "extras." However, when deciding which card to use, you should be aware of other differences.

Fraud protection. In general, you are liable for no more than \$50 in fraudulent credit-card charges. For debit cards, a \$50 limit applies only if a lost card or PIN is reported within 48 hours. The limit is \$500 if reported within 60 days, with unlimited liability after that. A credit card may be safer in higher-risk situations, such as when shopping online, when the card will leave your sight (as in a restaurant), or when you are concerned about the security of a card reader. If you regularly use a debit card in these situations, you may want to maintain a lower checking balance and keep most of your funds in savings.

Merchant disputes. You can dispute a credit-card charge before paying your bill and shouldn't have to pay it while the charge is under dispute. Disputing a debit-card charge can be more difficult when the charge has been deducted from your checking account, and it may take some time before the funds are returned.

Rewards and extra benefits. Debit cards offer little or no additional benefits, whereas some credit cards offer cash-back rewards, and major cards may include extra benefits such as travel insurance, extended warranties, and secondary collision and theft coverage for rental cars (up to policy limits). Of course, if you do not pay your credit-card bill in full each month, the interest you pay can outweigh any financial rewards or benefits.

Credit history. Using a credit card can affect your credit score positively or negatively, depending on how you use it. A debit card does not affect your credit score.

Considering the additional protections and benefits, a credit card may be a better choice in some situations — but only if you pay your monthly bill on time.

1) Federal Reserve, 2019

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