



# CASUAL FRIDAY

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## Cap Gain Issues?

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Market volatility often inspires client allocation changes. Are you seeking to make a manager change but are concerned about capital gains management? We have customized solutions to manage the transition within a capital gains budget. Email or call us at 570.825.2600.

### SPEAKING OF VOLATILITY...

Here are actionable talking points to keep clients on track:

- Recent volatility **is** not entirely about tariffs, yields, gold, recession chatter, politics, and a whole list of mini convulsions. The sky is not falling. We firmly attribute a great deal of the volatility/drawdown to the extreme valuations and concentration in the indices to start 2025. Like 2022, this “little” 24% drawdown of the Russell Large Growth reminds investors of the risk inherent in buying stocks at extreme prices... regardless of how good the narrative sounds. And yes, rebalancing matters and is best implemented when times are good! (Source: Bloomberg)
- Suggest to clients that unlike GFC or Covid, the path out could literally end in “one tweet.”
- Reiterate Berkshire’s core goals: “We hired Berkshire to generate dividend income, grow dividend income and provide relative safety on the downside.” There’s nothing to indicate that the first two goals are threatened. In fact, we believe recent events reinforce the appeal of our strategy now. For an update on performance year to date, please email us.
  - Longer term? Berkshire Dividend Strategy 15-Year Statistics vs the RLV as of 3.31.2025: ~71% Down Capture Ratio, .83 Beta, Top 10% vs Peer Group\*  
Source: [Berkshire Morningstar Report 3.31.2025](#)
- Remind clients how different managers have different jobs. Dividends are likely doing their job well now. Heck, growth is behaving as advertised too! Investors may expect big advances from growth in up markets, and outsized returns on the way down, especially after the run they had. Managing expectations is everything.
- Planning prowess is an advisor’s best friend during volatility. Keep client emotions aligned and in tune with their income/lifestyle goals, NOT the market. “I need a stream of income that will grow and keep up with inflation through my retirement.” Reinforce how the plan is still on track and the dividend growth strategy in their portfolio is directly helping them achieve the objective. Highlight Berkshire’s role as a permanent part of a client’s allocation much like a family business or real estate. And speaking of real estate...
- “Do you check the value of your real estate every day?” Relate how a dividend growth strategy is like owning a commercial building. Your ‘tenants’ are quality American companies (name a few examples) As their earnings grow, so does your ‘rent’ (“dividends”), creating a potential attractive income stream. If the ‘rents’ you collect satisfy income needs, should you really be concerned about the daily value of the building? Probably not. But over time, if the ‘rents’ grow, the value of the building may also increase. Why should the mentality be any different with stocks?
- Remind clients declines like these are normal – most years usually experience a 14% drawdown (Source: *JP Morgan Guide to the Markets*). It’s the price one has to pay for potentially higher returns from stocks – no free lunch. Virtually every year seemingly has some reason that makes clients NOT want to invest. And yes, there *is* a political aspect that is firing people up even more.
- Show clients actual Berkshire holdings. Clients struggle with sticking to the plan when they don’t know what they own, or own complex strategies, alternatives, and even index funds. “What the heck is in that ETF!! It’s down sell it!”

\* “Peer group” - Morningstar groups managers reasonably considered to be close investment alternatives, and for which performance and other statistical measures, such as fees, are comparable.

Stability, durability and reliable dividends of a typical Berkshire holding can help keep clients on track and squelch their temptation to make ad hoc sales at low prices. They usually conclude, “yeah, XYZ company is probably here to stay.” Show a number of recent Berkshire changes and the value of active management. In an ETF-crazed world, the good ole actively managed SMA can still be an effective vehicle to keep clients on track.

- Remind clients how “the market is rigged”... but may likely be rigged in *their* favor. We pray our compliance (and yours) understand this is somewhat tongue and cheek comment, but here are the cold facts for the S&P 500 since 1923.

Time Period / Probability of Positive Returns

1 Year ~74%, Rolling Annual Periods (1926–2023)

3 Years ~83%, Rolling 3-Year Periods (1926–2023)

5 Years ~88%, Rolling 5-Year Periods (1926–2023)

10 Years ~94%, Rolling 10-Year Periods (1926–2023)

20 Years 100%, Rolling 20-Year Periods (1926–2023)

Those appear to be pretty good odds.

Sources: Morningstar, Ibbotson SBI, J.P. Morgan Guide to the Markets

- And since those odds appear to be in your favor, why not suggest adding more to equities now? We believe a low volatility equity approach may let investors maintain higher allocations and build higher returns over time, supporting legacy plans. And if clients are under allocated vs. their target, why not suggest they tranche in a 1/4 or 1/3 of the funds now and take advantage of potentially attractive prices. Let them know, it's rare to catch the ultimate bottom, so you might be calling them again, but the lowest average cost usually produces good results!

So stick to this playbook to build your credibility and define you as their calm steady authority during volatile times.

## CASUAL FRIDAY BONUS: 6 QUESTIONS TO HELP CLIENTS NAVIGATE MARKET-RELATED FEARS PRODUCTIVELY

Double down on traversing client conversations during market volatility? On Kitces.com, Meghaan Lurtz, Ph.D., FBS details advisors on managing the emotional aspects of investing: <https://www.kitces.com/blog/financial-advisor-market-volatility-client-communication-behavioral-finance-data-logic-emotion-reasoning/>

## NFL DRAFT: HOW HAVE THE ECONOMICS OF ROOKIES CHANGED OVER THE LAST 25 YEARS?

<https://frontofficesports.com/nfl-rookie-salaries-changed-over-20-years/>

Have a great spring weekend,

Gerry

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