

JANUARY 2020

MIDWEST FINANCIAL GROUP

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Q1 SMART MONEY

INVESTMENT INSIGHTS

*“Those who cannot remember the
past are condemned to repeat it”*

~George Santayana



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These are simple truths that we must embrace

As the excitement of a new year passes and we begin to move into our normal routines, it is easy to focus on today and the concerns of tomorrow and forget the lessons of the past. As I write this, we are creeping up on the 11th anniversary of the market bottom in the financial crisis, we are creeping up on the 20th anniversary of the dot-com bubble and one of the few multi-year market down trends in its history, and we also sit at the one year anniversary of what was a pretty nervous holiday week for investors following the pullback at the end of 2018. But let's set all those history lessons aside and focus on what has happened since my last note. We finished the 4th quarter of 2019 setting all time highs in most US indexes. We saw what looks to be the framework for easing trade tensions, we saw the impeachment of the president, we saw continued market volatility, and most importantly we saw all of reasons that a safety-first plan has so much value.

For those of you that are currently drawing income, we felt our preservation portfolio met its 2019 goal. We have aimed to protect *at least* 2 ½ years of your income as you near the distribution phase of life, with the goal of not being forced to sell stocks in down markets. We will see significant down markets again; it is a fact that we can't ignore. We also cannot forget that there aren't any flashy blinky signs that let you know that it is going to happen, nor is there an advisor, investment, manager, algorithm, or magic 8 ball that can predict when market conditions will change, up or down. The truth is by the time you know you are heading for a major down market; you are already there. These are simple truths that we must embrace, and if we do, and if we continue to build your portfolio from the ground up, we will be able to work through anything the market may throw at us.

By the time you receive this letter you will have already, or are about to receive, your trade confirmations from the January 2nd portfolio rebalance. Much as will always be the case you are only going to see minor changes to the portfolios. We are moving up the market-cap scale, which means that we will be more balanced between large, mid-size, and small companies, in 2020. For the last several years we have had a slight overweight to small companies, which over time will yield proportionately greater return, but also with a greater amount of volatility. Outside of that adjustment we remain committed to being US centric in our investment thesis.



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Surviving volatility

The US dollar remains strong, and as the reserve currency of the world, will most likely continue to be strong in 2020. It is an election year, and we are somewhere near the end of this bull market cycle, which means we will continue to see volatility in 2020, but historically brings continued positive returns with it. While the media, and the candidates, will try and convince you this year that the election is about the survival of our society, it is more likely to be a non-event as it relates to the markets and your financial future. My advice for surviving the volatility ahead of us is simple. Ensure that your financial plan has been updated, ensure that you come in for your review appointments, ensure that changes in your goals and plans are reflected in your financial plan, and ensure that you stop every now and then to smell the roses. The future is not promised, and its outcome is uncertain; but if we remember the lessons of the past, focus on our goals of the future, and enjoy the present as the gift that it is, everything else will fall into line.

In addition to these quarterly notes, we will also be adding additional information and market commentary to our NEW website, coming early 2020. You'll be able to check in regularly for updates as they become available. So, keep your eye out for an announcement on our New Website coming soon! And as always, please let us know if you have any questions or concerns and the Midwest Financial Group Team will be here to support you.

Take Care.



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