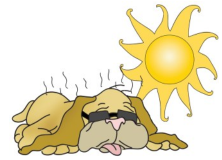
Bennett Associates Wealth Management

2025 Q3

SUMMER FUN! (AND FINANCES)



Diversify, Diversify, Diversify!

'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	'24
45.7	43.7	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	35.9	13.9	18.6	38.8	13.7	1.4	21.3	37.8	0.0	31.5	20.0	40.2	30.9	26.6	25.0
31.8	8.4	10.3	47.3	20.7	21.4	26.9	16.2	-26.2	76.4	26.9	7.8	17.9	32.4	6.0	0.5	18.3	25.6	-2.1	25.5	18.7	28.7	16.1	26.3	24.4
11.6	5.3	-1.4	44.5	18.3	14.0	26.1	12.7	-33.8	58.2	19.2	5.0	16.4	27.6	4.9	-0.4	17.1	21.8	-4.4	22.7	18.4	27.1	-11.2	18.9	11.5
-3.0	2.5	-3.4	39.2	16.7	6.3	18.4	11.6	-35.6	32.5	16.8	2.1	16.0	23.3	4.8	-4.4	12.0	14.6	-11.0	18.9	8.3	14.8	-13.0	16.9	8.2
-5.9	-2.4	-6.0	29.0	11.1	4.9	15.8	7.0	-36.9	27.2	15.1	-4.2	15.8	7.4	2.5	-4.5	11.8	7.5	-11.2	14.3	7.5	11.8	-14.0	13.4	8.1
-9.1	-11.9	-15.7	28.7	10.9	4.6	11.8	5.5	-37.0	26.5	15.1	-11.7	4.8	-2.0	-1.8	-14.6	11.6	3.5	-12.4	8.7	7.1	5.3	-18.1	10.3	5.4
-14.0	-19.5	-20.5	23.9	9.1	2.7	4.3	1.9	-43.1	18.9	8.2	-13.3	4.2	-2.3	-4.5	-24.7	2.6	1.7	-13.4	7.7	-3.1	-1.5	-19.7	5.5	4.3
-30.6	-21.2	-22.1	4.1	4.3	2.4	2.1	-1.6	-53.2	5.9	6.5	-18.2	-1.1	-9.5	-17.0	-32.6	1.5	-6.5	-14.2	6.6	-28.7	-2.2	-20.4	-7.9	1.3

Source: First Trust, Bloomberg

Key:

Black: US Large-Cap Stocks | **Red:** MLP's | **Green:** Foreign Developed Stocks | **Blue:** Commodities

Olive: Emerging Market Stocks | **Peach:** US Investment Grade Bonds | **Light Grey:** US High-Yield bonds | **Dark Grey:** US Small-Cap Stocks

In the realm of investing, most have been educated at some point in their life by someone telling them to diversify their portfolio. The mantra "don't have all your eggs in one basket!" rings in the minds of many investors as they look towards where best to put their money. The intended result of diversification is, of course, maximizing the returns one can have while mitigating as much risk as possible. Let's take a look at a concept called the efficient frontier.

The efficient frontier graphically displays how optimal portfolios' returns are relative to the given risk associated with them. "Risk" is measured by the portfolio's standard deviation. Standard deviation tracks the variance in fluctuations of returns the portfolio has had historically. If your portfolio falls below the line of the efficient frontier in a significant fashion, it means your returns are not worth the level of risk you are taking. So how do we get ourselves closer to that frontier? One thing that may help is to diversify!

Diversity in investing comes in many ways. One way you may be familiar with is investing in exchange-traded funds (ETF's) or mutual funds instead of buying stock of individual companies and corporations. This is a simple way of making yourself part-owner in hundreds or even thousands of different companies instead of just a few you pick out.

Another way to diversify is by investing in different asset classes. There are many asset classes to note, with eight of them displayed in the table above with their coinciding rate of returns from the years 2000-2024. The hot ticket item of these classes for the last decade or so has been large-cap, which is in reference to U.S based companies with over 10 billion dollars in market capitalization. Think Amazon, Google, or Apple! It is important to note that, though large-cap has done well for quite some time, market returns per asset class fluctuate from year to year. Take a look, for example, at emerging markets stocks leading the way from 2003-2007, or US investment grade (IG) bonds performing at the top in 2018. Each asset class, too, has its own risk associated with it. The standard deviation of US IG bond returns, for example, will typically be much lower than that of large cap stocks.

Of course, there are other ways to diversify one's portfolio, but the main takeaway is that your financial plan should dictate the return you need, and thus the risk you take. Not every investor should necessarily be looking for the highest returns. If you can meet your investment objectives in life by taking less risk because you need less return, you should absolutely consider doing so. It's all about the plan!

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- *Tax Sensitive Investing*
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- *Roth Conversion Opportunities*
- *Tax Return Review*

Trust & Estate Planning

- *Minimize Estate Taxes*
- *Analyze Trust Needs*
- *Analyze stepped up cost-basis for highly appreciated assets*

Assistance to Others

- *Charitable giving through Qualified Charitable Distributions (QCDs)*
- *Charitable giving of appreciated assets*
- *529 College Saving Plans*
- *Donor-Advised Funds*

Should I Be Budgeting?

Keeping a working budget of inflows and outflows is something many may do or feel guilty that they do not do, but is it important for the health of your overall financial plan? Well, that depends! There are many different ways to do a budget, but in its simplest form, a budget will list out cash flow coming in and being spent on a net basis over some period of time, usually monthly. You can break these categories down as generically or specifically as you'd like. For example, you can break cashflows out into two categories of fixed expenses and discretionary ones. Fixed expenses would be things you must pay, like your mortgage or car payment. Discretionary would be things that do not need to be paid and are often "wants" rather than "needs" (i.e., eating out or getting your haircut.) Expenses can also be broken down by listing the variable expenses you have versus invariable ones. Utility costs might differ from month to month and thus would be a variable cost, while your mortgage payment may remain the same, and thus would be invariable.

Keeping a budget can help someone of any age have a better understanding of where their money is going. Sitting down once a month and tracking expenses can help you find out things such as if you have a subscription you don't mean to keep paying for, or just to remind you of how much you spent last month at your favorite takeout spot! The budget can also help us get a good sense of what we can save on a periodic basis. Many individuals who use budgets may even factor in savings into the budget. For example, some take up the notion of "paying yourself first", where your saving and investing are listed as a fixed expense alongside other fixed expenses like your mortgage. This helps some psychologically, as they know they are saving for their future before any discretionary spending takes place. Whatever is left over after their expenses, they can spend guilt-free!

There can be many additional benefits of a budget as well. If you are entering retirement or looking to retire in the near future, for example, having a budget can give you a good sense of what you will need monthly to live off of. The budget can lay the framework for your distributions in retirement, as you can analyze the expenses that may not be there, like perhaps your mortgage, gas to drive to and from work, and of course, retirement contributions. From there, you can get a good understanding of the distributions that will be necessary for you to live comfortably once it's time to retire.

Important Dates for the Q3 2025 Financial Calendar

- **July 3rd -** Market closes early (1PM EST)
- **July 4th -** Market is closed (Fourth of July Holiday)
- **September 1st -** Market is closed (Labor Day)
- **September 15th -** Third quarter estimates due