



MOULTON WEALTH MANAGEMENT INC.
MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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How many times have you heard that over the last 100 years, the stock market has returned, on average, 10% per year? And when you heard that, what do you suppose was the inference you were expected to take away from that statement?

Wall Street spins many yarns to keep us invested at all times. Why? That's how they make money. If you sell their investment product, they can no longer charge you fees on it.

Of course, that doesn't invalidate market history. And even with short term Treasury bonds currently yielding in excess of 5%, 10% would be better.

But for good decision making, the 100 year average is of little use. For good decision making, weighing the probabilities based on the particulars of today is what's important. It's why we often say that using averages in your analysis makes your analysis below average.

Back to the long term returns of the stock market and where we stand today. We all understand that markets don't provide returns in a linear fashion. To come up with the 10% average, the market traversed times that were much lower and was graced with times that were much greater. Wall Street wants you to believe that it's impossible to know which is more likely at any time – kind of like blindly throwing darts at the fair. As such, the only sensible approach is to always stay full steam ahead. Yet the best investors, although without

100% certainty, do adjust their portfolios to account for higher probability outcomes.

Berkshire Hathaway is Warren Buffet's company. In their most recent financial disclosures, they reported over \$150 billion combined in cash and cash equivalents, short term investments in U.S. Treasury Bills and Investments in fixed maturity securities. A year ago, they held a combined \$124.4 billion in the three categories.

Stanley Druckenmiller's hedge fund averaged +30% annual returns for 30 years with no down years. In June of this year, he warned that the odds of a bad recession and bear market were increasing, not decreasing. Earlier this year he said he had very little invested in stocks.

These are arguably the two best investors of our lifetimes, and neither is blindly "buying and holding".

Instead, they choose to become more defensive when the particulars warrant it.

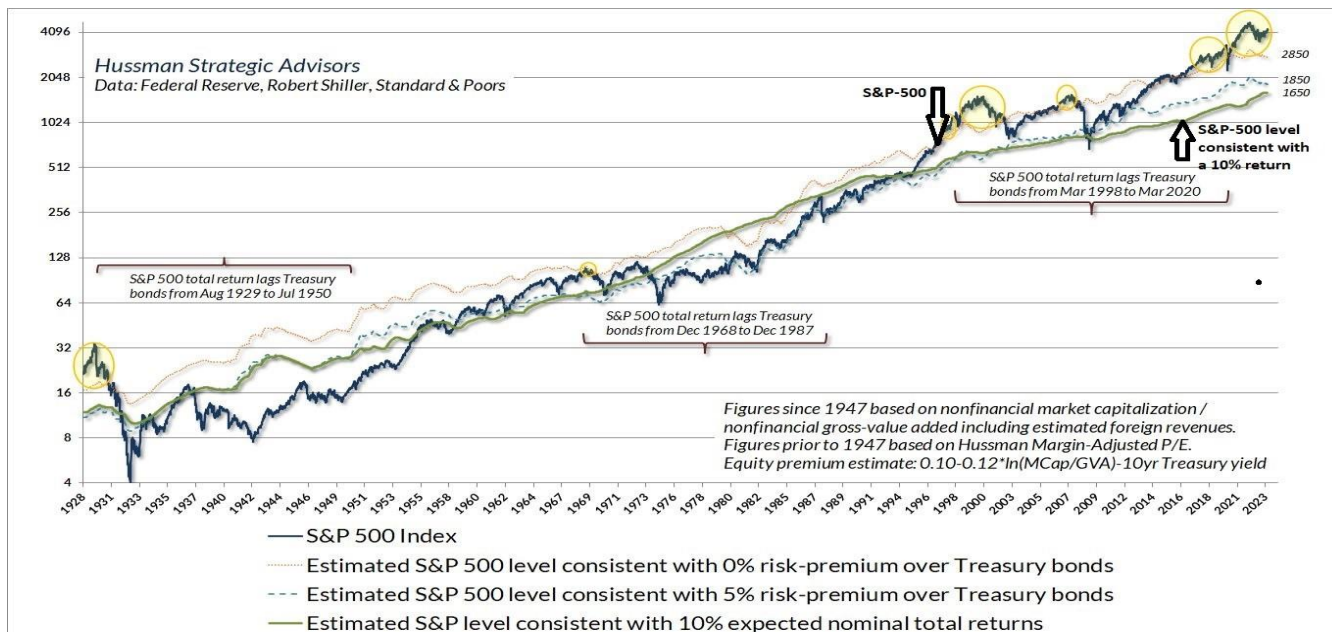
Why? The following chart by Hussman Advisors demonstrates that the particulars matter more than the averages.

The top line on the far right is the S&P-500 stock market. The bottom line on the far right shows where it would need to be to have a high probability of +10% returns going forward. The second from the bottom right shows where it would need to be to assume future returns +5% above U.S. Treasury

bonds. The faint line, second from the top shows where the S&P-500 would need to be to assume future returns are equal to US Treasury bonds.

Review the chart back to 1928 and notice each time the S&P-500 spent time below the “assumed +10% line” future returns were very strong (see 1942-1969 as well as 1975-2000). But also notice whenever it rose significantly above that line future returns were very poor (see 1969 to 1979 and 2000-2013). Finally notice how far above it we are today.

If you buy something when it's overpriced, the probability of future gains are much lower than if you buy



Yours truly,

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Certified Financial Planner™ professional

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Consult your financial professional before making any investment decision. You cannot invest directly in an index.

when it's cheap.

Although it's true no one can tell the future, probabilities TODAY don't favor equities.

It's not fortune telling, it's just math.

It's not too late to protect yourself.

What is your defensive plan? Attend a free seminar or call the office to hear about ours.

Waiting could be costly.

Expect Below Average Buy and Hold Stock Market Returns (for years) from here.

Weekly Radio Show
Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Hampton Inn—Valley
BREAKFAST!
16418 E. Indiana; Spokane
July 19th @ 9:30 AM

TRI-CITIES

Hampton Inn
486 Bradley Blvd; Richland
July 26th @ 11:00 AM

- ◇ How employing and consistently following a defensive system could help you to a better retirement.
- ◇ The Secure Act tax law change could alter how you leave your retirement accounts!
- ◇ What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- ◇ Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- ◇ Will inflation eat up your assets?
- ◇ How to potentially decrease taxes on your hard earned Social Security Income
- ◇ To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

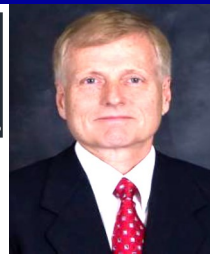


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Call to reserve a spot: 509-922-3110



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Call for assistance:
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***Future Buy and Hold
Returns Likely Below Average***

***Price to Sales
valuation still exceeds
the Dot.com bubble***

Spokane

**July 19th
@
9:30 AM**

Details Inside

*No Cost
Seminars for
Retirees and
those close to
Retirement*

Richland

**July 26th
@
11:00 AM**

Details Inside