



Toro Bravo Investment Advisors, LLC Investor Update

Newsletter

January 2021

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Disclosures

Advisory Services Offered through Toro Bravo Investment Advisors, LLC a Registered Investment Advisor

Securities offered through Crown Capital Securities, LP Member FINRA / SIPC Investment Advisory Services for Texas ORP/TDA accounts also offered through Crown Capital Securities, LP.

Opinions expressed here do not necessarily reflect the views Crown Capital Securities, LP.

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Access our ADV at:
<https://adviserinfo.sec.gov/firm/summary/288435>

1. https://www.federalreserve.gov/monetarypolicy/bst_recenttr ends.htm

2. <https://usdebtclock.org/>

3. Herb Morgan Efficient Market Advisors Economic & Market Commentary 1/11/2021 & 1/19/2021 see his website for video commentary.
<http://www.efficient-portfolios.com>

4. To read further on TIPS see Investopedia.
<https://www.investopedia.com/terms/t/tips.asp>

It's here, 2021. I think locust come next. -By Brian Keith Moon

“An unusual thing happened a week ago ... It has never happened in our history that our customers as a whole are net short the market.” -Thomas Peterffy, CEO Interactive Brokers CNBC Interview December 29, 2020

So, after the Capital Riots I got my bible out and read about the 10 plagues of Egypt. I started checking things off. Got it, got it, need it, got it.

What a year! Why, oh why, is the stock markets doing so well? We have discussed this at length and have come to the following reasons.

1. Economic Stimulus -Massive amounts of money has been spent keeping individuals and businesses solvent. Loans have been released by the SBA into small businesses. (The payments on these loans start in March but are at a 3% interest rate.)
2. Federal Reserve has lowered interest rates to 0% and purchased a crazy amount of bonds, pushing investors toward equities. Federal Reserve Balance Sheet in 2007 was \$865 billion dollars. It is now at \$7.3 trillion dollars!¹ (See the chart in the footnote 1)
3. Taxes are low and may stay that way, for now. Despite changes in the Senate, it doesn't seem likely that Biden will be able to pursue an aggressive tax policy. But really with US debt at \$28 trillion², taxes will rise eventually, but maybe not yet.

We have concerns about the markets, but the economy seems to be doing well. Employment has weakened, is not a trend yet. We found the chart below interesting.³

What To Expect In 2021

- Equity prices remain supported by:
 - Rock bottom interest rates
 - Massive money supply
 - Pent up demand
 - Fiscal Stimulus
 - Favorable tax on corporate profits and capital gains
 - Tech is now less a "sector" than it is "business"
 - Innovation in hard tech, software, internet, biotech, pharma and energy continue
- Fixed-Income Prices:
 - Zero to possibly negative "real returns"
 - Slow creep higher in interest rates as US continues to borrow to fund massive government spending

Those who are shorting the market in December, must be disappointed right now. We are less worried than we were but will be cautious going forward. One positive is an increase in US savings rate and a decrease in consumer debt³. We still favor equities but will make some changes to our allocation model for 2021. Our biggest concern at this point is inflation.

We increased cash over the last 2 months and intend to begin feeding it back into investments over the next couple of months. We will shift to Value from Growth. One big asset we are adding are TIPS. (Treasury Inflation Protected Securities)⁴

“It's tough to make predictions, especially about the future.” -Yogi Berra

5. The standard online \$0 commission does not apply to large block transactions requiring special handling, restricted stock transactions, trades placed directly on a foreign exchange, transaction-fee mutual funds, futures, or fixed income investments. See the Charles Schwab Pricing Guide for Individual Investors for full fee and commission schedules.

6. The guarantees we refer to are backed by the full faith and credit of the Insurance Company providing the guarantee and its claims paying ability. These guarantees do not carry protections from FDIC and are not bank deposits and are not insured by any federal agency. Some policies lose cash value over time, leaving the investor with only the income guaranteed by the Insurance Company. Review the company issued illustration and the benefit terms carefully and the company's credit ratings before investing.

7. This is assuming an income through retirement as the primary objective. Probability ratings are not guaranteed.

Life Insurance and Annuities are **not fiduciary products** and are not offered or sold by Toro Bravo Investment Advisors, LLC but rather offered by the Advisor as an agent. Please review our ADV 2a for further details.

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New Office

Sometime in March or possibly April, we will be moving from Suite F in the office complex to Suite A and B. We are currently remodeling the space and will keep you updated when the change happens. The new space will be a definite upgrade and we will hold an open house in Spring/Summer or when it is safe to do so.

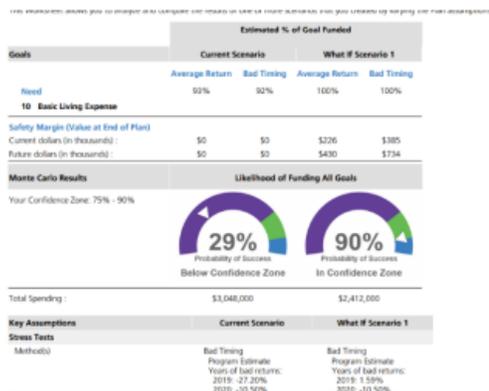
New Custodian Available

For our brokerage clients, we use Interactive Brokers to custody funds and to trade investments. We began offering Schwab as a custodian to our clients in the fall of last year. Schwab is a 47-billion-dollar company and a household name for investment accounts. Schwab offers \$0 dollar trade cost² and .05 second average trade execution speed. We will not require any client to move to Schwab but rather offer this custodian as an option. Call us if you have any questions.

What is your Lifetime Income Safety Score? -Mubashir Subhani

What is a Lifetime Income Safety Score? It is the amount of income that you are guaranteed to receive for your lifetime and/or the lifetime of your spouse.⁶ Annuities issued by insurance companies can provide these benefits. When the lifetime income benefits are incorporated into our retirement plan calculator, it raises the probability of success in retirement.⁷ Using annuities to assure income either reduces your rate of return or increases cost (which also reduces your return) when compared to a low-cost equity investment portfolio. Annuities generally are low risk investments and may interest a client wishing to reduce his equity investment risks.

If retirement is approaching, contact us to prepare a retirement plan. Let us calculate your Lifetime Income Safety Score.



* Indicates different data between the Scenario in the first column and the Scenario in any other column.
See Important Disclosure Information section in this Report for explanations of assumptions, limitations, methodologies, and a glossary.

Illustration:

This example shows how changing existing assets can increase the probability of portfolio success. The software uses Monte Carlo simulation algorithms.

Graphic from MoneyGuide Pro Financial Planning Software, example only.

Investments contain risk and could be subject to loss. Losses could be short term or permanent. This article is informational only and is not investment advice.

Please, consult your advisor before initiating purchase, sale or hold of any investment or investment strategy. This is not an offer to buy or sell Investments or Annuities.

Past Performance is not a guarantee to future results.



“We are Bullish on Your Financial Future!”