

## Market Recap Q1

Slower growth but no recession in sight.

It was a strong first quarter for stocks and a decent one for bonds. Most equity classes posted very strong year to date returns including US, international, and emerging markets. Emerging market bonds outperformed US bonds, but both were positive.

Index	Q1 2019	YTD 2019	5 Year	10 Year
S&P 500	+13.65%	+13.65%	+10.91%	+15.92%
MSCI ACWI	+12.18%	+12.18%	+6.45%	+11.98%
Barclays Global Bond Agg	+2.40%	+2.40%	+1.06%	+3.42%
Bloomberg Commodity	+6.32%	+6.32%	(8.92%)	(2.56%)

Clark Capital Review

Despite anxieties about a recession, there is little on the horizon in terms of leading economic indicators to suggest that an economic recession is imminent. While the rate of economic growth is unquestionably slowing, it is not reversing, and the economy is not shrinking.

And while investors may be tempted to abandon diversification after 10 years of the market teaching them through experience that diversification away from US stocks is costly and rarely rewarded, don't. When the US equity market is delivering attractive returns, diversification will likely be costly in the same way that when equity returns are negative, diversifying assets and strategies can potentially add value.

Jerry Chafkin – AssetMark CIO

Disclaimer: This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events. Index returns are for illustrative purposes only. Indexes are unmanaged and cannot invest directly in an index. Past performance does not guarantee future results.

## Upcoming KSH Advisors Events



### “First Ever” KSH Advisors Volunteer Day at Camp Corey

May 18th – 9 AM – Mt. Vernon Property

Come for camp chores, grub and a tour

RSVP – [kathy@kshadvisors.com](mailto:kathy@kshadvisors.com)



### KSH Advisors Great Pumpkin Growing Charity Challenge

Grand Prize – \$250 donation to your favorite charity

2nd prize – \$100 donation

3rd prize – \$50 donation

Packet includes: pumpkin seeds, rules and growing tips

## April is Financial Literacy Month

Financial literacy is the ability to understand how money works: how someone makes, manages, invests, and spends money. Unfortunately many Americans are lacking basic knowledge in this area.

Recent surveys showed the following:

- Only 46% of Americans have a “rainy day fund” (FINRA)
- 66 % of Americans would be unable to come up with \$1000 in an emergency (Associated Press–NORC Center for Public Affairs Research)
- Nearly one third of Americans pay the minimum due on their credit card each month (FINRA)

This is concerning. How does one get started down the right path to be financially literate? With the basics!

**Earn more than you spend.** And, your budget should include the money you are saving for your short, medium and long term goals. Another way to say it “Live within your means”.

**Set some priorities.** Think, short, medium and long term goals/needs/ desires. Once you know what’s worth saving and sacrificing for, you’ll have a better sense of what investments make sense.

**Save for the future.** The sooner you begin to save for the future, the sooner you get compounding working for you and that is a good thing.

**Protect your resources/assets.** This is done via insurance – life, disability, health, auto, homeowners, umbrella policies, etc. You can have the best financial plan ever, but if you don’t adequately protect for life’s surprises your plan and life could blowup.

**Stay out of debt.** This can quickly spiral out of control if you aren’t careful. Paying minimum payments on credit cards is fiscally irresponsible and will hinder your ability to save.

## Is Recycling Dead?

Almost every municipality in the United States offers not only garbage services, but also recycling services. In fact, waste management firms have made recycling even easier with large bins that do not need any sorting for “single stream recycling”. Americans love this convenience resulting in continued recycling growth. However, is it too expensive? With China reducing the amount of waste it is willing to buy, is it sustainable and is it worth it?

Single Stream recycling, though convenient, raises recycling costs. Trucks pick up the products then compact materials together leading to difficulty sorting. Cross contamination also impacts how much can be recycled and how much must be rerouted to landfills and incinerators. Unrecyclable items must be pulled off conveyor belts before they lock up sorting machinery. Glass breaks and is impossible to separate out from paper and no one wants diapers mixed in with their recycled products.

As the Chinese economy was clawing its way into the modern era, with cheap and an inexhaustible supply of labor, it was good business to buy U.S. garbage, sort, recycle it and sell it back to the U.S. Now that China is the second largest economy in the world they are done with our garbage. This leads to mountains of recycling piling up or going into landfills. We have tried to find other poorer countries to take our trash, but that is not working out.

So, what is the answer? The United States needs to be more responsible about taking care of garbage. A return to a more reliable sorting process and the need to think conscientiously about what we use and how we use it is necessary.

## Client Corner – Sharon



*Sharon and husband, Greg*



*Sharon and son, Andrew  
Spring Training*

Sharon grew up in Ewan in Eastern Washington, a dryland farm the size of Mercer Island. Her Great Grandpa McLaughlin, originally from the Scottish Highlands, settled in Ewan before Washington was even a state and had his name changed to “Smith” at Ellis Island.



*Wheat fields  
Eastern Washington*

She rode the school bus, 45 minutes each way to a small school, housing grades 1–12 and summers were filled with hard work around the farm and fields. Sharon chuckles as she remembers the party line they shared with 18 other families. “There was never a time that someone wasn’t listening to your call.” And, of course the phone operator, Marie, knew everything. When Sharon placed a call to her aunt in town, Marie was quick to let her know, “Honey, they’re not home. They’ve gone to Spokane for the day.” Sharon went to WSU for a teaching degree and did her student teaching in the Seattle area. She met Greg through a friend, got married and had a son, Andrew. She became a widow in her early 30’s when the ultralight Greg was piloting crashed. The meager life insurance policy didn’t even cover the cost of his funeral expenses.

She ended up starting a court reporting business with 2 friends rather than teach. Why court reporting? “Women could participate as equally as men, you could learn the skills fast, and there was no difference in pay because you got paid by the word and page.” She is rightly proud of the success she achieved in 35+ years in the business.

As she thinks back on her life, she remembers how hard it was to raise her son alone. She was determined that he would be a good person and contribute to society, often telling him, “You will grow up to be a good person if I have to strangle you.” They found trips to the farm a great respite and a wonderful place for a young boy who got to do things others only dream about.

Then a “city girl born on a farm by mistake” today she realizes she is actually “a farm girl in the city by mistake”. The fact that family still live on the farm gives her great pleasure. What’s left to accomplish? “I need to stick around until Andrew finds his woman otherwise he’ll be all alone.” A mother to the end...



*Andrew with a big catch*



*Andrew with grandpuppy, Rye*

## Kathy’s Corner

I have had the honor this past month of working with a “late 20’s, recently married couple” as a guest CFP® for the Seattle Times (look for article in upcoming Sunday edition in May). The couple is AWESOME.

As they shared their story, it was clear that it wasn’t always the case for one of them. But, as life righted itself, met the right partner, things fell into place. They were thrilled when they got married because it afforded them the ability to make bigger charitable donations. Wow! Who thinks that in your late 20’s? What about the “other stuff”?

**Short term needs (0–3 year category)** General rule of thumb, is have 3–6 months of liquid savings accessible to pay your base line expenses. This couple already has 3 months covered now and is working on building that up to 6–7 months. Check!

They also want to travel during these first years of marriage and have that covered with income earned from side coaching job and small business clients. Check!

**Medium term needs (3–7 year category)** They do want to buy a home. And, they feel they can save/invest pretty hard for that goal beginning now but are willing to be flexible if it takes ten years to make that happen. Check!

**Long term needs (7–10 years and longer)** They are already doing a good job of saving for retirement fully understanding the concept of getting “compounding” working for them early in their lives. Both have 401ks (saving 7% currently) and one has a pension. Check!

We also addressed estate plan questions, as well as making sure they are carrying the right insurances and amount of insurances so they don’t get financially derailed if a life changing event occurs.

This couple is doing so many things right at such an important time in their lives. By keeping debt paid off, saving hard, living within their means, and finding a partner that feels as they do about money, their financial future looks incredibly bright. I was suitably impressed.