THE FIRST NEWSLETTER

BY BENNETT PARDUE, CDFA ®

Welcome to the first edition of the New Canaan Group newsletter. Our plan is to produce this piece on a quarterly basis to provide timely information on a wide array of financial topics that might be of interest to you. Articles will range from updates on the financial markets from our Director of Portfolio Strategy, Bradley Thompson, CFA® and helpful planning tips such as the one in this edition from Joe Scappatura, CFP®.

We are thankful that you have put your trust in us, and we hope to add even more value to our relationship with this ongoing publication. We look forward to connecting with you in 2023.

IN THIS ISSUE:

SOUND VIEWS - MARKET UPDATE

BY BRADLEY THOMPSON, CFA ®

They say timing is everything, and New Canaan Group brought me onboard in late 2021 to serve as our Director of Portfolio Strategy. While 2022 was certainly not an easy year, it provided many valuable lessons for investors, particularly those used to the environment after the financial crisis. Over the coming issues I hope for Sound Views to provide timely commentary on financial markets, but I thought it best to start with some sound guidance that any investor can follow. Below are my 4 “Back to Basics” recommendations for clients regardless of their wealth level.

SOUND VIEWS - MARKET UPDATE

1. Keep an eye on your piggy bank – I recommend clients keep between 6-18 months of cash on hand at any time to meet emergencies or for worst case planning. Those just starting your careers with no mortgage may be fine with only 6 months of saving. If you're nearing the end of your career and are focused on that final push to retirement, having a larger cushion helps protect you against potential job loss or a major home repair. This cash cushion can also cover your living expenses during down markets to avoid selling at the worst times.

2. Map out your expenses – Plan ahead and set aside money to meet any large obligations. If you know you need to pay for a wedding or buy a new car in the next 2 years, set aside those funds in a bank account or low risk investments like CDs. This allows your long-term money to keep working for you while preserving cash to meet your needs.

3. Rebalance your accounts – When financial markets move in a dramatic fashion portfolios drift away from their target exposures. As an example, if the stock market declines 20% and you are supposed to have a 50% allocation to equities, the account may have dropped to only 40% equity exposure, and if nothing is done this account will bounce back less then it should when the market recovers. I handle the rebalancing for our clients in our managed account programs, but it's important to monitor all your accounts for drift away from their long-term objectives.

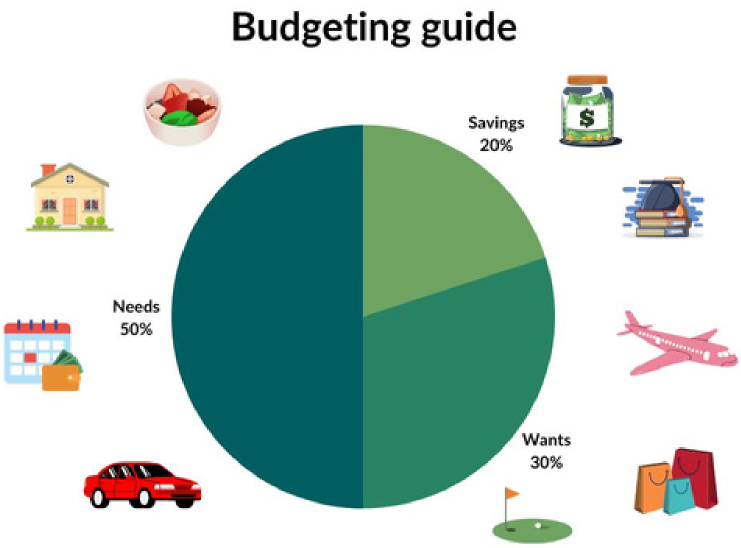
4. When in doubt, stick to the plan – A solid financial plan can offer clarity in times of great uncertainty. Our planning process can help you evaluate your ability to meet your goals and should be revisited on a regular basis. Barring other changes in your situation, a drop in the markets shouldn't be reason enough to change your investment allocation, but it can offer an opportunity to assess your goals and evaluate your progress. Over the years I've found clients can be surprised at how little the day-to-day movements in the markets impact their long-term outlook.

While I can't make the market go up, trust me I've tried, I'll always do my best to help you understand the important machinations behind its movements. We often strive to control things that are uncontrollable, and this is especially true with investments. In a historically bad year for financial markets, it's helpful to focus on the why of money instead of the number itself. By keeping your long-term goals front of mind you'll find yourself on a path to success regardless of what the S&P does.

PLANNING TIPS - THE 50 / 30 / 20 RULE

BY JOSEPH SCAPPATURA, CFP ®

The "Sound Views" column touches on several important points for handling existing investment assets during times of economic stress – but what if you are still in the accumulation phase of your life? The 50-30-20 Rule is an easily understood budgeting method that can help you determine how your net income should generally be distributed.



- **50% to Needs** or essentials include housing expenses such as rent, mortgage, utilities, transportation, and groceries.
- **30% to Wants** are typically defined as lifestyle choices such as hobbies, entertainment, and travel.
- **20% to Savings** include bank reserves, emergency funds, paying down debt, investments, and retirement accounts.

As the 30% bucket is geared toward your "wants" it is certainly the most attractive category of the three. However, fighting the urge to spend on wants and focusing more on saving will typically make your long-term goals more attainable.

NCG Pro Tip: Consider "50% - 25% - 25%" as an alternative

Our financial lives are all unique, this rule may be slightly different for each person - but the framework can be a helpful guide. You may find that this allows you to take a deeper dive on your current spending habits find opportunities for improved savings tactics, and generally improve your financial health.

UPCOMING EVENTS

Check our website for upcoming virtual workshops, including district specific and in-person seminars. Topics include an Investment Panel, Connecticut Teachers' Retirement Benefits, Financial Literacy, Social Security and Life Insurance.

WHAT'S NEW AT NCG

We'd like to introduce the newest member of our team:

Julie Estep
Communication Specialist

NEW CANAAN GROUP
Private Wealth Management

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