

The Optimistic Investor

FOCUS ON WHAT REALLY MATTERS



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Welcome to our first edition!

Thank you for joining us. We're excited to begin this endeavor and share it with all of you. Our hope is that these memos will be engaging and uplifting, and that over time their cumulative effect will be to reinforce the bedrock principles of our planning and investment philosophy.

Throughout the latter part of 2022, we frequently had clients say that they look forward to our regular meetings because it's refreshing to hear an optimistic outlook. That struck a chord with us. Even in "normal" times, the news cycle tends to take a negative tone. And it feels like that negativity has intensified over the past several years as we've faced a global pandemic,

intensified partisanship, high inflation, a bear market, and inflamed geopolitical tensions.

As many of you expressed a desire for optimism, Kate and I started thinking about how we might provide that on a more frequent basis, and that led to the idea of a regular client memo. Our choice of the term “memo” for this project was deliberate, because we want to distinguish it from all the “newsletters” out there that scrutinize current events and short-term changes in the financial markets. Concentrating on short-term events that are unpredictable and beyond our control inevitably leads to the fear and negativity we’re trying to overcome, so instead our focus here will be three-fold:

- First, we’ll use each memo as an opportunity to reinforce some foundational aspect of our approach to financial planning and investment management.

- Second, we’ll highlight a handful of exciting, positive things that are happening in the world to provide a regular dose of optimism.
- Finally, we’ll update you on any changes in the financial planning landscape we think you should be aware of.

Importantly, we also hope these memos will lead to conversations you need to have with us. If all is well when the message hits your inbox and there’s nothing you need to discuss with our team, that’s wonderful and we’ll see you at your next regular review. But, if something has changed or you have a new concern, we hope that receiving the memo will prompt you to reach out so we can help you and make any necessary adjustments to your plan.

"Concentrating on short-term events that are unpredictable and beyond our control inevitably leads to the fear and negativity we're trying to overcome..."

Why "The Optimistic Investor?"

To begin our memo series, we want to explain why we decided to call this undertaking The Optimistic Investor. On one level the name is meant to address the desire (or need) for an optimistic voice in a sea of negativity. However, there’s also a deeper meaning that’s central to

how we work with clients.

Many of you have heard us say that the keys to successful investing are: (1) creating a plan based on your long-term goals; and (2) consistently *acting* on that plan over time instead of *reacting* to

current events. To achieve long-term success, we must be able to look beyond the concerns raised by the most recent news cycle and continue to make good decisions based on our long-term needs and goals. And we accomplish that by allowing a thorough understanding of financial history to cultivate a well-supported faith in the future. It's a healthy optimism about the future that paves the way for successful investing!

Long-term perspective is critical to success. You can't maintain a lifetime investment policy driven by the 24-hour news cycle.

It's important to note that being optimistic about the future doesn't mean we naively expect blue skies and smooth sailing all the time. We know there are going to be storms and rough waters along the way, and that sometimes they will be significant. Optimism is about being able to step back from the turmoil and see the bigger picture; it's all about perspective. And, as financial author Nick Murray is fond of saying: "The historical record ***in its entirety*** demonstrates that long-term optimism is the only worldview that squares with the facts." [1]

We love that quote. It succinctly and accurately conveys that maintaining a

[1] Murray, Nick. *Around the Year With Nick Murray*. The Nicholas Murray Company, Inc., 2016, pg. 68 (emphasis in original).

clear, long-term perspective allows us to see and appreciate both the tremendous growth of knowledge that occurs over time *and* the immense benefits we derive from it. This knowledge enhancement is something we can easily lose sight of as we focus on managing our day-to-day lives, but it's always happening as the forces of human ingenuity and private enterprise relentlessly drive the process of advancement. Those forces are constantly layering new innovations on past accomplishments, which produces a compounding effect that dramatically changes lives and creates enormous value in doing so.

An excellent example from our lifetimes is the creation of the internet, which built upon past advances in computer and network technology to lay the foundation for an explosion of innovation across a range of industries.

"The historical record in its entirety demonstrates that long-term optimism is the only worldview that squares with the facts."
~ Nick Murray

The creation of the internet didn't instantly change the world. The early internet had few practical uses and bore very little resemblance to what it is today. But it provided the opportunity for further ideas

and innovations to change the world over the next couple of decades. As transistor and microchip technology advanced alongside broadband capabilities and software development, old industries were reshaped, new industries were created, and tremendous value was generated along the way. Let's look at a few examples you're likely to be familiar with:

- Amazon.com was founded in 1995 as part of the e-commerce movement that took hold as the internet gained in popularity. It started as an online bookstore, but soon expanded into a marketplace where you can buy almost anything. This fundamentally changed the nature of retail and paved the way for countless new businesses. That's why Amazon is now worth ~ \$1 trillion.
- Google was created in 1998 as a tool to help users search the ever-expanding internet. It wasn't the first search engine, but it became the most popular and allowed Google to be a pioneer in the online advertising industry. That business now generates billions of dollars in annual revenues and has pushed Google's valuation over \$1 trillion.

"Human ingenuity and private enterprise are driving innovation and the compounding of knowledge all the time."

- Apple was a computer company before the internet took off, but it redefined itself in 2007 with the introduction of the iPhone. The iPhone utilizes mobile apps (created by Apple and other third parties) that harness the power of the internet to let users perform tasks from their phone that used to require a stationary computer. Consumers now spend billions of dollars each year on these apps and Apple has gone from a pre-iPhone valuation of ~ \$100 billion to a current valuation of ~ \$2.5 trillion.

These examples show how layering innovations and ideas on top of each other leads to the creation of remarkable value over time. What we want you to take away from this discussion is that optimism about the future is simply a recognition of that process and the transformative power it has.

Human ingenuity and private enterprise are driving innovation and the compounding of knowledge all the time. It's happening without regard to where we are in the economic or market cycle, what the Federal Reserve is doing, whether republicans or democrats are in charge, or whether the incremental advances paving the way are exciting enough to make it into the mainstream news coverage. And that brings us to the next part of this memo, which relays some of the amazing things that are happening in the world and potentially setting the stage for future compounding!

Innovation & Good News

Here are some of the exciting things that have happened in recent months:

- 1) Scientists in California [achieved and confirmed fusion ignition](#), which is a major step in the potential use of fusion for electricity generation. Not only would fusion immediately be our cleanest and most efficient source of power, it would also free countries around the world from dependence on autocratic and unstable governments (like Russia).
- 2) Major steps have been made in developing life-changing applications for stem cells. Scientists can now use stem cells to grow [retinal cells](#) and [mature neurons](#), which could ultimately provide cures for blindness and diseases like ALS and dementia.

3) A [new malaria vaccine](#) has been created at the University of Oxford that can be produced at mass scale. This could save hundreds of thousands of lives each year, remove a major impediment to economic development in Sub-Saharan Africa, and drive tremendous growth in demand for goods of existing companies.

4) Also from the world of vaccines, the mRNA technology underlying the Pfizer and Moderna COVID vaccines has been successfully used to induce the human body to [destroy cancer cells](#).

5) Finally, on a lighter note, for those of us who love coffee but can't sleep if we drink it after lunchtime, there is hope that gene editing can be used to grow a "naturally" decaffeinated coffee plant that will provide [real coffee flavor without the caffeine!](#)

Financial Planning News & Updates

One silver lining of the inflation we experienced last year is that retirement contribution limits have risen significantly in 2023.

401(k), 403(b) and Thrift Savings Plans

- General limit = \$22,500
- Age 50+ catch-up = \$7,500

IRA and Roth IRA contributions

- General limit = \$6,500
- Age 50+ catch-up = \$1,000

You also have until April 18, 2023, to make IRA or Roth IRA contributions for **2022**, so please let us know if you'd like to make or adjust your contributions!

Keep us in the loop!

Please contact us if there are changes in your personal or financial situation, so we can update our previous recommendations as needed and make any necessary changes to your plan.

KOOMAN & ASSOCIATES

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Please remember to contact us in writing:

- If there are any changes in your personal/financial situation or investment objectives, so we can review, evaluate and/or revise our previous recommendations as needed.
- You would like to impose, add or modify any reasonable restrictions on our investment advisory services.

Unless, and until, you notify us, in writing, to the contrary, we will continue to provide services as we do currently.

Please also remember to advise us if you have not been receiving account statements (at least quarterly) from your account custodian.