NELSONCORPNEWS

MARCH
2024

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YOUR NELSONCORP TEAM


DAVID NELSON


EUGENE KRUEGER


VALERIE HILL


AMY CAVANAUGH


KENNETH NELSON


JACOB WOODCOCK


NATE KREINBRINK


JAMES NELSON


JOHN NELSON


ANDY FERGURSON


JAMIE HUGUNIN


MICHELLE EVERSOLL


AUSTIN ECK


TRAVIS MOREHEAD


MIKE VANZUIDEN


AMANDA SCHAVER


TABATHA WESTPHAL


MIKE STEIGERWALD


HANNAH VAN HYFTE


ISABEL HANSEN

HAPPY EASTER!

It's springtime! The weather is warming up. And things are starting to grow again.

This time of year brings so many different holidays and traditions, but the most celebrated is Easter.

Easter is full of the symbols representing hope, life, and rebirth.

The thing that I love about this holiday is that no matter how you celebrate Easter, whether it is an Orthodox tradition or a casual one, it is a holiday that represents new life, growth, and the chance to rise up.

How much do we need that message right now?

Our choice now is how we want to rise. Do we want things to go back to the way things have always been? Or do we want them to be better?

I feel that we can all be even better than we were before. We can make things better. We can make kinder choices, act more in ways that benefit the greater whole.

For me, I try to do that through commitment to service. There are needs all around us, right here in our community. Everything from helping at a local food bank to just picking up some trash off the side of the road can be a big help. If we all pitch in, we can make our little piece of the world a better place to be.

From all of us at NelsonCorp, I wish you and yours a very Happy Easter!

David Nelson

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THINGS TO NOTE

NelsonCorp welcomes Isabel Hansen to the team!

Isabel graduated from Prince of Peace High School in 2021. After high school, she graduated from the University of Iowa in December of 2023 with a bachelor's degree in communications.

She enjoys spending her time traveling and her dream in life is to visit as many countries as she can.

Isabel has six siblings and is the daughter of Jennifer Hansen.

SUPPORT OUR LOCAL CHARITIES & BUSINESSES

Check out what's happening at our area charities, businesses, and communities:

- *Visit Clinton www.clintoniowatourism.com*
- *Visit Quad Cities www.visitquadcities.com*

NelsonCorp Nuggets

In November 2023, U.S. home prices were up 3.6% compared to the previous year, selling for a median price of $408,459.

Source: Redfin-US Housing Market Overview

THE ANNUAL WHITE HOUSE EASTER EGG ROLL

Christmas presents. Valentine cards. Halloween trick-or-treating. It's interesting how many of the holiday traditions we hold most dear center around children. Most are primarily *for* children, of course, but a few were actually *started* by children. For example, take the annual Easter Egg Roll held on the grounds of the White House every year.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, that it shall be the duty of the Capitol police hereafter to prevent any portion of the Capitol grounds and terraces from being used as playgrounds or otherwise. – The Turf Protection Law, 1876

It started in 1876, when a throng of children – some estimate as many as 10,000 – staged an impromptu march on the nation's capitol. Their objective was not to protest, but to play. For the better part of a day, the children laughed, cheered, and shouted as they rolled colored eggs down the grass of Capitol Hill. As one newspaper reported, "The noise was so great that in the House and Senate Chambers it drowned all other sounds."

By the end of the day, the grass was so worn down that the entire Hill was almost bare.

No matter what side of the political aisle you fall on, pretty much everyone agrees that Congress often seems to go out of its way to be *unpopular*. Such was the case then. Less than two weeks after Easter, Congress passed the *Turf Protection Law*, banning the use of Capitol grounds for things like fun.

A fierce rainstorm effectively canceled Easter celebrations in 1877, but one year later, the children returned – only to find the police barring their way. As any parent will tell you, though, deny a child something and they only want it more.

And these children would not be denied.

Finding one door closed, the children promptly opened another. Together, they marched up Pennsylvania Avenue to the next likely spot – the White House.

Wisely, President Rutherford B. Hayes decided to give in to the diminutive mob's demands. Perhaps remembering Thomas Jefferson's old saying that "A little rebellion now and then is a good thing," he ordered the guards to open the gates. The children poured in, the eggs began to roll, and a good time was had by all.

Almost every year ever since, the White House has hosted an annual Easter Egg Roll. It's a bipartisan tradition grander than any State of the Union address. Meanwhile, all around the world, millions of families stage their own Easter festivities. Some are religious and some are not; some are indoors, and some are out; some involve eggs, and some don't; but most have one thing in common: children.

I don't think it's an accident that so many of our holiday traditions center around children. Watching children hunt for eggs, open presents, don costumes, or take part in a dozen other rituals is a reminder of what's truly important in life. Not politics or possessions. Not fame or fortune.

It's a reminder that *family* is what's important. *Fun* is what's important.

Make no mistake – life is full of many serious and weighty things. But there's a reason why, year after year, we go out of our way to hide Easter eggs for children. Because *that's* what we remember. That's what keeps us young.

That's what makes us happy.

As a financial advisor, my job is to help you work toward your goals in life. Most of the time, we focus on topics like investing and retirement planning. Those are certainly crucial, but I think the best thing we can do is to be a little more like those children almost 150 years ago.

We can remember that sometimes, the most important thing in life is to roll a colored egg down a hill – and let nothing stand in our way from doing so.

A BRAVE AND GENEROUS PEOPLE

For some people, St. Patrick's Day is a celebration of their Irish heritage. For others, it is primarily a religious day. (It's named, after all, for a legendary religious figure.) More recently, it has become a celebration of Irish culture in general. But many people don't know that St. Patrick's Day also plays an important role in *American* history. Specifically, with the American Revolution.

***

There have been few winters more brutal than that of 1779-1780. For the American soldiers of the Continental Army, conditions were even worse than they had been two years earlier at Valley Forge. Most of the army was camped near Morristown, New Jersey, buried under nearly six feet of snow. The soldiers had been struck by *twenty-eight* different snowstorms since the beginning of winter. There was a constant shortage of food and supplies.

George Washington wrote that soldiers often had to go "five or six days together without bread, at other times as many days without meat, and once or twice, two or three days without either." Smallpox was a constant threat. Few soldiers had adequate clothes. Most had not been paid in months.

Of the 8,000 troops in the camp, Washington estimated that as many as one-third were unfit for duty.

Despite these appalling conditions, duty never stopped. There was still a war to be fought. The men were so busy, they hadn't even had the time to celebrate Christmas.

Washington knew something had to be done. The situation was so bad, and morale so low, that the entire army seemed on the verge of deserting. So, as winter went on, with no hope for an early spring, he began to look at a very specific date on his calendar:

March 17.

It was a well-chosen date. The day already had a tradition of being the anniversary of St. Patrick's death. And the American army was an increasingly *Irish-American* army. Over 200,000 Irish people had emigrated to the colonies in the 18th century, the largest of any immigrant group. Many came from a long tradition of opposing British rule. As the Revolutionary War dragged on, more and more began volunteering for the Continental Army. Washington's own aide was from Ireland, as were several of his subordinates. Of the rank-and-file, approximately 25% were either Irish-born or of Irish descent.

Then, early in the year, news came through the camp of a possible armed revolt in Ireland. To the Americans, the idea of other kindred spirits fighting for their *own* liberty against the British was an inspiring one.

This convinced Washington the time was ripe to give his soldiers something they desperately needed: A holiday. And so, he selected March 17, 1780. St. Patrick's Day.

"*The general congratulates the army on the very interesting proceedings of Ireland and the inhabitants of that country which have been lately communicated; not only as they appear calculated to remove those* ***heavy and tyrannical oppressions*** *on their trade but to restore to a* ***brave and generous people*** *their* ***ancient rights and freedom*** *and by their operations to* ***promote the cause of America****. Desirous of impressing upon the minds of the army, transactions so important in their nature, the general directs that all fatigue and working parties cease for tomorrow the seventeenth, a day held in particular regard by the people of the nation.*" – George Washington, Proclamation, March 16, 1780

This was actually not the first time Washington turned to Ireland for inspiration. Four years before, he had watched British troops evacuate Boston after an eleven-month siege. It was his first major victory of the war. That day, Washington ordered that anyone wishing to re-enter the city must provide a password and countersign. The password: Boston.

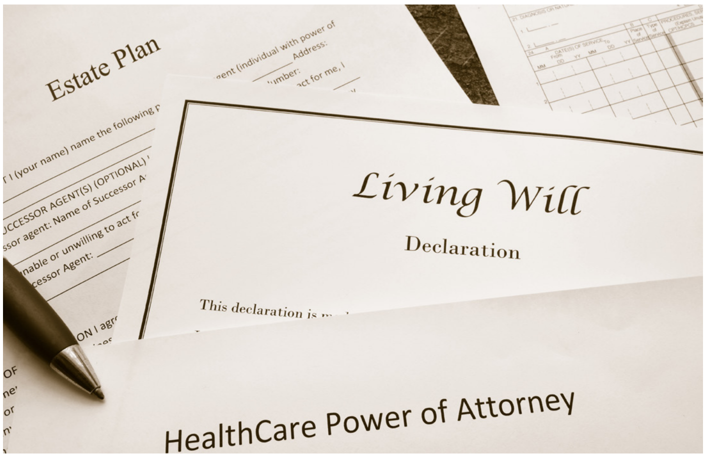
The countersign? *St. Patrick.*

Back in 1780, the holiday was exactly what the Continental Army needed. One local newspaper reported that day was "…ushered in with music and hoisting of colors, exhibiting the 13 stripes, the favorite Harp, and an inscription declaring in capitals, THE INDEPENDENCE OF IRELAND."4 There were parties of music and dancing throughout the camp. A Pennsylvania brigade was able to procure an entire barrel of rum. One Irish relief organization was so grateful to Washington that they named him an honorary member of their society.

Of course, the Revolutionary War still had several years left to go. But that one St. Patrick's Day celebration helped the soldiers who secured our independence to rediscover their morale, spirit, and hope for the future. It was not only a chance for them to celebrate where they had come. It was a chance to rededicate themselves to where they were going.

Today, St. Patrick's Day is a celebration of Irish heritage and culture. But it's also a chance for us as a country to do what our ancestors did: Raise our spirits, lift up morale, celebrate our past… and look forward to our future. This year, may we all do just that! So, on behalf of everyone at NelsonCorp, I wish you a very happy St. Patrick's Day!

YOUR LEAP YEAR LIST



We've made it to March and spring is right around the corner. The days are starting to get just a little bit longer. Often, when we've been working toward a goal for a long time, it can feel like a bit of a slog. Sometimes, we don't see any end in sight. And yet, in my experience, it's in these times that we are actually closer to the summit than we think.

Remember that, as you work toward *your* goals this week, this month, and this year. Your dreams are closer than you think. Sometimes, all it takes is just one more push, one more lap, one more minute, mile, or month to achieve them. And remember, too, that we are always here to help you along the way. Have a great month!

WHAT'S AROUND THE BEND: LEAP YEAR LIST

It's a leap year! That means we had twenty-nine days to enjoy in February instead of the usual twenty-eight. Why not use the extra day to do something that gets you closer to your financial goals? Here are eight suggestions that everyone can do in a single day.

1. **Review your monthly expenses.** Is there anything you can eliminate? For example, do you really need Hulu and Netflix when you only use one?
2. **Review your various insurance policies.** Have any expired? Are there gaps in your coverage?
3. **Review your Will to make sure it's up to date, especially in terms of who your beneficiaries are.** Name contingent beneficiaries on your Will if you haven't done so already.
4. **Review your Power of Attorney and Advanced Medical Directives** to make sure they are up to date, too.
5. **Conduct a household inventory.** Make a list of your possessions and document them with photos. This can be invaluable if you ever need to file an insurance claim. Keep one copy at home, and another in a separate, secure location, like a bank safety deposit box.
6. **Consider signing up for an automatic savings plan,** where a fixed amount of your income is automatically deposited into your account every month.
7. **Create a Disaster Preparedness Kit for your home.** Should a natural disaster ever happen, the safer and more prepared you are, the less financially impacted you'll be. Also, share your emergency contact info with any financial professionals you work with so they can always get in touch with you during a crisis.
8. **If you haven't already, get started on your taxes!**

WHAT'S OVER THE NEXT HILL: IRA CONTRIBUTIONS

It goes without saying that one of the best things you can do to proceed further along the road to retirement is to save for it. And there are few better ways to save than to contribute to an **Individual Retirement Account** (IRA).

If you haven't already contributed to an IRA (Individual Retirement Account), there's still time to do so. Many people don't know that the 2023 contribution deadline is actually April 15, 2024.[1] However, if you do decide to contribute, you must designate the year you are contributing for. (In this case, 2023.) Your tax preparer should be able to help you fill out the necessary forms, but please feel free to contact me if you have any questions or need help.

The contribution limit is $6,500 if you are under 50, and $7,500 if you are age 50 or older.[2] This applies to both traditional and Roth IRAs. If you're unsure whether to contribute, remember:

- Contributions to traditional IRAs are tax-deferred, making them an effective way to decrease your tax bill each year. And while distributions from IRAs are taxed as income, your tax rate after retirement could possibly be lower than it is now, lessening the impact.
- Contributions to a Roth IRA, on the other hand, are made with after-tax assets. However, the advantage of a Roth IRA is that *withdrawals* (distributions) are usually tax-free.
- Whichever type you use, IRAs provide a great, tax-advantaged way to save for retirement.

If you have yet to set up an IRA for 2023, you can still do that. The deadline to establish an IRA is also April 15th. In other words, if you want to take advantage of the benefits an IRA has to offer, there's still time to do so, either by contributing to an existing account or by establishing a new one.

WHAT'S ON THE HORIZON: THE W'S IN YOUR WILL

Over the next few issues of this newsletter, we're going to take a deeper dive into the topic of estate planning. This month, let's discuss what I like to call *the W's in Your Will.*

Do you remember learning about the "W" questions in school? They are **Who, What, When, Where, Why,** and **How**.

We ask these questions frequently throughout our lives. Who should I marry? What should I study in college? When can I retire? Where do babies come from? Why is my car making that noise? How did I get so old?

The "W" questions are particularly important when it comes to your will. Specifically:

Who will I leave my assets to?

What will I leave for the people I love?

When should I have a will?

Where should I keep my will?

Why am I making these decisions?

How often should I update my will?

Getting the answers to these questions can really demystify the entire process of creating a will. It can reduce uncertainty, create fairness and balance, and most of all, ensure that your loved ones will be financially taken care of in the future.

So, ask yourself each of these questions. If you don't know the answers, we can help you determine them. If you do know the answers, the next step is to make sure your will actually reflects them.

WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (JAN-FEB)

The stock market continued its ascent in January, albeit more slowly and gradually than in November and December. The S&P 500 rose 2.17% for the month.[3]

While inflation ticked up slightly – from 3.1% in November to 3.4% in December,[4] this was in line with most economists' expectations. In addition, data showed that the U.S. economy grew by 3.3% in the fourth quarter of 2023,[5] capping off a remarkable year when most economists had initially expected a recession.

On the other hand, market sentiment was also weighed down a bit by the realization that the Federal Reserve may not lower interest rates as soon as many investors hoped. And indeed, at their monthly meeting on January 31, the Fed indicated that rates were likely to remain where they were for the foreseeable future.

HERE'S WHAT WE'RE KEEPING AN EYE ON

Many of the big tech companies – began releasing their quarterly earnings at the end of January. These companies were largely behind the stock market's rise in 2023, fueled by excitement over developments in AI. Investors will be watching them closely to see if their momentum will continue in 2024.

As usual, investors will also monitor every inflation update and jobs report. While inflation decreased significantly in 2023, and the labor market remained strong, we must continue to pay attention to whether higher interest rates are working to bring prices down without causing a slowdown in the economy.

1 https://www.irs.gov/newsroom/savers-credit-can-help-low-and-moderate-income-taxpayers-to-save-more-in-2024

2 https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits

3 https://www.nasdaq.com/articles/monthly-market-wrap-january-2024

4 https://www.cnn.com/2024/01/11/economy/cpi-inflation-december/index.html

5 https://www.bea.gov/news/2024/gross-domestic-product-fourth-quarter-and-year-2023-advance-estimate

NELSONCORP MEDIA APPEARANCES

Be sure to catch our weekly educational content featured locally on television, radio, and the newspaper. You can get this and more at www.nelsoncorp.com/blog.

This month on 4 Your Money, John Nelson takes a look at inflation data as well as global supply chain pressures and how it can be used to make more informed investment decisions. David Nelson was on to explain what the exciting major market milestone means for viewers' investments by looking back at what history tells us. On another episode, David shared his thoughts on the election year and how it may impact the financial markets and what gridlock can actually mean overall. Nate Kreinbrink also sat down to look at the different sectors and what areas of the market are worth keeping an eye on. He specifically talked about the differences between U.S and overseas markets.

4 Your Money airs Tuesday mornings on FOX 18 News at 8am and on WHBF CBS Local 4 News at around 6:10pm.

On Financial Focus, David discussed the importance of surrounding yourself with positive people and how we try to help by offering so many services that retired, or soon-to-be, retired individuals can benefit from including accounting, tax planning, estate planning, and now Medicare. Nate Kreinbrink came on another episode to explain the importance of tax planning and how it can impact someone's financial situation. He went into detail on when might be a good time to take money out of tax deferred accounts like 401(k)s, 403(b)s, and Simple and Traditional IRAs. Nate returned with Andy Fergurson to give insights on common misconceptions such as claiming dependents and the child tax credit. They also discussed changes in tax filing and what that means for listeners.

Financial Focus airs every Wednesday at 9:00 am on KROS FM 105.9 and AM 1340.

CLINTON HERALD

David Nelson is a guest columnist every 1st and 3rd Saturday in the Clinton Herald.

THE S&P '5000' INDEX

The S&P "5000" Index crossed and finished above a milestone in February, ending above 5,000.

YTD through February 12, the S&P 500 is up 5.28%. That's an impressive start.

The S&P communication sector is leading the way and is up over 10% amid strength in shares of Meta, Google, Netflix and Disney (yes, that's right, Disney).

Technology has advanced nearly 10% YTD. While some of the names have changed, the narrative that explained last year's surge in the S&P 500 remains in play.

A look at the broader market paints a less sanguine picture. Since the beginning of the year, the S&P 500 Equal Weight Index is up a muted 1.29% through February 12.

Buoyed by talk of eventual rate cuts, rising profits, AI, and upbeat economic growth, investors are pouring money into a few well-known names.

But rate-cut expectations are being pared back, which could be slowing the broader market.

Not all stocks are created equal, and not all firms are participating in 2024's rally, as reflected by the S&P 500 and the Nasdaq.

But it's not about being Debbie Downer. Notwithstanding the CPI-inspired selloff on Tuesday, most of the major market indexes are off to a good start.

1. Employment growth

- Although high-profile layoffs dominate the headlines, the U.S. Bureau of Labor Statistics' monthly labor report suggests the job market remains hot and by proxy, the economy.
- In January, nonfarm payrolls grew by 353,000. December was revised to 333,000 versus 216,000.
- January's blowout easily topped the 185,000 consensus. In some respects, it mirrored the unexpectedly strong January 2023 payroll report.
- The jobless rate held at 3.7% for the third straight month. The unemployment rate has been below 4% since February 2022.
- Additionally, job growth has started to trend higher.
- The three-month moving average for nonfarm payrolls registered its best reading since March 2023.
    - The private sector turned in its best performance since November 2022.
- Not all sectors benefit as tech layoffs mount and various professional positions come under pressure.
- Perhaps the spurt in GDP growth that began in Q3 and carried over into Q4 is supporting the labor market.
    - GDP is up at over a 4% annualized pace in the 2H of 2023.
    - The Fed's GDPNow model is tracking Q1 GDP at 3.4%.
    - It's a fast start to the quarter. However, it's still very early, as important January reports have yet to be released.

2. Fed reins in rate-cut enthusiasm

- Powell and a bevy of Fed officials are shooting down talk of a Fed rate cut in March. But that hasn't stopped investors from eyeing a May rate cut (60% chance as of February 12).
- As of February 12, the odds the Fed will stay on hold in March are up to 85%.
    - In early January, odds heavily favored a 25 bp rate cut.

One cut, two cut, three cut, four...

- five cut, six cut, seven cut, more seemed to be the mantra for investors in early January.
- At one point, investors considered up to seven quarter-point rate cuts this year.
- That's puzzling given the strong economic data.
- Following FedSpeak, the strong payroll number, and disappointing CPI, investors have pared their optimism to four rate cuts, according to the CME's FedWatch Tool.
- Investors are grudgingly moving in the Fed's direction. The Fed projects three cuts this year.
- But how prescient are investors when it comes to predicting Fed actions? Not very.
- In the 2000s, investors consistently underestimated the rise in the fed funds rate.
- In the 2010s, investors jumped the gun on a rate hike.
- During the latest cycle, investors have been too optimistic about a pause or pivot.
- Do fed funds futures have any value? Yes, as they reflect current sentiment. But sentiment can change quickly.

It's not just investors who struggle with their projections.

- The Fed's crystal ball is hazy, too.
- A D+ grade is charitable, in my view, and it's purely subjective.
- Saving grace: the Fed missed four of five categories, but the misses were better than expected.
    - The fed funds rate was nearly on target.
- Sub-par growth failed to materialize. Recession forecasts missed the mark.
- With growth easily exceeding expectations, the jobless rate held below 4%.
- Inflation slowed more than expected.
    - If growth had been more modest (say, 1.5–2.5%; the economy more responsive to higher rates), would we have had greater progress

- on inflation? Possibly, as weaker demand may have reduced pricing power.

That leads us to 2024.

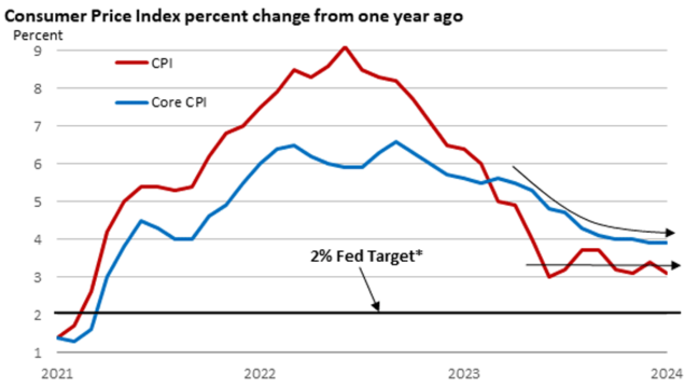
- The Fed is expecting growth to slow later in the year, and Fed officials are still talking about rate cuts amid last year's slowdown in inflation.
- But the U.S. economy seems immune (at least so far) to the sharp series of rate hikes that began in early 2022).
  - U.S. growth accelerated in the 2H of 2023, job growth is accelerating, and wage gains are keeping up with (and slightly exceeding) inflation.
- But it's not all clear sailing.
- The Fed's Beige Book, which is a review of anecdotal reports, paints a less optimistic picture.
  - In January, eight of the Fed's 12 districts reported little or no change in economic activity since the prior Beige Book period.
  - Of the four districts that differed, three reported modest growth, and one reported a moderate decline.
  - Granular consumer data, such as credit card and auto delinquencies, are ticking higher.
- But Fed policy is based on hard data, not anecdotes.
- Powell's biggest pricing worry: progress on inflation stalls. The Fed wants to see further evidence that inflation is returning to 2% before the first rate cut.
- Economic resilience gives it some leeway on rates.

A long pause, not a pivot?

- The Fed has yet to achieve a soft landing.
- Did the Fed pause too soon? The Fed stopped raising rates just as GDP accelerated.
- It's not the base case, and investors and analysts are not talking about another rate hike or hikes.
- It would take continued strong economic growth and re-acceleration of inflation to shift the narrative toward another round of hikes.

3. Inflation progress stalls

- The CPI rose 0.3% in January; it slowed from 3.4% y/y in December to 3.1% in January.
- The core CPI rose 0.4% in January; y/y, core held at 3.9%.
  - The monthly CPI and monthly core came in 0.1 percentage points above the consensus.
- Recent trends are troubling.
- The y/y headline CPI hit a low of 3.0% eight months ago. Since then, progress has stalled.
- The core CPI has been stuck near 4% range for five months: 4.1% y/y to 3.9% y/y.
- The monthly core CPI is discouraging.
- The core CPI has accelerated month-over-month in five of the last seven months.
- It wasn't all bad.
- Food up 0.4%
- Energy down 0.9%
- Services up 0.7%
- Services less rent of shelter up 0.6%
- Housing up 0.6%
- Consumer goods less food and energy down 0.3%, as used vehicles fell 3.4% and new cars were unchanged.
- Consumer goods less food, energy, and used cars and trucks up 0.1%
- Services less energy up 0.7%
- All items less food, energy, and shelter up 0.2%
- All items less food, energy, shelter, and used cars and trucks up 0.4%



Data Source: US BLS Jan 2024
**The Fed targets the PCE Price Index*

Bottom line

- It's only one month, though the trend in core has been ticking higher.
- Services was a big disappointment.
- Goods remain very favorable.
- Nonseasonally adjusted data: January, February, and March, on average, have registered the biggest gains since 2000.
- Since 2000, January averages the highest of the 12 months using seasonally adjusted monthly data.
  - In other words, are we witnessing a "January effect" as companies use the calendar to boost prices.
  - In today's higher-inflation environment, the price hike at the beginning of the year could be stronger.
- The Fed focuses more on the PCE than the CPI, and the PCE is more favorable. It's an important reason why the Fed is talking about three rate cuts this year, even as the core CPI is holding near 4%, double what is considered price stability.
- The road to 2% isn't a straight path.
- January's number justified the Fed's wait-and-see attitude on inflation.

4. Another profit bonanza

- With 66% of S&P 500 companies having reported (through February 9), profits are forecast to rise 9.0%, almost double the January 1 forecast of 4.7% (LSEG, formerly Refinitiv).
- Again, analysts have been too conservative, and companies are easily exceeding a low bar against the backdrop of upbeat economic growth.
  - It's the best reading since Q1 2022's 11.4%.
- 81% of firms that have reported have beaten bottom-line expectations, and they have beat expectations, on average, by a wide margin.

NelsonCorp Nuggets

Only 10% of non-retired Americans say they will wait until 70 to receive their maximum Social Security benefit. Also, 40% of non-retired respondents plan to take Social Security between 62-65, locking in a permanently reduced benefit.

Source:
2023 Schroeders US Retirement Survey

INVESTING IN COMMODITIES

The only bad question is the one left unasked. That's the premise behind many of my articles. Each covers a different investment-related question that many people have but are afraid to ask. This month, let's cover a specific type of investment that people often wonder about:

What does it mean to invest in commodities?

In an investing context, a commodity is a **physical product** that is either consumed or used to produce something else. For example, corn, sugar, and cotton are all commodities. We generally refer to products like these as **agricultural commodities**. Pork, poultry, and cattle are **livestock commodities**. **Energy products,** like oil and gas, are commodities, too. So are **precious metals** like gold, silver, and platinum.

A commodity is generally seen as an **alternative investment**. Alternative investments are called that because they trade less conventionally than more traditional stocks and bonds. Despite this, many people find the idea of investing in commodities to be an attractive one. For some, it's because it makes more intuitive sense than owning shares in a company (buying stock) or lending money to an organization (buying bonds). There's something *tangible* about the idea of investing in things we see and use on a daily basis. By comparison, stocks and bonds can feel a little more abstract. For others, investing in commodities is a way of adding even more diversification to a portfolio.

That said, the question of *how* to invest in commodities can be an overwhelming one. Most people – including experienced investors – don't even know how to get started! So, let's discuss some of the potential ways to invest in commodities. Then, in a future article, we'll cover some of the pros and cons of this particular asset class.

The oldest and most basic way to invest in commodities is to physically own them. This is what traders have been doing for most of human history. Person A buys a herd of cattle from Person B, and then sells some or all of them to Person C, hopefully for a profit. Person X buys a stack of gold bars from Person Y and then sells them to Person Z. You get the idea.

This, of course, is still done today. But for most *retail* investors – regular folks like you and me – taking physical ownership just isn't feasible. When you buy commodities, you must also have a way to store them. Unlike stocks and bonds, commodities take up *space*... usually a lot of it! You must also have a way to deliver the commodities to and fro. You'd also want to purchase insurance on the product in case something went wrong. And of course, you would need to have a lot of technical expertise to know how to trade those commodities for a fair price.

For these reasons, most investors choose one of two avenues: Buying stock in companies that produce commodities or by investing in commodity-based funds. Let's start with the first.

Let's say you wanted to invest in a certain type of precious metal that you feel will rise in value in the future. Obviously, for reasons we've already covered, you don't want to own the metal itself. So, instead, you buy stock in a company that specializes in mining or extracting that particular metal. Should the price of that metal go up, it's quite possible that the stock price for the company that specializes in that metal will go up, too.

Another way to invest in commodities is through **commodity-based funds.** You may remember my article on the different types of investment funds. Commodity-based funds are very similar, except they are centered around specific commodities. The fund may be comprised of a number of companies that specialize in the commodity. Some funds may even purchase and store the physical product itself if they have the means to do so. Either way, these types of funds – which can be mutual funds or exchange-traded funds – can give you exposure to whatever commodities you'd like to invest in.

There is another way that some investors participate in commodities called **future contracts**. These are "contracts in which the purchaser agrees to buy or sell a specific quantity of a physical commodity at a specified price on a particular date in the future."[1] So, let's say an investor purchases a contract to buy X barrels of oil for $75 per barrel at some later date. By doing so, they anticipate the price of oil will rise *above* that, so their price affectively becomes a bargain. Then, when the specified date arrives, the investor accepts a **cash settlement.** This means the investor is credited with the difference between the initial price they paid and the current market price. This is instead of actually receiving physical ownership of the oil. Of course, if the price of oil goes *below* $75 per barrel, the investor would have to pay back that difference themselves.

Commodity futures are a complex topic, and to be honest, individual investors rarely turn to them. They are more often used by *institutional* investors like commodity-based funds.

So, that's the *how* of investing in commodities! In another article, we'll get more into the *why* by discussing the pros and cons of commodities. As you know, all types of investments come with risks, and commodities are no exception. They're certainly not right for everyone!

In the meantime, now you know what it means to "invest in commodities." I look forward to diving even deeper into this topic in a future article. Have a great month!

1 "Futures and Commodities," FINRA, https://www.finra.org/investors/investing/investment-products/futures-and-commodities

THE LONG VIEW

As this market bounces around, we must focus on "The Long View." Countless studies have repeatedly shown, "It's time in the market, not timing."

As you read this, please sit back and imagine what I ask you to imagine.

First, imagine you are driving down the Interstate. The road is straight. There is very little traffic, and the conditions are excellent. Imagine you are staring at the road immediately in front of your hood. Even under these ideal conditions, do you think for a second you can travel in a straight line? Not a chance.

Now imagine looking far down the road. Can you maintain a straight line of travel?

Of course, because you are taking "The Long View."

Now, imagine mowing some grass. What happens if you look at the yard directly in front of your mower as you push it across the long edge of your yard? Do this for a couple of strips. Now, look a little bit farther out and push your mower across the long edge of your yard. Do this for another few strips. Compare the straightness of the wheel lines for both methods—"The Long View."

Doesn't the same logic apply to investing in the stock market?

I believe a new decision is made—every day—to leave your money where it is or move into a different investment. Moving in and out of investments is the short view.

Warren Buffet, the champion investor of all time, does not move in and out of things. He keeps his eye on "The Long View."

And that's what we do.

Of course, nothing is guaranteed either way, but I believe that only with the Long View will we maintain our sanity when the market takes a relatively short duration turn against us.

Of course, we pay attention to the fundamentals. We choose investments we believe are most likely to survive and prosper—and yes, we accept a few defeats here and there when the weather gets rough.

But we always keep our attention on "The Long View."

Thank you for being my client.
And keep "The Long View"!

THIS MONTH'S FEATURED CHARITY IS CLINTON KIWANIS CLUB

KIWANIS CLUB OF CLINTON
KIWANIS INTERNATIONAL
100 YEARS

The River Cities are fortunate to have two Kiwanis Clubs in our community and appreciate all the events they hold such as the Annual Pancake Breakfast, Easter Egg Hunt, Trunk or Treat, Fire-Safety Smokehouse, Reading around the world, downtown cleanup, Party in the Park and more. Every year Kiwanis members nationally stage more than 241,000 service projects and raise nearly $340 million dollars for children. Their efforts help to make Clinton a great place to live, work and play.

To donate, make checks payable to Clinton Kiwanis Club and mailed to:

Clinton Kiwanis Club
PO Box 1153
Clinton, IA 52733-1153

JEANS FOR CHARITY

Every Friday, the team at NelsonCorp Wealth Management wears "Jeans for Charity". In exchange for getting to wear jeans to work, we each pay a $5 weekly fine. At the end of the month, the fines are donated to a charity. NelsonCorp will match the fines that are collected, up to $250.

NelsonCorp
Wealth Management

880 13th Ave N, Clinton, IA 52732

PLACE
STAMP
HERE

NelsonCorp
Wealth Management

www.nelsoncorp.com

info@nelsoncorp.com

fax: (563) 242-9062

880 13th Avenue North
Clinton, IA 52732
(563) 242-9042

5465 Utica Ridge Rd
Davenport, IA 52807
(563) 242-9042

9079 East Tamarack Drive
Dubuque, IA 52003
(563) 242-9042