

Live for Today and Plan for Tomorrow

VANISHING BRANCHES

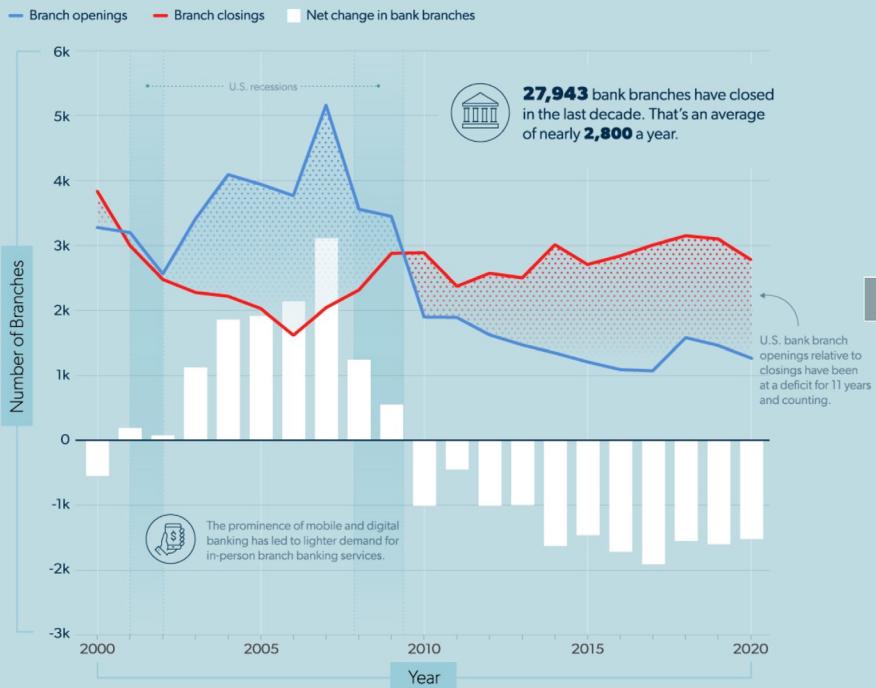
A lot has been written about the advent of online banking, with the ability to deposit checks through an app and earn significantly higher interest on whatever you deposit. But the other side of the trend is that it is becoming increasingly hard to find a convenient local bank branch.

A recent report by the DataStream website tallied up a total of 1,251 branch openings last year, which sounds positive until you discover that 2,788 branches were closed in the same year—resulting in a net loss of 1,537 branch locations around the country. In 2019 the banking industry experienced a net loss of 1,630 locations. In 2013 through 2018, the net losses were 1,030, 1,645, 1,480, 1,742, 1,921 and 1,571, respectively.

The article notes that nearly 50% of traditional branch banking activity can be conducted online today, and some digital-savvy younger customers have never seen the need to visit a bank office. Not surprisingly, the banking giants, who built their companies on brick-and-mortar convenience,

Branch Banking is Dying

In the last decade, U.S. banks have closed up shop at an alarming rate relative to new bank openings. Is this the beginning of the end for branch banking?



are having trouble meeting the competition. Since January of 2011, Wells Fargo's stock price performance has lagged the S&P 500 by 193%, while Citigroup's stock has underperformed by 160% and U.S. Bancorp stock by 115%.

The trend is not the traditional banking industry's friend. We can

see the future in China, where 81% of smartphone users have adopted mobile payments. We are moving toward a day when visiting a bank branch and using physical cash will be remembered the way we now remember rotary phones.

ASSET FOR THE LONG RUN

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One of the most common educational props in the financial planning world is something known as the Callan Periodic Table of Investment Returns. The table is constructed in various ways—either with annual returns, or monthly returns—but the result for those shorter time periods is always the same and vividly illustrated. As you can see from the yearly and monthly return chart, the rank order of different asset classes (color coded; top is highest performers, lowest is worst returns), is always random.

See for yourself whether you can discern any pattern. That illustrates, better than words, that we really cannot predict whether international stocks will outperform domestic large cap or small cap stocks in any given year, or whether any of them will outperform various bond investments in the next 12 months. This explains why professionals recommend diversified portfolios. They simply don't know, from one year to the next, which is going to perform better than what.

But the interesting thing is that if you look out over longer time periods, the returns are not nearly so random. In fact, when a professor of business analytics at the University of San Francisco, Stephen Huxley, constructed the same chart over rolling 30 year periods, he found that small cap stocks and value stocks pretty nearly always finished with

Callan Periodic Table of Investment Returns

the highest returns. You can see from the long-term Periodic Table that real estate investment trusts consistently fell in the middle of the pack, and the bond investments alternated places at the bottom of the long-term return chart.

What does that mean? To professionals, the striking consistency of this simple chart is strong evidence of something that is talked about but never actually proven: that over longer time spans, returns become more consistent and predictable than they are in

shorter intervals, and that certain asset classes consistently, if unpredictably, provide more upside potential than others. A simple way to think of it is that as an owner of companies (buying stocks), you will eventually earn higher returns than if you are a lender to companies (buying bonds). You just have to wait long enough for the trend to play itself out.

Does that mean we should throw away the idea of diversification? Of course not. But it might mean that, if you have a long enough time horizon, you have a decent chance of earning higher returns if you overweight certain categories of stocks, and underweight bonds. You should still hold both and rebalance each year, which raises the odds of experiencing a smooth investment ride while you wait for the asset returns to sort themselves out over time.

Exhibit 8
Rolling Overlapping 30-year Spans

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
San Val																				
16.2%	17.7%	18.3%	18.6%	18.0%	21.2%	22.8%	21.3%	20.6%	18.9%	16.6%	16.3%	15.5%	14.9%	14.5%	13.1%	13.7%	14.0%	13.6%	13.0%	
Mid Val																				
Lege Val	Emrg Mkt	Lege Val																		
15.1%	16.6%	16.2%	16.5%	15.2%	17.5%	19.2%	17.6%	16.6%	16.1%	14.0%	12.8%	13.0%	14.5%	13.9%	13.5%	13.8%	13.2%	12.7%	12.0%	
Emrg Mkt	Lege Val																			
Min Negt	Min Negt	Mid Negt																		
13.5%	15.2%	14.4%	14.0%	12.8%	14.5%	16.8%	15.6%	15.1%	14.0%	12.5%	11.9%	12.0%	11.5%	12.2%	12.4%	12.8%	11.5%	11.5%	12.0%	
Mid Negt																				
S&P 500	Lege Grw																			
12.8%	13.7%	12.8%	12.5%	11.9%	13.2%	15.2%	14.2%	13.7%	14.0%	11.9%	11.9%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	
Upe Negt	Lege Grw	Emrg Mkt	Emrg Mkt	Mid Negt	Lege Grw	Mid Negt														
12.0%	13.7%	12.8%	12.5%	11.9%	13.2%	15.2%	14.2%	13.7%	14.0%	11.9%	11.9%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	11.6%	
S&P 500	Lege Grw																			
12.6%	13.3%	12.1%	11.9%	10.3%	12.2%	13.8%	13.0%	12.6%	13.1%	11.6%	11.6%	11.2%	11.2%	11.2%	11.2%	11.2%	10.2%	10.7%	10.7%	
Lege Grw																				
11.5%	12.3%	12.0%	11.4%	10.9%	12.2%	12.5%	12.7%	12.5%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	
Mid Negt	Mid Negt	Interm	Interm	Interm	Lege Grw	REIT	Lege Grw													
10.3%	12.1%	12.4%	10.4%	9.9%	11.0%	13.4%	12.5%	12.2%	12.0%	10.3%	10.0%	10.0%	9.7%	9.4%	9.7%	9.7%	9.7%	9.7%	9.7%	
Corp																				
9.1%	9.2%	9.2%	9.4%	9.4%	10.4%	12.0%	11.2%	11.0%	10.6%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
LT Gov	Sm Grw	HTET	HTET	HTET	Interm	Interm	Sm Grw													
9.1%	9.0%	9.2%	9.2%	8.0%	10.2%	11.0%	10.6%	10.0%	9.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
11.7%	8.7%	8.5%	8.5%	8.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
8.7%	8.9%	9.0%	8.9%	8.9%	9.4%	9.9%	9.6%	9.6%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
RET	5-Yr Gov	Sm Grw																		
7.7%	7.7%	7.7%	7.7%	7.7%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	
7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	
T-Bills	HTET	T-Bills																		
6.8%	8.4%	8.5%	8.1%	8.7%	8.6%	8.3%	8.0%	8.3%	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Sm Grw	T-Bills																			
6.6%	6.7%	6.7%	6.7%	6.7%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	
Commod																				
3.4%	4.2%	5.3%	4.4%	4.4%	3.8%	4.9%	5.4%	5.0%	5.8%	3.8%	4.1%	4.4%	4.3%	3.9%	3.6%	3.9%	3.6%	3.2%	3.1%	3.1%

COVID RESTRICTIONS ON INTERNATIONAL TRAVEL

Live for Today and Plan for Tomorrow

From January through October of last year, there were 900 million fewer international tourists from the same period the year before—due, of course, to the global pandemic. That's not especially catastrophic for the U.S. economy, since travel and tourism represents only 2.8% of U.S. GDP. But what about the Philippines, where international tourists sustain 25% of the country's total economic activity? Tourist arrivals there are down 84%. Other countries that rely on international travelers include Thailand (22% of GDP, visitors down 83%); Greece (22%, down 77%); Portugal (19%, down 75%); Hong Kong (17%, down 94%) and Mexico (17%, down 46%).

The situation is not likely to get better for international travel—at least for a while. A website operated by an individual who calls himself “The Points Guy” tells us that we can't travel to Canada currently; the border remains closed at least until March 21, and any

foreigner attempting to enter the country for reasons of tourism, recreation or entertainment will be turned away. Mexico, meanwhile, has opened all of its airports to Americans who are willing to undergo health checks, but unlike most countries, Mexico imposes no testing requirements.

U.S. citizens are currently banned from travel to Croatia, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Norway, Poland, Portugal, Russia, Sweden, Argentina, Chile, Paraguay, China, India, Indonesia, Japan, Malaysia, the Philippines, Taiwan, Vietnam, Australia, New Zealand, Israel and Saudi Arabia.

Still technically open to Americans are Ireland (which requires 14 days of self-quarantine for all incoming travelers), Serbia (which requires a negative PCR test within the previous 48 hours), Switzerland (business travel only), Turkey (14-day quarantine after arrival), the U.K. (requires proof of a neg-

ative COVID-19 test and 10-day quarantine), Brazil (no testing or quarantine required), Colombia (requires proof of a negative COVID-19 test), Ecuador (proof of negative test), Peru (14-day quarantine), Pakistan (negative test), South Korea (14-day quarantine), Thailand (Americans can apply for a 60-day visa and present proof of medical insurance plus a bank statement, and a reservation at one of the nation's alternative state quarantine hotels for 14 nights), Egypt (negative test), Kenya (negative test), Morocco (negative test), Nigeria (negative test), and South Africa (negative test).

Sources:

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EXECUTOR PITFALLS

Live for Today and Plan for Tomorrow

A friend or relative asks you to be the executor of her estate. What, exactly, is she asking you to do?

An article on the NerdWallet website offers many detailed insights into the scope of the task that you would be taking on, and it is clearly not for the faint of heart. The executor has to find the deceased's relevant documents, inventory his or her assets and debts, and arrange appraisals for the tangible assets that the deceased may have owned. That is in addition to communicating with financial institutions and governmental agencies, managing property and keeping careful records of everything. If the estate includes a home, the house may have to be emptied of possessions and readied for sale.

Individually, these activities may not seem intimidating, but they add up. A survey by EstateExec, an online tool for executors, found that the typical estate takes about 16 months to settle, and requires 570 hours of effort. Estates worth \$5 million or more typically take 42 months to settle and 1,167 hours to complete. Some of those hours will be hired out to professionals—attorneys, a CPA and a wealth advisory firm—but the executor has to watch over and coordinate everyone's efforts.

Disputes are not uncommon. You may find yourself in the role of referee when the heirs disagree about the way the assets were divided, and they may disagree with some of your judgment

calls, such as whether to spend the estate's money to fix up a house for sale.

Before you accept the role of executor, you might insist on seeing the will or trust documents to ensure that there aren't any unpleasant surprises that could cause discord among the heirs, and ensure that everything is inventoried and the assets are in good order. You can also insist that the documents name alternates in case you can't or decide you really don't want to serve in this complicated role.

PRECISION DIETS

There is no shortage of diet books and online advice about what to eat (avoid sugar, lose weight with the Keto diet, drop gluten from your dinner table) but all of this information is generic, offered to everybody, and you, reading this, are an individual, with your own unique biochemistry. It's possible that some of this advice—indeed, most of it—is irrelevant to your specific metabolism.

The National Institute of Health is currently spending \$156 million to examine how Americans process food, in an effort to determine how much of the

generic advice can be applied to everybody. A total of 10,000 volunteers are wearing monitors that track their diets, physical activity and blood sugar levels. Eventually, a select group will be fed a highly-controlled diet, and visit a clinic that will track blood sugar levels, proteins in the system and even the composition of their gut biome. In a third stage, 1,000 volunteers will stay at a clinic for three two-week-long periods, eating meals that will be strictly controlled, with the same physiological tracking, but also assessing psychology and behavior measures.

The algorithms that are being developed will provide much better guidance

on food choices for people with metabolic disorders or food intolerances, and help our society tackle such chronic health plagues as diabetes, obesity and heart disease. But more generally they will help nutritionists prescribe diets that are tailored to each individual. Given the link between diet, longevity and health, making nutrition a precision science could be transformative for all of us.

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