STATHEROS FINANCIAL SOLUTIONS | We plan. *You live.*

Happy New Year

As the new year gets under way, I would be remiss not to mention how thankful we are for our clients. Not only are we grateful for the trust you have placed in our team to help you with your own financial planning, but also for openly voicing that trust in the many referrals you have sent to us. It is the primary way we grow our business, and we consider it the highest compliment. Financial planning is part of a highly competitive industry with many different players and color commentators who create a lot of "noise" resulting in a (mostly) negative image. Our advisors and staff members really enjoy the process of breaking that all down and demonstrating to you what it means to have a team with your best interests at heart. For that and much more, we thank you, kindly.

One of the key roles we perform for our clients is to sift through the noise surrounding their financial lives. To that end, one of the things I like to do around the new year is to peruse the headlines of various periodicals addressing the markets. The Wall Street Journal, one of the most respected in the industry, offered the following:

"The Blockbuster Year in Stocks No One Saw Coming" Gunjan Banerji 12/29/2023

"How I, and Everyone Else, Got 2023 So Wrong" James Mackintosh 12/29/2023

"What Did Wall Street Get Right About Markets This Year? Not Much" WSJ 12/29/2023

"Five Investors on How to Navigate the Bond Market in 2024" Eric Wallerstein, 12/30/2023

"Optimism Abounds on Wall Street This New Year" Charley Grant 1/1/2024

"Stocks' Bad Start to 2024 Has Forecasters On Edge" Hardika Singh 1/3/2024

. . . and this is just one periodical. The irony among the headlines just days apart is on the humorous side. The admission of having no clue what was going to happen in 2023, and then days, if not hours, later another headline offering suggestions on how to navigate the markets in 2024 borders on hilarity. For my part, I like to read as many of these as time will allow to be armed with what folks from all walks of life may be thinking, or at least reading about. The one thing I am completely certain of in the media is that fear will sell. Almost every new year there are various articles to be found where some highly esteemed economist is calling for the largest collapse in history. In a word, noise.

One of our company's goals is to help get our clients to the point where they can suppress the noise of such articles so they can live their best lives. We hope to provide value by helping alleviate the noise-burden so you can spend your efforts on being the best version of yourself, and whatever makes you content.

As a financial planning-centric firm, we always recommend having a financial plan applicable to your life-stage as a first step. This plan, built on a foundation of your own goals and objectives, utilizing tools such as timelines, diversified investments and other financial instruments, and reinforced by periodic reviews and revisions as life occurs, provides the focus that helps you push the noise to the background. There are many tools in the financial planning toolbox but commitment to saving and investing in a diversified portfolio is a cornerstone of planning for your financial future.

Two extremely important aspects of investing are diversification and compounding. To diversify, or spread out, one can reduce the volatility, or ups and downs, that occurs in the markets on a short-term basis. If you invest in only one stock, your investment performance is at the mercy of that one company whether it prospers or not. If you invest in a thousand stocks, then your investment performance would be a blend of how all of those companies do. It is very unlikely that a thousand companies would fail at the same time, especially if they were composed of various sizes and types of companies, which serves to reduce your portfolio risk and smooth out returns. By leaving money invested in a diversified blend of securities for a longer time, compounding (growth on prior growth) will have an opportunity to improve the balance of a portfolio even in years when performance is down.

Allow me to give you a short example. The table below shows the annual returns (rounded for simplicity) for two popular indices which track multiple stocks, and two well-known single company stocks, for the past few years:

Calendar Year Returns	**2021**	**2022**	**2023**
S&P 500	29%	-18%	26%
DJIA	21%	-7%	16%
TESLA	50%	-65%	102%
NETFLIX	11%	-51%	65%

If we looked at the approximate value of a $1,000 investment made on January 1, 2021 that remained untouched until the end of 2023, that investment value would look something like this:

Year-End Values	**Dec 31, 2021**	**Dec 31, 2022**	**Dec 31, 2023**
S&P 500	$1,290	$1,058	$1,333
DJIA	$1,210	$1,125	$1,305
TESLA	$1,500	$675	$1,364
NETFLIX	$1,110	$544	$898

Keep in mind, this is a very short-term example which is simplified for clarity, but the natural assumption might be that TESLA, with such huge returns in 2021 and 2023, would take the cake – and perhaps it did as 2023 came to an end. But what would have happened if you needed funds for an unexpected expense at the end of 2022? How sorry would you be if you had selected NETFLIX as your single stock instead? With the diversified holdings of both indices, your final 2023 value was close to TESLA's but the swing in values over the 3-year period is less extreme, or smoothed out. Of course, indices are not available for direct investment and past performance is no guarantee of future results, but hopefully the value of diversification and compounding is clear from the example.

Understanding the importance of diversification, compounding, asset classes and how they may be correlated, and then selecting appropriate investments are just a few of the reasons to hire a financial planner. As our clients know, our approach to investing is not one of a provocative nature, but instead we choose to embrace the markets. We know that they cannot be predicted so the best approach is one that is evidence-based incorporating solid investment tenets such as diversification. However, investments are simply one of the mechanisms to help you attain your financial objectives. We want to help you plan financially so that you can focus on living your life.

I implore you in 2024, to do your best to tune out the "noise" of the investment media, stick to your game plan, and enjoy your life to the fullest. A quote I like, often attributed to Abraham Lincoln, reads as follows:

"And in the end, it is not the years in your life that count. It is the life in your years."

Happy New Year to you,

Jake Parsons

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