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*Eastwood*  
WEALTH

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## 2020 Annual Letter

I hope this finds you and your family healthy and well! First, we would like to extend our thoughts and prayers to anyone and their family that has been directly affected by COVID-19. Several members of the Eastwood Wealth family have battled the virus and thankfully everyone has recovered as far as we know. Please continue to stay vigilant. In the most abnormal of years, the spirit of our Annual Letter has again tried to capture three of the most important aspects of life: where we have been, where we are at and where we are going. Please enjoy!

The Industrial Revolution began in Europe and the United States in 1760 and lasted to 1840. The era ushered in new manufacturing processes that significantly increased the standard of living in the western world. One of the American pioneers of this revolution was Joseph Wharton (1826-1909). Like many of the industrialists, Wharton built his empire around steel. His business prowess led him to becoming the largest shareholder of the Bethlehem Steel Corporation which was eventually purchased, in 1899, by the Schwab family. Charles M. Schwab then subsequently helped negotiate the secret sale of Andrew Carnegie's Carnegie Steel which was financed by J.P. Morgan in 1901. Morgan combined Carnegie Steel with other companies to create U.S. Steel, the first billion dollar company in American history, and named Schwab President.<sup>1</sup> Steel helped solidify the legacy of all men involved laying the groundwork for wealth and philanthropy that continues to this day.

On December 6, 1880, Wharton wrote to his friends, "With industry now powered by steam and steel, we can no longer rely on apprenticeship alone to create future generations versed in business. There needs to be instructions to instill a sense of the coming strife of the business life and of the immense swings upward or downward that await the incompetent soldier in this modern strife."<sup>2</sup> In 1881, Joseph Wharton endowed the University of Pennsylvania with \$100,000 to create the School of Finance and Economy, the first business school in the United States. The charge was to develop and teach a successful formula to savvy individuals on how to run a business through various economic cycles. The first class contained 13 students and was the precursor to what is today one of the most respected business schools in the world, The Wharton School of Business.<sup>3</sup>

I wonder if Joseph Wharton and his contemporaries could have ever imagined the lifestyle advances we enjoy today against the backdrop of our ongoing battle with COVID-19. One would think this is just the kind of strife that Wharton sought to address. Certainly, the virus is one of the largest obstacles to ever be imposed on the world, our economies and healthcare systems. It is another example of global interdependence and how working together could synergize a brighter future for all of us. As we continue to try to understand the unprecedented pandemic and its lasting impact, there is no doubt that the virus will be a case study taught and dissected in many areas of higher learning for the foreseeable future.

The foundation of the United States is one of opportunity where people are completely free to pursue their dreams. It is how the Founding Fathers envisioned our country, and this ideal has worked beyond anyone's wildest imagination. The capitalistic economy we enjoy allows private owners to control trade and industry rather than government. Our country does not work well when the economic machine comes to a screeching halt. We found that out the hard way in the second quarter of this year when our Gross Domestic Product (GDP), the output of our nation's goods and services, experienced the largest quarterly economic decline since The Great Depression. In the United States, GDP is made up of 70% consumption and when consumers aren't consuming, we have a major problem. Thankfully, GDP roared back in the third quarter with the largest increase ever on record.

The future of business is evolving and being reshaped right before our very eyes. I think some areas will go back to pre-virus norms and others will not see the light of day again. As the cold weather forces us back inside, the world will have to come to grips again with the horrible consequences of rising virus cases and more lifestyle and business interruptions. Prior to the virus, the average business had 27 days of cash reserves in their Emergency Fund. Needless to say, those funds were ran through quickly when shutdowns began in the spring. In the six months from February 29, 2020 to August 31, 2020, Yelp reported that 163,735 businesses closed their doors with approximately 97,966 to stay closed for good. Thankfully, technology is making the world more navigable as virtual meetings have become normal for appointments with your doctor, civic gatherings or with us at Eastwood Wealth. The lasting effects of the virus will be felt through many industries with the low hanging fruit being the airlines, commercial real estate, residential real estate and hospitality management just to name a few. In a recent interview, Microsoft co-founder Bill Gates said, "My prediction would be that over 50% of business travel and over 30% of days in the office will go away."<sup>4</sup> The world was already changing rapidly, the virus has just significantly sped up the pace. In the end, the virus probably touches all areas of our life in some way, shape, form or fashion.

Prior to 2020, no vaccine had been created in less than four years with most taking at least a decade before they are widely available.<sup>5</sup> Not since the 1918 Flu pandemic has the world faced an opposition like COVID-19. On May 15, 2020, the United States government formally announced Operation Warp Speed with the aggressive goal of producing and delivering 300 million doses of a vaccine by January of 2021.<sup>6</sup> As of early November, there were 214 vaccines in the development stage. As of December 1st, none were approved by the Food and Drug Administration (FDA). There are several emergency antibody treatments that have been approved. As of December 1st, Gilead Sciences' antiviral drug remdesivir is the first and only fully approved treatment in the United States for COVID-19.<sup>7</sup> Promising results from vaccine trials are providing a light at the end of the tunnel. Moderna's, 94% vaccine effective rate, and Pfizer's vaccine, 95% effective rate, are the most promising at this stage and both companies have applied to the FDA for emergency use. The length of protection offered and the ease of vaccine deployment still remain in question with a battle likely to ensue for access. Early reports suggest a vaccine would be limited and rolled out in phases to healthcare workers, the elderly and those with underlying health conditions first.

We have been presented with several opportunities in 2020 to make major financial planning and investment management mistakes. Mistakes that could have a momentous impact on our future quality of life. A Fidelity Investments study found that nearly 20% of investors sold all of their stock/stock fund positions during the first and second quarter of 2020. When the study's age increased to 65, the number of investors who liquidated rose to above 30%. I am proud to share with you that we did not have a single member of the Eastwood Wealth family sell out of their beautifully diversified portfolios during the throes of the virus or the uncertainties leading up to the election for emotional reasons. We acted with deliberate intent and equanimity on both occasions. Through our ongoing communication, I asked you to have faith and stay committed. Together, we had our word, our relationship and the built-up grace provided from weathering similar types of storms in the past. Thank you for your continued confidence. Staying the course has made a difference that, most likely, could not have been made up any other way. Since the lows established on March 23, 2020, the S&P 500, the index comprised of the 500 largest U.S. publicly traded companies, has increased over 64%, as of December 1st, setting multiple new highs along the way. Since the Monday before the election, November 2nd, the S&P 500 was up over 12% as of December 1st. How would we make up that kind of ground any other way than by staying the course?

I encourage you to remember how 2020 has felt and played out so far. We will face a similar situation in the future though hopefully triggered by a different type of event. At Eastwood Wealth, we hold steadfast that owning some of the best companies in the world through diversified stock funds, whether the markets are up, down or sideways, is one of the most effective ways to pursue your visions and goals and fully capture the continuous growth of human innovation and ingenuity. I cannot underscore enough that remaining growth oriented in this manner has provided superior long-term results as compared to other assets classes. This year is another example of history repeating itself. Mainstream, publicly traded companies are nimble, adaptable and enjoy an unfathomable amount of sustained momentum. During economic contractions, the strong get stronger which is why we want to stay the course and remain growth oriented even more. Apple, Amazon, Facebook, Google and Microsoft alone have a combined total of \$548 billion in cash reserves as of the fourth quarter of 2020.<sup>8</sup> Total presidential and congressional election spending in 2020 was \$14 billion, more than double of what it was in 2016.<sup>9</sup> See what I mean? Investing favors the committed with those who try to time the markets usually suffering immensely and incur the potential of leaving a large amount of their quality of life un-lived. Sometimes, the fastest way out is to point the bow of the ship directly at the proverbial wave and go full throttle.

2020 has also offered us an opportunity to look within ourselves and recalibrate. The world temporarily slowed, families have been able to spend more time together and pollution has decreased. Places like India can actually see Carolina blue skies again. Some of the leading companies in the world have recommitted themselves to sustainable business practices. Amazon recently announced that they plan to employ 10,000 electric vehicles by 2022 and have a fleet of 100,000 by 2030. As part of the Climate Pledge, their plan to build a sustainable business for their customers and the planet, Amazon has committed to rely entirely on renewable energy by 2030 and be carbon neutral by 2040. This is a game changer, and I bet other companies will follow their lead. Out of such unfortunate circumstances emerge the building blocks to rise again.

The virus has highlighted our responsibility to take care of ourselves. We live in a world that projects its commercialized and illusory notion of what it means to be a man or woman in today's society. I believe, more than ever, we are all being called to find centeredness out of imbalance and light out of darkness. There are few practices manlier or more feminine than taking care of ourselves so that we can help lead our families, friends, businesses and civic organizations. Time is of the essence for us to answer this call.

Since the spring, I keep coming across the word chaos. I am not sure if it is the buzzword of the year or if the Baader-Meinhof phenomenon is kicking in for me. Psychologist Jordan Peterson says that "chaos is found in the irrelevant." Since hearing this quote, my irrelevant antenna automatically becomes engaged any time I hear the word or think a situation could be deemed as such. Certainly, the pandemic has affected and been dealt with differently by people across the world. For most, home and what it means to be home has taken on a whole new level of appreciation. I have spent a lot of time at home just like everyone else and have sought wisdom and peace from the deep soulfulness of my rocking chair along with my exercise and mindfulness practices. Studies suggest the simple act of rocking is therapeutic to the mind, body and soul. I concur. Though many times there seems to be more questions than answers when I stand, I usually leave feeling like I've grown like wet grass on a hot summer night. Finding a safe place to consolidate our thoughts when life throws us a curveball is key.

Together, we often talk about the most efficient path to get us from Point A, where we're at today, to Point B, where we want to be, stay or inhabit down the road. What if our current Point B became just a pit stop to Points further? What if our current thinking had our Point B at one destination, but inside of us lived a Points E, F, G or beyond? How could we access these elevated levels to grow into who we really are and are ultimately supposed to be? It is rarely too early and never too late to begin. I believe we keep it simple and start with the end in mind, work backwards to our current situation and then forwards one day at a time. We act with clear vision and purpose, aim to maximize our resources and take incremental steps daily to influence the activities within our direct sphere of influence. We enjoy the fullness of today as the present and allow it to serve as our baseline reading for tomorrow. After all, the present is rooted in our past thoughts and actions and the future will be rooted in our present thoughts and actions. Everything builds upon itself and there are no skipped steps. Over time, our cumulative malleability will constantly present a version of ourselves today that is a little bit better than yesterday's version though not as advanced as tomorrow's. It takes time, patience and commitment. In fact, years may pass before any results are noticeable, and that is okay. The most important part of the process is that we are doing the work. If practiced accordingly, I believe our rising and attainable visions will be much grander than anything we could have asked for or imagined. The pursuit of our purpose would never be finished making it highly likely that our final Point B is at a much different place than our current belief system can take us. In the words of former baseball pitcher, Satchel Paige, "It's not what we don't know that hurts us. It's what we know that just ain't so." Our thoughts become our reality.

I certainly do not know what the future holds. In accepting and finding comfort in the unknown, there is one thing that is universal: hope. Hope gives us the ability to rise again, and it creates options. Vaclav Havel, the first President of the Czech Republic (1993-2003), eloquently stated, "Hope is a dimension of the soul. It transcends the world that is immediately experienced and is anchored somewhere beyond its horizons. Hope in this deep sense is not the same as joy that things are going well. Or the willingness to invest in enterprises that are obviously headed for success, but rather an ability to work for something because it's good, not just because it stands a chance to succeed. Hope is definitely not the same thing as optimism. It's not the conviction that something will turn out well. But it is the certainty that something makes sense regardless of how it turns out. And it's hope above all which gives you the strength to live and continually try new things." This is the spirit of hope that moves Eastwood Wealth daily allowing us to pursue our visions and goals.

Thankfully, we invested resources in years past to allow Eastwood Wealth to be fully functioning and mobile if need be. We successfully enacted all of these features on March 17th which is the day our entire team started working from home. We will incorporate the many lessons learned from 2020, continue to embrace technology and strive for daily improvement while challenging the next iteration of ourselves. The vast majority of our Client correspondence is now sent electronically through email and social media. If you are not receiving our electronic correspondence, please let us know. If you do not have an email address and would like for us to help you set one up, please let us know. Follow us on our Facebook, Twitter and LinkedIn social media accounts, subscribe to our YouTube channel, read our blog at [www.eastwoodwealth.com](http://www.eastwoodwealth.com) and connect with us using Zoom video conferencing for face to face meetings in a new way. Of course, we will be back to in person visits when it is safe and always offer 100% open lines of communication and confidential ears to listen to anything on your mind.

In closing, Eastwood Wealth will turn 10 years old on August 19, 2021. We remain grounded in the present and believe the future is brighter than anything we can imagine. We continue to think holistically and outside of the box. We believe that what we are doing is much more than just about facts and figures. It's about people, families, visions, dreams and squeezing the most out of life possible to enjoy with those we love and our favorite activities.

Please stay safe and healthy in the months ahead. As always, thank you for being a part of the Eastwood Wealth family and for allowing us to be a part of yours. We hope your 2020 holiday season is the best ever and look forward to a prosperous 2021!

Best,

A handwritten signature in black ink that reads "Tim". The signature is written in a cursive, flowing style.

Tim Evans, CFP® CLTC  
Founder

The opinions expressed in this material do not necessarily reflect the views of LPL Financial.

Notes:

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8. <https://www.cnbc.com/2020/11/05/cramer-says-bonds-are-now-riskier-than-stocks-passing-of-the-torch.html?&qsearchterm=cramer%20apple%20msft%20alphabet> and [www.amazon.com](http://www.amazon.com)
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