



---

*Eastwood*

---

WEALTH

2022 Annual Letter

I hope this finds you and your family doing well!

When I was growing up, we took family trips to Kings Dominion, the amusement park north of Richmond, Virginia. Kings Dominion was known as the Disney World of the Mid-Atlantic, and it was drivable for us in three hours from our home in eastern North Carolina. I have great memories from those times and can only imagine what my parents thought as we loaded the car down for the day. It wasn't quite the dramatized scene of The Griswold's traveling to Wolly World, but probably close.

Kings Dominion is where I rode my first roller coaster, known today as Racer 75. I vividly remember the ride. As we walked through the beautifully landscaped boarding area it was all fun and games. I thought to myself, "Nothing to this roller coaster thing." My fifteen-foot tall, bulletproofness quickly wore off as we exited the loading station and rounded the first curve. Reality sunk in. My eyes grew to the size of golf balls as I stared at the mountainous incline in front of me. The coaster stopped. "Great!", I thought, "I'm saved and can get off." Suddenly, the jerk of the coaster's chain catching and the click clack sound of the train slowly chugging up the hill began. It felt like it took forever for us to reach the top. When we did, I could see as far as my eyes would let me. We were over 85 feet high, and, for a couple of seconds, all sounds from the wooden coaster stopped. It was the calm before the storm. With my stomach nestled tightly in my Air Jordan's, I was holding on for dear life. If you've ever ridden a similar amusement park ride, you know the feeling. The car slowly rolled over the first hill and gravity took us to the coaster's maximum speed of 56 miles per hour. It's slow by today's standards, but back then it was like a bolt of lightning. The 2 minute and 15 second ride was exhilarating. At the beginning, I couldn't wait for it to be over. Since then, I've looked forward to riding Racer 75 every time I visit the park. My world had expanded.

Despite my newfound roller coaster bravado, The Berserker, also at Kings Dominion, was a different story. The replica Viking ship secures riders in place with safety harnesses, and then slowly starts swinging back and forth in a pendulum like motion. The vessel moves higher with each pass from side to side. The higher the ship travels, the more gravity kicks in until it eventually and ever so slowly completes a 360-degree loop several times. Gravity eventually rests it again at its center point, and the ride is over. It took me years to muster the courage to conquer The Berserker. Once I did, my world had again expanded.

Expansion is everywhere. It shows up in many forms and facets usually without us realizing it. We miss it because our mind is mostly focused on maintaining the ease, safety and security of our current position where most tension is reduced or completely eliminated. Homeostasis wants to keep everything in our lives the way it is and, often, the way it has always been. It makes us think that we're operating and thriving at an optimal level rather than pushing through our self-induced boundaries. Once we stretch our comfort zone, we quickly realize that our current position is simply a starting point to a much larger existence.

In our 2018 Annual Letter, I referenced the 40% Rule as brought forth by former Navy Seal David Goggins. In his book, *Can't Hurt Me*, he said that "...no matter who you are, who your parents are or were, where you live, what you do for a living, or how much money you have, you're probably living at about 40% of your true capability. I found this to be a fascinating assumption and call to action.

We started 2022 on Eastwood Wealth's social media platforms by asking our Question of the Year: What could you do to improve your quality of life by 10% in 2022? If you haven't thought about it or want to think about it again, take a few minutes and do it now. I'm going to invite you to think about it differently going forward.

I assume Goggins's 40% Rule is correct. He would know because he's pushed through normal physical and mental human boundaries to become a Navy Seal, the finest special forces group to serve our country.<sup>1</sup> Take a step back and think about our Question of the Year this way. If we could improve our quality of life by a true 10% of our full potential, we would actually enhance it by 25% according to Goggins's 40% Rule. 10 is 25% of 40. This type of exponential expansion can significantly change our lives and the world. With this knowledge, two questions come to mind. First, why are we living at only 40% of our potential? Second, how do we squeeze more out of our quality of life? Let's go deeper.

I read a book several years ago written by Deepak Chopra, M.D. and Rudolph Tanzi, Ph.D. entitled Super Genes. The essence of the book is that we hold the key to unlocking our potential and optimizing our well-being. The authors referenced a 2014 study in the journal Nature Neuroscience where scientists introduced the chemical acetophenone, a pleasant scent similar to orange blossoms, to mice in a lab. When the smell was introduced, the scientists gave the mice a mild electric shock. The shock caused the mice to shudder. After a period of time, the scientists could introduce acetophenone to the mice and they would automatically shudder without being shocked.

The study didn't stop there. The scientists then continued testing the next two generations of mice. When the pleasant acetophenone fragrance was introduced to the children and grandchildren of the original studied mice, they shuddered too, but without ever being shocked! The shocked mice's children and grandchildren's DNA had been preconditioned prior to birth to associate a pleasant scent with pain.

Obviously, we're not mice, though they do carry 92% of our human genes.<sup>2</sup> The closeness of our genetic makeup and the fact that a mouse's life expectancy is usually less than two years make them easy targets for research. For the purpose of this conversation, it's reasonable to draw the conclusion that to continue to expand, we may be required to purposefully change our actions or reverse some emotions, habits or behaviors to reach more of our full potential.

The reason why I do what I do is to help others pursue a better quality of life. My work is centered around organizing a Client's financial life to gain clarity about their visions, goals and dreams. Clarity helps remove uncertainty in an effort to abundantly live life with more freedom. I've packaged it neatly here though it can be anything but when you get down and dirty in the trenches. In fact, Andrew Carnegie, one of the wealthiest Americans in history, said that "the most difficult art on earth is that of holding on to money."<sup>3</sup>

It has taken a lot of intestinal fortitude to emotionally endure the ups and downs of 2022 and the last several years. The world and financial markets have felt like Racer 75 and The Berserker. One piece of data comes out, and the financial markets swing one way. The next day, another piece comes out, and the financial markets swing back the other way. Sometimes, the ups and downs flip flop significantly in the same day. I empathize with you as our accounts look the same or are very similar. It's not fun for any of us. Your feelings, emotions and concerns are valid. It is completely understandable to question how we keep expanding in a tumultuous world.

We live on a big planet, but in a small world. We continue to experience the social and economic results of how the world has handled the COVID pandemic and its aftermath which now includes Russia's war in Ukraine. Down the road, perspective will allow us to look back on the last few years and understand just how discombobulated this has been. The world economy came to a screeching halt and basically shut down in the spring of 2020 due to the pandemic. Shortly thereafter, the Federal Reserve in the United States started printing around \$4 trillion of new money to keep the economy and financial markets functioning properly and efficiently. They then bought government bonds with the printed money. The government then used some of that money to pay people, in the form of stimulus checks and extended unemployment benefits, not to work. Excess money in the system, supply chain disruptions and conflict are a recipe for inflation. It is basic economics when you remove the noise.

The ability to keep pace with an increasing cost of living over time is one of the main reasons we save and invest our resources. From 1960 to 2021, the average inflation rate in the United States was 3.8%. This means that the same item that cost \$100 dollars in 1960 costs \$929.57 in 2021.<sup>4</sup> For conversation purposes, let's stay with the assumption that inflation continues to average 3.8% per year. This means that in 20 years, \$1 today would be worth \$.47. In 30 years, \$1 today would be worth \$.33. At this rate, we would need to increase our income by 111% to 206% in the next 20 to 30 years to stay even with the standard of living we enjoy today. Historically, growth-oriented investments, in some of the best companies in the world, are one of the only asset classes that can withstand these types of increases and still potentially grow our income over time.

The S&P 500, the top 500 publicly traded companies in the United States, enjoyed results, with dividends reinvested, of 31.49% in 2019, 18.40% in 2020 and 28.71% in 2021.<sup>5</sup> A simple average of these three years equates to 26.20%. This is more than double the long-term average. The process of normalization is what has been happening in 2022. Economies around the world are reopening, most people who are going to get vaccinated have, and the Federal Reserve has reversed its monetary policy. Instead of printing money, the Federal Reserve is now selling the bonds they bought which removes money from the system and increases interest rates. With all of this comes economic fits and starts. Just like the Berserker, the pendulum is finding its center point.

The Federal Reserve has made it clear they will continue to raise rates until inflation decreases. The higher they raise rates, the more likely it is the economy slows down. Though neither are fun, rising interest rates are more tolerable than dealing with runaway prices. Remember gasoline back in the summer when it was more than \$5 a gallon? We must remain patient and view what's happening through the lens of perspective. It's going to take some time to normalize. We didn't get here overnight, and it's likely we won't get out of it overnight. At some point, the Federal Reserve will pause and let the free markets work some of this conundrum out on its own.

One thing is for sure, they are well aware of the inflation issues that plagued the economy in the 1970's, the most recent time inflation ran rampant in our country. Neel Kashkari, the current CEO of the Federal Reserve Bank of Minneapolis, recently told the Wall Street Journal, "The one mistake that I'm acutely aware of—that I want to avoid repeating from the 1970s—is when policy makers saw the economy weakening, saw inflation start to tick down, and then they cut rates, thinking they had done the job. And then inflation flared back up again—that, I believe, is a mistake we cannot make and will not make."<sup>6</sup> The Federal Reserve continues to be consistent with their communication, and it matches their actions.

There are around eight billion people in the world. The vast majority are trying to better themselves and their quality of life. As long as money is being spent, printed and borrowed, economies are likely to expand. On January 3, 2022, Apple became the first company in the world to be worth \$3 trillion. According to the World Bank, in 1982, only 40 years ago, the total market capitalization of all stocks in the world was \$2.7 trillion. The natural expansion that happens over time is astounding and life changing, for the better.

As we've experienced over the last 23 years together, our accounts ebb and flow. It's how it's always been. To reap the full benefit of the seeds we continue to sow, we must have the emotional fortitude to sit tight at times like what we experienced in 2000-2003, 2007-2009, 2011, 2018, 2020, what we're experiencing now and what we'll experience in the future. When the world is most uncertain, it usually represents an opportunity to exponentially grow our resources over time. We live in the same tumultuous world we've always lived in. Today is not much different than yesterday or tomorrow unless we make a choice to be, see and act differently.

From 1992 to 2021, the S&P 500 enjoyed average compounded results of 10.6% per year. If an investor missed the best 30 days over the last 30 years, their annual gain decreased to 4.4% per year.<sup>7</sup> Historically speaking, the best days come around the worst days. We must remain patient. To put this paragraph in real numbers, it's the difference of \$1,000,000 turning into \$20.5 million vs. \$3.6 million. Trying to time the market is not a long-term feasible solution. It may make someone feel better in the short-term, but it's unnecessary and, likely, a recipe for disaster in the long-term.

At Eastwood Wealth, our preparation and process are purposefully set with a foundation of financial planning to help cushion temporary downturns in life and the economy while still pursuing our visions, goals and dreams. We refine our process daily. I have as much conviction in it today as I have ever had. I'm a product of it and witness it through our relationship with you and your family. I invite you to stay positive and continue to persevere right along with me.

Two of the most empowering emotions we can feel come when we thoughtfully and intentionally prepare for a desired outcome and then surrender to it. Surrendering is a beautiful process when our preparation is continuously released knowing that we have and are fully exerting influence over what we can influence. Surrendering to the emotional ups and downs is likely the toughest part of the financial planning and investing process. Maybe the same can be said about life. When we stop worrying and start living, an immense amount of space in between our ears becomes free to pursue the great joys of life that await.

Surrendering is one of those small tweaks in life that can make big dreams happen. In the last paragraph of Michael Singer's book *The Surrender Experiment*, he reflects "How could I possibly explain the great freedom that comes from realizing to the depth of your being that life knows what it's doing? Only direct experience can take you there. At some point, there's no more struggle, just the deep peace that comes from surrendering to a perfection that is beyond your comprehension. Eventually, even the mind stops resisting, and the heart loses the tendency to close. The joy, excitement and freedom are simply too beautiful to give up. Once you are ready to let go of yourself, life becomes your friend, your teacher, your secret lover. When life's way becomes your way, all the noise stops, and there is great peace."

Thank you for being a part of the Eastwood Wealth family and for allowing us to be a part of yours. We hope your 2022 holiday season is the best ever and look forward to a prosperous 2023!

Best,

Tim Evans, CFP® CLTC  
Founder

<sup>1</sup> [www.navyseals.com](http://www.navyseals.com)

<sup>2</sup> <https://blog.23andme.com/23andme-and-you/genetics-101/genetic-similarities-of-mice-and-men/>

<sup>3</sup> Fortune's Children by Arthur T. Vanderbilt

<sup>4</sup> <https://www.worlddata.info/>

<sup>5</sup> <https://www.slickcharts.com/sp500/returns>

<sup>6</sup> Kashkari Says Fed Needs to Keep Tightening Until There's Compelling Evidence of Declining Inflation by Harriet Torry, Wall Street Journal, 9.27.22

<sup>7</sup> By The Numbers

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

Investing involves risk including loss of principal. No strategy assures success or protects against loss.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

www.EastwoodWealth.com | 910.509.7123

Securities and advisory services offered through LPL Financial, a registered investment advisor. Member FINRA/SIPC