Wealth Management

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The Markets

Sometimes, the road is rough.

In the early 1900s, riding in new-fangled automobiles was a bone-jarring and physically exhausting experience. Roads were unpaved and rutted, jolting passengers relentlessly. Shock absorbers changed that. Working in tandem with the spring suspension, they made the ride a lot smoother.

A two-part system smooths the ride for investors, too. It includes asset allocation and diversification.

> **Asset allocation can help smooth portfolio volatility.** In recent years, stock markets have experienced significant volatility because of "systematic risks", which include events that affect the economy and financial markets. Systematic risks can be changes in market sentiment, inflation, government policies, and geopolitics.
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> Market- and economy-wide events are felt broadly, although they often have a bigger impact on some assets than others. As a result, one way to manage systematic risk, particularly market risk, is through asset allocation. Dividing investments among asset classes that may respond differently to changes in the economy or market can help reduce the impact of those changes on a portfolio.
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> **Diversification can make the ride more comfortable, too.** Diversification helps investors manage "unsystematic risk", which is the chance that a company or industry will be affected by poor performance, regulation, new competition, innovation, or something else that affects its potential growth.
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> A well-diversified portfolio typically includes more than one type of investment within an asset class. For example, an investor might diversify by owning small, mid-sized, and large company stocks across diverse industries inside of the United States and in other countries. If an investor owns 30 stocks and three perform poorly, the impact of the weaker performers on the overall portfolio return is reduced by the stronger performers.

It's important to remember that a car's suspension system smooths the ride without altering the road. Asset allocation and diversification are similar. They're essential aspects of the investment process that help investors manage risk. However, neither asset allocation nor diversification will prevent a market downturn or eliminate losses.

Last week, major U.S. stock indexes moved lower, and U.S. Treasuries moved higher. Randall Forsyth of Barron's reported, "Real risk-free bond yields haven't been this high in years. Real five-to-10-year yields hadn't reached current levels since 2023-24. As for 30-year maturities, you would have to go back to the 2008-09 financial crisis to encounter real yields of nearly 3 percent. Real interest rates are what you earn after the bite taken by inflation."

Data as of 7/24/26	**1-Week**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 Index	-0.6%	8.3%	16.5%	17.6%	10.9%	13.1%
Dow Jones Global ex-U.S. Index	0.3	9.6	18.4	13.8	5.7	6.7
10-year Treasury Note (yield only)	4.7	N/A	4.4	3.9	1.3	1.6
S&P GSCI Gold Index	1.3	-4.9	20.4	27.3	18.0	12.0
Bloomberg Commodity Index	2.7	23.0	29.5	7.8	6.9	4.9

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable

BABY BOOMERS HAVE ABOUT $93 TRILLION, BUT IT WON'T ALL GO TO THEIR HEIRS. In the United States, some in younger generations perceive baby boomers as the generation that caught every financial break. They believe boomers benefitted from more affordable housing, lower tuition costs, and rising stock markets. When baby boomers look back, many recall facing significant economic headwinds during their working years, including double-digit mortgage rates, high inflation, and recessions.

Regardless of the circumstances, baby boomers have accumulated a lot of wealth. When compared to previous generations, baby boomers have more wealth than older generations did at the same age, according to Richard Fry of Pew Research.

Household wealth by generation
Median wealth of U.S. households headed by 58- to 76-year-olds in 2024 dollars

Baby boomers in 2022	$432,200
Silent generation in 2001	$335,900
Greatest generation in 1983	$185,300

In total, boomers have about $93 trillion saved and invested, according to 2026 research from a digital payments firm. That's about three times the U.S. gross domestic product, or GDP, which is the value of all goods and services our country produced last year. The amount that is passed on to heirs will be far less for several reasons:

1. **$5 trillion in debt**. Many baby boomers are still paying mortgages on their homes in retirement. Beyond housing, many also have credit card debt and auto, personal or business loans that will be repaid from their assets.

2. **Wealth is not distributed evenly**. Of the $88 trillion remaining after debts are paid, about 33 percent is held by the top one percent of households. When this group is left out of the calculations, the remaining baby boomers have about $60 trillion.

   "…while excluding the top 1 percent makes the wealth estimate more realistic, it does not make the transfer democratic…most remaining wealth ($44 trillion) is still held by affluent boomers in the top 90 to 99 percent of households. In contrast, the bottom 90 percent of boomer households hold just $16 trillion," according to the digital payments firm.

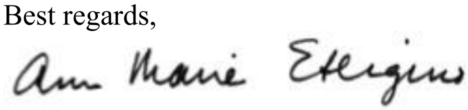
3. **Retirement is expensive**. A significant share of many households' savings will be spent during retirement. In total, the researchers estimated that "$36 trillion will pass to younger generations over the next 20 years, equivalent to roughly $515,000 per inheriting household."

Estate planning is important for many reasons. It ensures your assets are distributed as you want them to be. In addition, an estate plan can directly affect the amount heirs receive by minimizing taxes, avoiding probate, and reducing the likelihood of inheritance disputes. If you don't have an estate plan or you haven't reviewed your plan recently, get in touch. We can help.

WEEKLY FOCUS – THINK ABOUT IT
"We are cups, constantly and quietly being filled. The trick is, knowing how to tip ourselves over and let the beautiful stuff out."

– Ray Bradbury, Author

Best regards,



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