MCM | WEALTH
COMPREHENSIVE
WEALTH MANAGEMENT
25 YEARS

Ignore Market Forecasts and Sleep Well at Night

Key Takeaways:

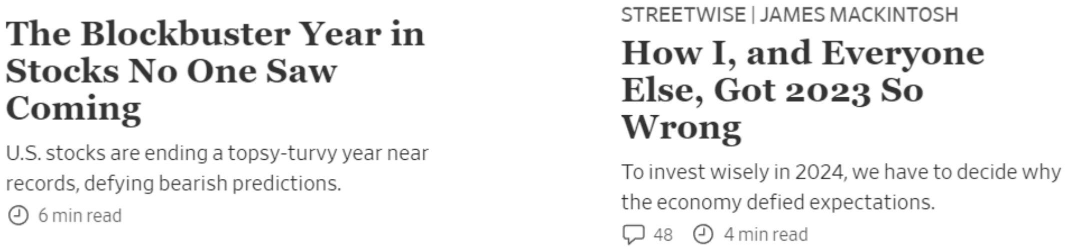
- At the end of each year, we are inundated with forecasts predicting the future.
- Relying on forecasts – aka market timing - to make investment decisions is a path leading to underperformance.
- Wealth planning, with an advanced discovery process, allocates a portfolio to fund needs and goals across time horizons; this minimizes the impact of market risk and makes forecasting unnecessary.

WALL STREET FORECASTS ARE INEVITABLY WRONG

December's podcast, "Forecasting Follies", emphasized how forecasting is beneficial in considering how the future may unfold but has been overtaken by forecasters with suspect motives who take a single, declarative position without identifying the range of other possibilities. Consider these recent headlines to prove the point:

THE WALL STREET JOURNAL.

December 29, 2023



The Blockbuster Year in Stocks No One Saw Coming

U.S. stocks are ending a topsy-turvy year near records, defying bearish predictions.

6 min read

STREETWISE | JAMES MACKINTOSH

How I, and Everyone Else, Got 2023 So Wrong

To invest wisely in 2024, we have to decide why the economy defied expectations.

48 4 min read

The New York Times

December 23, 2023

Wall St. Loves to Guess, but Nobody Knows What the Market Will Do in 2024

So-called stock forecasts don't deserve the name, our columnist says. Wall Street's track record is horrendous.

New York Times columnist, Jeff Sommers, has a harsh opinion in these excerpts from his article:

> "Wall Street strategists are issuing forecasts for the performance of the stock market in 2024. Pay them no mind. The predictions are usually wrong, and when they're right it's only by accident. Consider their prophecies for 2023. At the end of 2022, strategists predicted that the S&P 500 would end 2023 at 4,078, a gain of 6.2 percent from where it started, according to data from Bloomberg. At the moment, the market is above 4,700, a gain of more than 22 percent. These forecasts were so deeply off the mark undoubtedly because 2022 was a truly terrible year for stocks — and also one that most analysts totally failed to foresee."
>
> "In 2018, for example, the market fell 6.9 percent, though the forecasters said it would rise 7.5 percent, a 14.4 percentage point difference. In 2002, the forecast called for an increase of 12.5 percent, but stocks fell 23.3 percent, a spread of almost 36 percentage points. And in 2022, the forecast called for an annual increase of 3.9 percent. But the stock market lost 19.4 percent. The forecasters were wrong by a margin of more than 23 percentage points. Taking gaps like these into account, the median Wall Street forecast from 2000 through 2023 missed its target by an average 13.8 percentage points annually — more than double the actual average annual performance of the stock market."

As Warren Buffet said, "We've long felt that the only value of stock forecasters is to make fortune tellers look good."

THE FED: A WELL-GROUNDED APPROACH BUT STILL WRONG

To be fair, it's not just private-market economists that miss the mark. The Federal Reserve, at its Federal Open Market Committee meeting on December 12-13, 2023, had the participants submit their economic projections for GDP, inflation, and unemployment rate. Using historical forecasting error, a 70% confidence would have annual GDP ranging from slightly less than 0% to over 4% from 2023 to 2026. A key difference in the Fed's forecasting approach is the use of probability assessments and calculated historical errors. The forecasting errors are disclosed and put in the public domain for analysis.

Do private-market forecasters make their historical error assessments public? Not a chance.

EFFECTIVE WEALTH PLANNING ELIMINATES THE NEED FOR ECONOMIC FORECASTS

MCM's proprietary discovery process profiles the investor across multiple dimensions. In identifying financial priorities, a funding plan emerges for lifestyle budgets, retirement goals, and legacy aspirations (i.e., charitable giving; estate planning). These are the cash outflows that must be funded – after taxes - through income sources and portfolio growth.

This process ensures that funding requirements in the short-term are protected against volatility such that what could happen in the markets – those fear-inducing headlines and dire market forecasts – have no impact. Why? Because the value of short-term investments used to pay bills on a rolling three-year basis is secured. For the long-term horizon, growth is engineered to protect against inflation and to build a cushion for an uncertain future. The mid-term is that important bridge that manages both investment risk and growth in a balanced structure. Combined, a time horizon-based portfolio brings peace of mind amidst "Forecasting Follies".

MCM | WEALTH
COMPREHENSIVE
WEALTH MANAGEMENT
25 YEARS

We Are Portfolio Second-Opinion Specialists

- **We learn about you first**
- **We build custom portfolios objectively**
- **We engage specialists for advanced needs**

Contact our CEO and founder, Geoff Hakim, to experience our portfolio second-opinion process with no obligation

Click here for details

This report is intended to be used for educational purposes only and does not constitute a solicitation to purchase any security or advisory services. Past performance is no guarantee of future results. An investment in any security involves significant risks and any investment may lose value. Refer to all risk disclosures related to each security product carefully before investing. Securities offered through Marin Capital Management, LLC is not affiliated with AES Nation, LLC. AES Nation, LLC is the creator and publisher of this content.