

# 3<sup>rd</sup> Quarter 2021



Investments in securities do not offer a fixed rate of return. Principal yield and/or share price will fluctuate with changes in market conditions and, when sold or rendered, you may receive more or less than originally invested. No system of financial planning strategy can guarantee future results. Investors cannot directly invest in indices. Past performance does not guarantee future results.

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We hope this newsletter finds you all healthy and safe as the country continues to navigate the Covid 19 Crisis and the Delta variant.

The markets in general have continued to do an excellent job navigating not only the virus but other issues such as inflation and uncertainty about future tax rates both personal and corporate to name a couple.

As of the end of the 3<sup>rd</sup> quarter the S&P 500 Index was up nearly 16% (total return) year to date. However, for September the S&P 500 Index the index had its first monthly decline in nearly a year dropping almost 5% and for the quarter the S&P 500 index eked out minor gains of .2%.

Potential headwinds as we move through year end and into 2022 include Global economic slowdown specifically in China, impact on both individuals and corporations of tax increases which have been proposed at this point but not finalized and the duration and magnitude of inflation. All of these, bear close watching and could have significant impact on stock market fundamentals and psychology.

A quick word on inflation as it seems to be top of mind for most clients we have been speaking with. In our last newsletter we asked the question will it be transitory and pass through over the next 6-12 months or will it persist longer term. Our viewpoint on that at the moment is that inflation will be transitory but for longer. One significant culprit to the current inflation increase has been the supply chain. This has been a perfect storm for inflation to percolate as coming out of the covid shut down we have had

production down, low and or depleted inventories and demand extremely high as the great reopen continues. This will all correct itself given time, but it could be a year or even two. At that point we would expect inflation to back off somewhat. Stay tuned as we have never had to turn on the economy like a light switch in the past, so these are new waters to navigate.

Switching gears away from inflation and markets, one of our primary responsibilities in working

***The most important  
quality for an investor  
is temperament, not  
intellect."***

**- Warren Buffett**

with clients is managing expectations and we want to share with you a survey conducted by Natixis Investments. In a June survey they found that long term individual investors are expecting average annual returns of 17.5% above inflation while financial advisors are expecting average annual returns of only 6.7%. The last time this gap was so wide was late 1999 and those of you who have been investing for a long time certainly remember the year 2000-2002. The point of this is not to scare anyone and certainly there is no guarantee that we will repeat 2000-2002 declines in the near future.

However, with valuations at or near all time highs it is highly unlikely that stock market returns will be as good in the next 5 years as they were in the previous 5. In addition, with interest rates likely to move up from basement levels bond returns will be minimal as well. Those that responded to that survey are likely to be very disappointed in the coming years. It's important as individuals to keep expectations in line and equally important for us as advisors to keep our clients on track with planning and make adjustments to models and portfolios to make sure they remain very diversified and include a percentage of assets that are not correlated to the stock and bond markets.

If you would like to review your own personal expectations vs your current investment allocations, please feel free to reach out.

Have a safe & happy upcoming Holiday Season.

***\*The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.***

***\*2021 Global Survey Individual Investors "The Next Normal"***

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