



# Berkshire

## DIVIDEND STRATEGY

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“Casual Friday” Commentary

### Casual Friday: Silver Linings + Planning...the Future is Now – March 24<sup>th</sup>, 2023

TGI-Casual Friday...

Whew...

- Powell says “no” to any plans to ease conditions
- Yellen says “no deposit back stop...well maybe”
- And another bank stock (Deutsche is getting slammed)

But we focus on the onslaught in markets, with banks, especially U.S. regionals in the cross hairs. After Powell spoke this week, the market reacted in a way that is feeling as much like a panic as we’ve seen in some time. Are there any silver linings?

Yes, there are a few. Caveat. It’s one thing to endure earnings misses, ebbs and flows of the business cycle, but it’s quite another when financial professionals come to work and wonder what bank (even their own) will make it through the day.

AT times like these, there are no real answers, no one really knows. If they did, the markets wouldn’t be under such stress. Beware bombastic predictors at all costs!

- “Accounting” vs. bad loans” – reminder this all started with duration miss-match by banks, not a system wide ocean of toxic loans al a 08 that engulfed every nook and cranny of the financial system
- Does a smart policy back stop emerge? Swap lines, credit facilities, back stops, mergers could bring some much-needed calm.
- Some of the market action is actually fixing core problems.
  - Bonds down from high rates, the two year and ten year are down massively. Mark to market bonds are likely up a lot vs. 6 weeks ago. Credit conditions are much tighter, which helps the inflation, which is also good for bonds.
- “The only thing we have to fear is fear itself” Bank runs are real – make no mistake. We really believe the problems system wide or more emotional than fundamental. A manageable problem at SVB spun out of control system wide – affecting every bank whether they had problems or not. That’s the nature of panic. If depositors could calm down, many of the problems may go away. That’s very different than 2008 when every loan was underwater.
- The U.S banking system has endured so many panics over the last 250 years. America still enjoy systemic, seismic advantages. Jamie Dimon thinks so (see videoOP)

## The Future of Planning is Here:

- Complex problems, deep expertise
- Real time simulation: terminal values at different asset allocations, / returns, tangible estate tax savings, legacy planning
- Leading edge technology akin to real time digital health monitoring
- Excellent communication: “So I confirmed with the client that’s their view
- A focus on the plan, not the markets
- An advisor sparing no expense to pay for a dedicated person to quarterback his planning initiative.
- A boundary less practice

We had the pleasure of sitting in on an advisor presentation with an advisor in Texas who espouses all of these traits.

He used sophisticated dynamic planning software to walk clients through their asset location plan, income projections, how different estate planning techniques could affect terminal values. It was cool how he showed, in real time how much estate tax savings was possible and how assets would flow to heirs vs. the government. He showed live how different allocations meant different income streams and downside. He could move back and forth between SLAT’s GRAT’s charitable giving, long term care, insurance plan easily stating pluses and minuses of each one...almost professorial. Impressive.

Tech forward, you bet. He was running different scenarios in real time on the computer screen. It reminded me of a high-tech doctor’s office where they hook you up to machines and a host of vitals are digitally tracked. (Remember when health care pros used clip boards and pens). He gained buy-in from the client every step of the way which highlighted solid communication skills. He showed how different market stresses wouldn’t affect their ability to fund lifestyle – so “what’s the benchmark doing” wasn’t even a factor.

Thanks to programs like Zoom and Teams, he can video in with clients from all over the country, which opens whole new markets than was possible just a few short years ago. And he hired at his own expense a planner who takes care of the day-to-day input of the maintenance of these plans and presentations. Short term margin hit, long term scale and AUM home run. He’s thinking five years, not five months. This is the type of exceptional model investors with ultra-high net worth.

Have a great weekend,

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