Berkshire
DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Yield Rush? + 3Q Updated Marketing Material – October 6th, 2023

Dividend Increase Announcements:
Honeywell Increases Dividend by 5% - September 29th, 2023
McDonalds Increases Dividend by 10% - October 4th, 2023

3Q Material Now Available!
Dividend Strategy Guide 9.30.2023
Dividend Strategy Scorecard 9.30.2023
Dividend Strategy Factsheet 9.30.2023
Dividend Strategy Commentary 9.30.2023

Navigating Today's "Yield Rush"

We hear many advisors are successfully using short-term yield strategies to attract new clients.It's a viable strategy. Clients seem to like the feeling they are again earning meaningful interest on what they perceive to be "safe" investments. Advisors seem to like the new assets they're attracting and we hear lots of happy advisors attracting 2 comma inbound wires. Proactive advisors are winning short term.

However, can advisors convert them into longer term true wealth management clients? After all, clients might soon get a tough lesson in reinvestment risk as is often the allure of investing at the front end of an inverted yield curve. And if clients were simply "rate shopping" advisors might find out they did a lot of work on what's usually low margin business – only to see an outgoing wire if the client thinks they thinks they can get a higher rate.

Here's a few tools to help make you their primary advisor, not their "rate shopper"

1. Value Added: Obviously, articulate your wide range of planning expertise. Highlight your planning super powers, knowledge of their client profile and all the things that make you special. Offer to review the insurances, the trusts, the buy-sells etc. Resistance? Is there another advisor in the mix? Ask some pertinent probing questions that start with phrases like "when was the last time you and your other advisors reviewed XYX" or "did your advisor make you aware of xyz tax law change." Create some FOMO and unease that their other advisor might not be as proactive or up to date as you. Maybe share a case study citing tangible examples of your skill.

2. *Are short treasuries REALLY that attractive now? Yes, for now you've avoided the risk of equities and long bonds. But surprise! Real returns after tax still appear negative for high-income earners!*

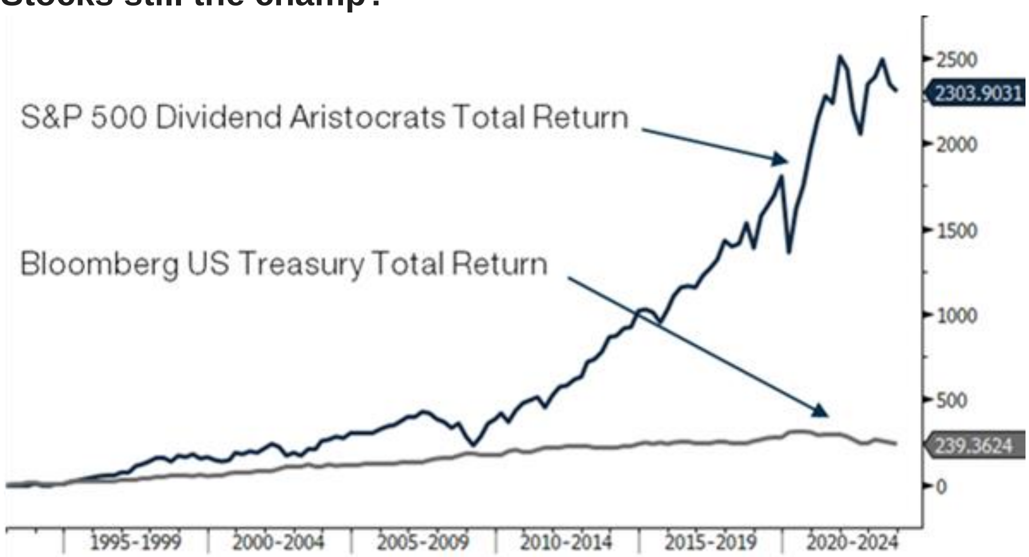
High Income Earners Investing in Bonds	
Investment	$100,000.00
Rolling US Treasuries ~Return	5.30%
Annual Return	$ 5,300.00
Tax Rate	37.00%
After Tax Return	$ 3,339.00
Current Inflation Rate	3.70%
Cost of Inflation	$ (3,823.54)
Client's After Tax Real Return	$ (484.54)

(Source: Bloomberg, IRS Website)

3. Still the Champ? Longer term, we believe high quality equities offer much greater odds for investors to beat inflation, generate real standard of living increases and achieve a myriad of meaningful financial planning objectives – beyond near-term preservation.

History may offer some proof. And with stocks possibly at or near correction territory now might be a good time to laying the groundwork for future allocations to your favorite equity strategies. We just might have suggestion for you… (haha)

Stocks still the champ?



Source: Bloomberg. S&P 500 Dividend Aristocrats Total Return Index
The S&P 500 Dividend Aristocrats index is designed to measure the performance of S&P 500 index constituents that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years. Bloomberg US Treasury Index: The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

So yes, use some savvy fixed income skills to get ‘em in the door, but use planning and equities to keep ‘em!

Please view an important business update from Berkshire Asset Management, LLC:
https://www.imgp.com/uploads/mediacenter/649d3e1881559_Fund%20launch%20BDVG%20with%20Berkshire_vFinal.pdf

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Definitions: The S & P 500 Index is a market capitalization weighted index of the largest 500 U.S. stocks. It is a market-value weighted index (stock price times # of shares outstanding), with each stock’s weight in the index proportionate to its market value. The index is designed to measure changes in the economy and is representative of most major industries. Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The index was developed with a base value of 200 as of August 31, 1992. You cannot invest directly in an index. BEst (Bloomberg Estimates) Earnings Per Share (EPS Adjusted) estimate returns Earnings Per Share from Continuing Operations, which may exclude the effects of one-time and extraordinary gains/losses. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs. an index. Standard Deviation is a measure of total risk. Alpha, Beta and capture ratios are represented as calculated by Morningstar.

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