



Casual Friday: The Fed Who Stole Christmas + Advisor Shift?– December 20th, 2024

It's hard to believe this is the last real "working" Friday of 2024!

Time moves fast. Markets and risk move fast, as do changes in the narrative. And that narrative has moved from "nothing could go wrong" to well... maybe *some* things could go wrong. Rate cuts are not guaranteed. Inflation is not tamed yet. A President's agenda is not guaranteed, and maybe there are unintended consequences – like the brewing turmoil in the emerging markets from a stronger dollar and higher rates.

And after 50+ all-time highs this year, stocks posted a nasty dry January, a sobering 3% decline. Apparently, the stock and bond markets didn't like "we will wait for inflation to slow before lowering rates again." Go figure. (Source: Bloomberg)

But it's a good reminder for those who talk to clients. From our conversations, advisors are riding high. Accounts are up big, and asset gathering is easy once again. Complacency setting in?

At the risk of sounding "grinchy", here are some effective (but not necessarily easy) investment-oriented conversations to have as we close out 2024. Remind clients you get a 14% correction most years, and if you can't handle your stocks being down 30% or more, maybe you shouldn't own them. [Checklist for a Market Near All-Time Highs](#)

Contemplating a Shift In Business Model?

It's likely your business and client goodwill are riding high, so if you are contemplating major business model shifts, perhaps now is a great time.




Perhaps you want to outsource more, rebalance accounts, introduce new team members, introduce new services, streamline your offering, or actually hit the pause button on new accounts. Now might be the time -- you are likely doing it from a position of strength.

We are seeing a meaningful and distinct shift in business models that fall into 2 camps. Many are, with great intention, transitioning their practice from investment centric, to a true holistic planning practice. Investments and getting clients a great return doesn't lead or dominate the conversation. It complements a comprehensive technical financial plan. Some continue to doggedly stick to investment advice only.

If done correctly, for many it's a big shift and requires a whole new set of skills, business processes, and more specialized personnel. However, according to Cerulli, it pays off – the following matrix indicates a direct correlation between the number of services offered and

assets under management.

Exhibit 3
Practice Type Archetypes, 2023

	 Investment Planner	 Case-Based Planner	 Comprehensive Financial Planner	 Private Wealth Manager
Service Complexity	 Money Management			 Comprehensive Financial Advice
Description	Build basic portfolios and focus exclusively on asset management for nearly all clients	Provide modular issue-based planning with most clients. May emphasize asset management or financial planning as their value proposition	Develop complete financial plans with nearly all clients based on an extensive analysis of their goals, assets, and liabilities	Specialize in comprehensive wealth management with all clients
Advice Provided to Clients	Money management, basic financial advice	Investment management, targeted financial planning services such as retirement guidance and education funding	Investment management, a broad range of financial planning services including basic estate planning, insurance/risk, etc.	Complete suite of financial planning and investment services including charitable giving, stock option planning, and complex trust and estate planning
% of All Industry Advisors	7%	57%	26%	10%
% of All Industry Assets	9%	50%	23%	18%
Average AUM per Practice (\$ millions)	\$285	\$210	\$230	\$822
Average Client Size	\$600,000	\$562,500	\$642,857	\$1,818,182
Core Market: % of HNW Clients (>\$5 million)	8%	7%	7%	37%
Average Practice Headcount	2.7	4.0	4.4	7.6
% of Practices with Specialized Staff	13%	21%	29%	52%
# of Planning Services Offered	3.9	6.7	9.5	9.6

Source: Cerulli Associates | Analyst Note: Cerulli assesses practice types through a series of survey inputs on various criteria. Although Cerulli buckets advisors into distinct archetypes to display data, many advisors believe a blend of the archetypes more accurately represents their practice. Cerulli assigns each advisory practice a core market range based on the investable assets of the majority of the practice's client relationships. Specialized staff roles include paraplanners, investment research, marketing, or compliance.

Source: Cerulli

Casual Friday Shopping Bonus:

Investment nerds like tables. While our's is not exactly as robust as a Morningstar-style box, here is a 2x2 matrix to find expensive or inexpensive gifts for the man or woman in your life!

	Splurge / "Growth"	Frugal / "Value"
Gifts For Men	https://www.forbes.com/sites/forbes-personal-shopper/article/luxury-gifts-for-men/	https://www.forbes.com/sites/forbes-personal-shopper/article/best-gifts-under-100/
Gifts For Women	https://www.forbes.com/sites/forbes-personal-shopper/2024/12/11/best-luxury-gifts-her/	https://www.harpersbazaar.com/fashion/trends/g4452/gifts-under-100/

The labor of love for parents is coming to an end... if you need a few ideas for the weekend, here are [100 Easy Elf on the Shelf Ideas That Are Beyond Funny!](#)



Merry Christmas!
Gerard

Gerard Mihalick, CFA
 Dividend Strategy Portfolio Manager/Partner
 Berkshire Asset Management, LLC

Berkshire Dividend Growth SMA is available through various custodians, broker-dealers and UMA providers. This commentary is Intended for Institutional and advisor use only. This commentary may make information of third parties available via website links. The Third-Party Content is not created or endorsed by Berkshire nor any business offering products or services through it. The delivery of Third-Party Content is for general informational purposes only and does not constitute a recommendation or solicitation to purchase or sell any security or make any other type of investment or investment decision. In addition, the Third-Party Content is not intended to provide tax, legal or investment advice. the Third-Party Content provided to is obtained from sources believed to be reliable and that no guarantees are made by Berkshire or the providers of the Third-Party Content as to its accuracy, completeness, timeliness.

Any companies referenced, have been done so, solely for illustrative purposes and not based on investment performance or attribution to the overall performance of the strategy. The companies identified herein do not represent all the securities purchased, sold or recommended for client accounts, and you should not assume that an investment in the companies identified was or will be profitable. Berkshire retains the right to revise or modify portfolios and strategies if it believes such modifications would be in the best interests of its clients. Model portfolios may or may not contain any specific security at any time, and decisions to invest should not be made based on the presumed or current composition of any model portfolio - A complete list of holdings in the Berkshire Dividend Growth Strategy.

Berkshire Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive GIPS-compliant performance information for the firm's strategies and products, contact Jason Reilly, CFP® Tel: 570-825-2600 or info@berkshiream.com.

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.

Risks: Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for an individual's investment portfolio. Dividends are subject to change, are not guaranteed, and may be cut. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. The dividend strategy may include bundled services also known as a "wrap fee program". Because there is typically a low turnover in the strategy, this may be more costly for some investors. No one should assume that any information presented serves as the receipt of, or a substitute for, personalized individual advice from a qualified advisor or any other investment professional.

Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned: No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's rationale for portfolio decisions or philosophy. Research or financial statistics cited regarding securities or sectors do not contain all material information about them. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain approximately 30-40 securities in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed representative of the strategy; data may be compiled from Bloomberg, Baseline or Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy. *Platform restrictions may apply. Preliminary returns are based on composite estimates only. Individual accounts will vary. Copyright © 2021 Berkshire Asset Management, LLC, All rights reserved.