Berkshire
DIVIDEND STRATEGY

Berkshire Asset Management
46 Public Square, Suite 700
Wilkes-Barre, PA 18701
570.825.2600

"Casual Friday" Commentary

Casual Friday: Rotate Already! + Quitters Day – January 10th, 2025

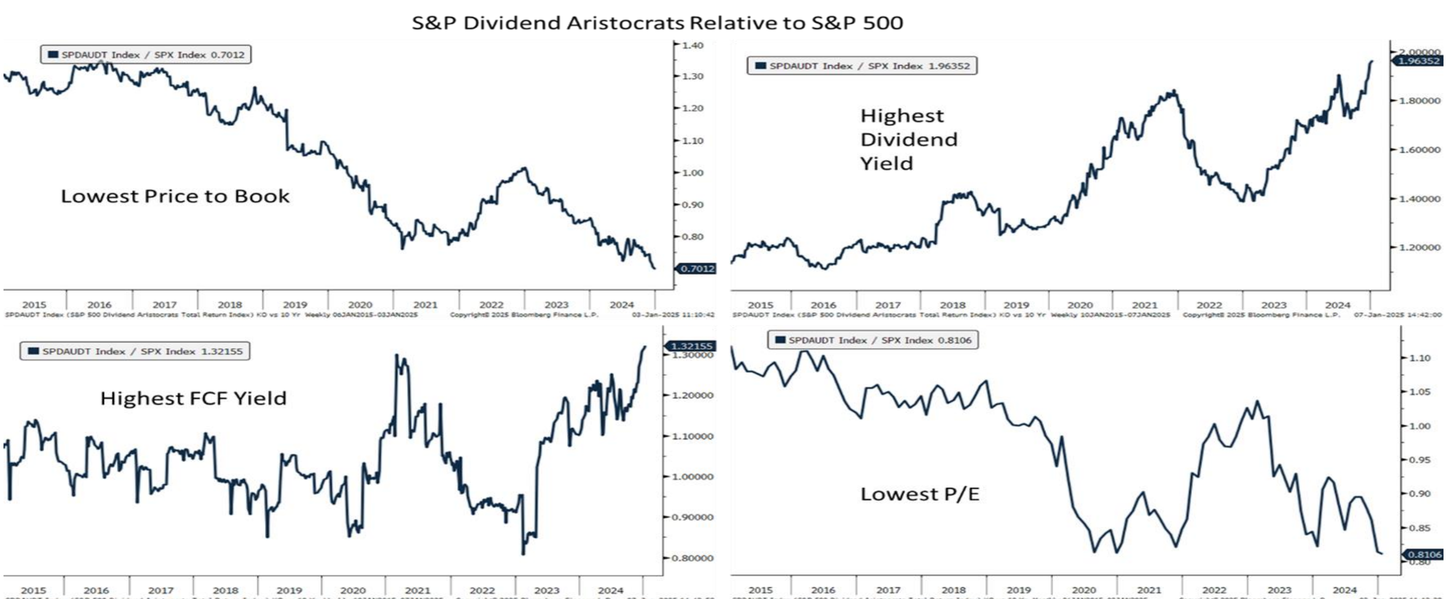
Happy New Year! - We're thinking about our friends in Southern California.

A Generational Opportunity?
The growth trade dominated again, so cue up value managers like us screaming: "Most concentrated market ever!" "overvalued!" "the rotation is coming!"

It's true, but everyone is tired of it… Our industry talks a good game about rebalancing. Still, experience tells me, getting clients to shift from in-favor strategies to strategies that are not, is the hardest part of an advisor's job – but perhaps the most important. "Why even keep this manager?" "Don't they know the world has changed?" "Value will never catch back up."

The best time to re-balance is usually when you don't want to. One advisor uses a football team analogy to defend different strategies' performance. "Different positions do different things for the team, and you wouldn't expect your star wide receiver to play left tackle and vice versa." Dividend strategies might be akin to a full back grinding out the tough yards and moving the chains, or maybe they are a solid left tackle protecting your blind side. But you shouldn't expect them to suddenly put up flashy star wide receiver numbers like a growth strategy when it's HOT. Different positions - different jobs. Different strategies, different return profiles – by design.

So statistically speaking – consider the following simple charts to show the potential benefits of reallocating:



Source: Bloomberg

Our Top Advisor Resolutions 2025:
January 10 is "quitters day" – the day when a majority of New Year's resolutions resolve themselves to… be broken until next year!

Most advisors enjoyed another record year, so we sense desire to change/overhaul a practice is low. Why break what isn't broken? But as the market hits all-time highs, it probably means client goodwill is also at an all-time high. All that goodwill potentially makes it the PERFECT time to re-tool, re-vamp, and importantly reinvest.

Make changes dare we say "overhaul" your business while times are good not when the next crisis hits.

"Curated" (a word I'm focused on this year) means to "carefully select with the skill and discrimination of an expert."

Here's a list of advisor resolutions with a 'curated' ring to them.

1. **Say "no" to business:** jettison unprofitable accounts (notice I didn't say small per se), P-I-A's, and clients who don't take your advice – even if it means lower gross next year. Be intentional about growth and how a new piece of business really affects your long-term operation – not just your yearly gross. Your business scale is high, but not infinite. Advisor Growth Engine: "NO."
2. **Eliminate tickers** – clean out low conviction non-strategic strategies from days gone by and focus on strategies and partners who support you. Ticker Overload? Inventory Management Playbook
3. Instead of leading with your investment prowess, consider highlighting your holistic planning prowess. Industry and client trends repeatably cast doubt on practices that lead with "investments" vs. "holistic planning." Replace "sell investments, chase returns, pray you beat the benchmark" with "plan – gather – allocate – meet investment goals"
4. "Both sides please". Consider ramping up your technical prowess on the OTHER side of the balance sheet - meaning credit and liability management. Surveys show a preponderance of high and ultra-high net worth want clever ways to leverage their assets. "Both Sides of the Balance Sheet Please"
5. **Reinvest** some hard dollar % BACK into your business. Training, people, marketing, technology, whatever. I find it shocking how few advisors do this but imagine if you were buying a stock that refused to reinvest back into productive capacity. You'd never buy it.
6. Commit at least 1 full day per month where all you do is **work ON your business**. That's nearly 100 hours per year. Do this religiously and you will be shocked what ideas germinate and get completed.
7. Find one technical, perhaps slightly obscure aspect of financial planning and master it. They say 17 minutes per day for 1 year on virtually anything puts you ahead of 99% of the population on a topic. Then market it as a specialty. Maybe cash balance retirement plans, a specialized aspect of estate planning skill or aforementioned credit strategies.

8. Truly develop a niche. Divorcés, doctors, athletes, petroleum engineers, ex-military – the list is endless. Niche businesses may create 10x the referrals, and lends itself to specialized marketing.
9. “Make everything you do a documented process.” One advisor we talked to creates one big calendar for service deliverables and events for each tier of their clients. They know when and how they will be engaged with clients.
10. Find something in addition to referrals to get new business. Referrals are not a marketing strategy, so think about creating a system that manufactures new prospects and ideal clients.

Forbes guide to keeping resolutions!
https://www.forbes.com/sites/mahaabouelenein/2025/01/10/these-6-tips-are-the-secret-to-keeping-your-2025-resolutions/

Good luck!

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

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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