

PBS 151 Sam Baez Transcript

Sam Baez: Patti, I figured it out.

Patti Brennan: What'd you figure out, Sam?

Sam: I figured out how we're going to time the markets.

Patti: Well, wait a minute, Sam. We don't time the markets here at Key Financial.

Sam: Hear me out, Patti. We're not going to try to predict the future. We're going to time travel *to* the future.

Patti: Time travel? What do you mean?

Sam: You know, Marty McFly...Michael J. Fox..."Back to the Future???"

Patti: Back to the Future!

Sam: Yes!

Patti: OK, but what does that really mean? How are we going to do this, Sam?

Sam: Hear me out. Here's what we're going to do. I'm not going to break any of the simple time travel rules. I'm not going to talk to myself.

Patti: [laughs]

Sam: I'm not going to change anything in the future. I'm going to go to the future and get the future's *headlines*. We're going to get tomorrow's headlines or the headlines ahead of time, we'll know what's going to happen, and then we can trade on that. Can you imagine if we can get all of the experts' headlines today? First quarter, second quarter, third quarter, fourth quarter, all the way through the year, but we're going to get it the day before the year starts!

Patti: Wow. We should set up a separate division at Key Financial.

Sam: I can see it. It's going to be called Marty McFly Research Division.

Patti: All right, folks. Welcome to "The Patti Brennan Show." Today, joining me is none other than Sam Baez. What you have just heard is how he started our investment committee meeting in January.

With a twinkle in his eye and a passion in his step, this guy came into our conference room. There were probably 10 or 12 people there, and he came up with this little idea. We had Michael J. Fox up on the screen, the Back to the Future logo, and Sam went through this concept of, "Wouldn't it be cool if we knew the headlines for the entire year on January 2nd?"

Sam, I don't want to steal your thunder, it was so creative. Tell us more about that.

Sam: It was a really interesting concept to go through. I didn't realize how it was all going to play out until I actually started to look up the headlines, because you forget.

You remember headlines in the moment. It's really emotional, a lot's happening, especially since, let's be honest, headlines are meant to grab our attention. They're meant to get you

in there so you can actually read the article. Not that we're cynical by nature, but for some reason, we pay a lot more attention to bad news than we do good news.

Patti: It's human nature. You know me. I'm a big fan of understanding human nature. It's not something that you can predict. We've got to understand people, right?

Sam: Absolutely.

Patti: That's what we do. It's weird, but I tell people this all the time. You've heard me say it. We don't work with money. We work with people. Let's understand that. This stuff is important to them.

There's lots of headlines. There's lots of things. What I thought was so creative about what you did, Sam, is you went back and looked at, for example, 2023 as a perfect example of all the negative stuff that was happening.

We started off in January. Our government, as we know it, the stability of our government was in peril. Kevin McCarthy was ousted. That was just the beginning. What happened in February? We got the Chinese spy balloon. All of a sudden, we are being invaded by China and they're peeking on us. We knew of at least one, maybe two or three. What else happened?

Sam: Those, while very scary, what really stood out to me were some of the more market related. In some cases, they felt very familiar in a very scary way. It feels like just yesterday, SVB collapse.

Patti: How about that one?

Sam: First quarter. The first quarter of last year, we had a bank collapse that was larger than what we had in 2008.

Patti: That part blew me away, I must tell you. We know this stuff but we don't. When you did your research and came up with that fact, that the collapse of SVB was larger than anything that occurred in 2008...and folks, we know what happened in 2008. That was a financial crisis unlike anything that we had seen or experienced since the Depression.

Here we are, all over again, this humongous bank collapses, with a couple more to follow.

Sam: To make sure that we have the information correct, collectively, it was larger than 2008. Now, SVB was second. Washington Mutual was actually the largest. That happened back in 2008. If you combine all the banks, it was the biggest bank failure, collectively, that we've had historically.

When something like that happens...We have a lot of clients, we have a lot of investors, a lot of you out there listening, you experienced 2008. That was a scary time.

Patti: Absolutely.

Sam: Of course, we're feeling that this is reminiscent to 2008. Should we sell? Should we pull out?

Patti: Then there was some other stuff going on. First of all, Russia-Ukraine war continued to slog on. Donald Trump got indicted a couple of times. January 6th was still hanging over people's heads. Then, in October, tell us what happened.

Sam: We had a new war, so you're looking at these headlines. First quarter, the bank failures. Third quarter...Actually, in the fourth quarter is when Hamas-led group invaded Israel. Even in between that, the US debt was downgraded from AAA, that sparkly AAA rating, down to AA+. That's a big deal.

Patti: That's a very big deal.

Sam: Leading up to that point, it was nothing but drama about the debt ceiling. The debt ceiling's an important issue, but is it tradable?

Patti: The other thing is the Federal Reserve kept on raising interest rates, and everybody's predicting a recession. "We're going to go into a recession. It's going to be a bad one," yada, yada, yada. The markets, what did the markets do?

Sam: Markets, while they reacted in the short term, when it was all said and done, at the end of the year, it was double-digit returns.

Patti: It was a great year in spite of all that stuff that happened. Wait a minute. Let's go back to the premise. We're starting this division. We're going to get tomorrow's headlines today and be able to make recommendations and adjust our portfolios, our clients' portfolios accordingly. Sam, it doesn't work.

Sam: It's not going to work.

Patti: It's not going to work.

Sam: It was a fun concept to go through, but if time travel, especially in the movies, have taught us anything, it doesn't work.

Patti: It doesn't work.

Sam: Oftentimes, you'll get information, or in these movies you'll get little glimpses of something that happens in the future and you think you know what the outcome's going to be, but that's the issue.

When we invest, we invest for outcomes, both short and longer term, whether it's retirement, planning for college, or buying a house in the next six months. All three of those things have a different time horizon and should have a different investment strategy.

We're not investing looking at headlines or looking at what might happen. When you invest based on what might happen, you're investing on something that hasn't happened at all.

Patti: Exactly. By the way, even if it does happen, it may not be affecting their money. It may not affect the market. Forget about that stuff. What matters is you, right?

Sam: 100%. Your individual needs, your individual goals, your objectives, that's what we need to invest for. In many cases, there are more than one. It's more than one thing that we're investing for, so when we're investing, we're investing for a number of outcomes, not just one potential outcome.

Patti: It's client outcomes. It's not headlines, it's not who's going to be president, or are we going to go into war? That is not nearly as relevant as, "Let's talk about this new house that

you want to buy. Let's talk about when you want to stop working. Let's talk about your grandkids. Let's talk about your wills and your trusts and what you want for your family."

That's what is important. Control the things that you can control. The rest of it, nobody can control it. Nobody can predict it.

Sam: I couldn't agree with you more, Patti.

Patti: We never know what's going to happen, Sam, but we know what to do when it does.

Sam: I love that, Patti.

Patti: Amen.

Sam: That's what putting a plan together is all about.

Patti: You got it.

Folks, this was a very short podcast. I thought it was a great way to drive home a point, and that is, we don't know and it doesn't really matter. What matters is what's important to you about your money, your goals, your objectives, your family. That's what we're all about, and that's what really matters.

I'm Patti Brennan. This is Sam Baez, our great portfolio consultant. He keeps us all entertained. Thank you for joining me today. We are Key Financial, Wealth Management with Wisdom and Care. Have a great day, everybody.