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STRATEGIC WEALTH DESIGN



NEWS YOU CAN USE

Bank Failure SVB, Should I Be Worried?

Last month, regulators seized Silicon Valley Bank (NASDAQ: SIVB), the nation's 16th-largest bank. The bank was declared insolvent after it couldn't satisfy withdrawals by depositors last Thursday and Friday.

Are the activities of the last few days a sign of a bigger banking crisis? We don't think so. Keep in mind that regulators are watching dozens of banks even in normal times. Additional scrutiny is to be expected in light of recent events.

How did a recently thriving financial institution get to this point? There were a number of contributing factors:

However, markets don't like negative headlines. The recent bank events led markets to drop significantly last week, and we expect markets to remain rocky this week as the situation unfolds. The latest inflation numbers are also scheduled for release this week, and could add more market drama.

- SVB works with a large percentage of tech companies, and activity in the tech sector had dropped off over the past year.
- The bank had its deposits tied up in low-yielding treasuries, which have dropped in value due to higher rates.
- SVB tried to raise cash by selling stock. When that didn't go well, they had to sell treasuries at a loss.
- Depositors lost confidence in the bank and withdrew their funds, causing the bank to fail.

You should know we're keeping a close eye on these events and how they impact your investments. Lets dive deeper on the next page by examining what a bank failure is, since it may not be what you think.



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UPCOMING DATES

MAY

- 05 Cinco de Mayo
- 14 Mother's Day
- 29 Memorial Day

JUNE

- 14 Flag Day
- 18 Father's Day
- 21 Retirement Elections - Don't Make A Mistake! Webinar
- 24 Armed Forces Day



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Bank Failure How?

Banks take in deposits, which are their chief source of funds. Banks then take these deposits and lend them to borrowers, and invest them in a range of fixed-income securities such as government bonds. The deposits have a short maturity, but when invested in securities and loans, they may have a long maturity. The difference in interest rates between these two is how the bank makes their money.

If those same deposits are requested back again, in large mass, this could be a problem. Nowadays depositors can withdraw all their deposits from the bank at the push of a button.

The second issue is that bank assets such as loans and securities are confined to a period of time.

What happens if lots of depositors want to withdraw their money at the same time? Banks hold cash to meet excess withdrawals, but that can run out really fast. The bank would then have to sell its securities to meet withdrawals.

The issue with having to sell their longer-term securities is that their interest rates may no longer be competitive. This can happen simply because interest rates have increased in the interim. If they purchased a bond from 2 years ago paying 3%, and now that same bond offeror is paying 5% (with the increased interest rate environment we are in) then selling the older lower interest rate bond is difficult. They can sell it, for a discount aka loss. No one wants their low-interest rate bond, as their present-day bonds pay much higher interest. I have talked at length in previous newsletters about the risk of bond funds and interest rates.

This is where stockholder money comes in, people who buy stock with the bank. It helps to absorb the fall in the value of securities, acting as a buffer. But what happens when this capital is exhausted? At this point, the bank is insolvent. They can not pay out all the demands for withdrawals.

Why did SVB fail?

SVB was a banker to many tech and life sciences companies. The FDIC only insures deposits up to \$250,000. You can imagine with tech, life sciences and venture capital, many of these deposit amounts far exceeded the \$250,000 insured limit. SVB's deposits were uninsured and it had the second highest ratio of uninsured deposits among large US banks. This was its first vulnerability.

SVB's deposits grew fast the last couple of years through Covid. The tech boom of 2020-21 meant that many of its tech customers were raising lots of money from venture capitalists and private equity investors, and depositing this money with SVB. The result was its deposits grew from \$65 billion in 2019 and \$102 billion in 2020. In 2021 deposits went to \$189 billion and in 2022 \$189 billion. That is one major growth streak.

The stock price reflected this. In March 2020 share price was \$150, and in Jan 2022 it was \$730 per share, holy cow. And then interest rates were increased, the tech bubble popped, and the share price came down.

Remember all you who refinanced your homes at super low likely never again to be seen mortgage rates of 2.25 and 2.5%. Well, SVB bought long-term (think 10 year hold to maturity) government bonds and securities at this super low rate as well.

When the tech collapse started to happen, many of the big depositors from those companies were drawing down their deposits. Once the cash was exhausted at SVB, they had to start selling those long-term low-interest investments at a major loss.

SVB reportedly lost \$1.8 billion in selling these longer-term securities. SVB suddenly announced that it needed to raise additional capital of \$2.25 billion. They would do this by issuing new common stock and preferred shares. In retrospect, I bet SVB would have done a lot of things differently. Their customer's confidence was shaken, and it caused a "run on the bank" as depositors demanded their money back.

So there were 2 major weaknesses, the long-term low-interest rate investments, and the high inflation that was being controlled by the Federal Reserve increasing interest rates consistently (even though the Fed said inflation was transitory, so there's that).

So now the Fed is undoing perhaps what they had caused, if we go back far enough. It stems from Covid honestly, in my opinion. The Fed shelled out such large amounts of relief, and devalued the dollar because too many dollars were spilled in the system. It's like watering whiskey down, just not as potent anymore. Inflation then runs away, because the dollar is not buying as much, and now they have to deal with it.

The deregulation of smaller banks in 2018 also may have added to the mess, as they rolled back the restrictions placed upon them from the Financial Crisis from 10 years prior in 2008.

Should I Be Concerned?

Seems the Fed is unwilling to allow bank failures to continue, which is good we'd probably all agree. This helps stabilize the banking sector of the stock market, which creates stability for the stock market in general.

Keep in mind that if you're working with a firm that does not use bond funds, then you have not been subjected to crazy soaring interest rates causing havoc and losses in your portfolios, not just in stocks, but in what you thought was the stable part of your portfolio, your bond funds. The 60/40 portfolio (60% stocks 40% bonds) crumbled in 2022, -16% in the use. The use of alternative investments, to replace the bond portion, that create the stability in the portfolio, without the interest rate drama, is possible.

Look, the Fed has driven interest rates very high. Interest rates are not going to stay here for much longer. There may be some fine opportunities right now for many of you. Should you be concerned, yes! Concerned to act, as in every crisis, there is opportunity.

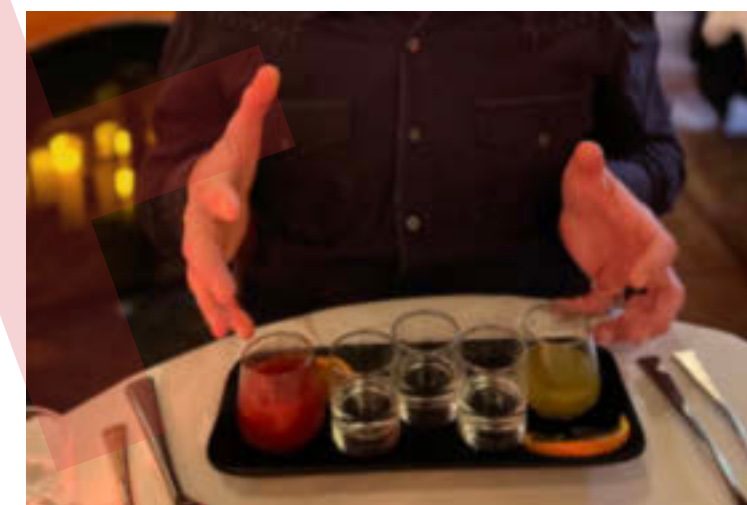
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WHAT WE'VE BEEN UP TO

BELOW:
Spring Family Photo



RIGHT:
Charles took Sophia to Big Bear Spring snowboarding



ABOVE:
While working for US Forest in Santa Fe got to play - Smokey Mezcal at Sazon



RECIPE STRAWBERRY PRETZEL SALAD

Strawberry pretzel salad is an easy dessert with lots of contrasting textures and flavors. It isn't too sweet, nor too salty, and looks really pretty when you make it in a glass ovenproof baking dish.

INGREDIENTS

- 2 cups crushed pretzels
- ¾ cup butter, melted
- 3 tablespoons white sugar
- 1 (8 oz) package cream cheese, softened
- 1 cup white sugar
- 1 (8 oz) container frozen whipped topping, thawed
- 2 (3 oz) packages strawberry flavored Jell-O®
- 2 cups boiling water
- 2 (10 oz) packages frozen strawberries

HOW TO MAKE IT:

1. Preheat the oven to 400 degrees F (200 degrees C).
2. Stir crushed pretzels, melted butter, and 3 tablespoons sugar together until well-combined; mix well and press mixture into the bottom of a 9x13-inch baking dish.
3. Bake in the preheated oven until set, about 8 to 10 minutes; set aside to cool.
4. Place cream cheese and 1 cup sugar in a large bowl. Beat with an electric mixer until smooth; fold in whipped topping. Spread mixture onto cooled crust.
5. Dissolve gelatin in boiling water. Stir in still-frozen strawberries and allow to set briefly. Pour and spread over cream cheese layer; refrigerate until set, at least 2 hours.

BRAIN GAMES

ANSWER KEY:

	7	4	5		1	3	2	6
7	6	5	4	3		2	1	
6	5		3	4	2	1	8	7
	3	2		5	4		7	8
	2	1	7	6	3	4	5	
3	4		8	7	9	5	6	
2	1	9	6	8	7		3	4
	9	8	2		6	7	4	5
4	8	7	9		5	6		

cut here ✂

PLAN A TRIP LIKE A PROFESSIONAL



Warmer weather means colder drinks, long nights with friends and family, and traveling. Traveling is not only good for the soul but also for your health. A trip can relieve stress, lead to creativity and inspiration, and boost overall happiness.¹ With summer just around the corner, it may be time to start planning the trip you have waited so long for. Worry less about planning the perfect trip and get ready to have the perfect trip with these tips.²

FIND WHAT YOU'RE INTERESTED IN

Before worrying about how much to budget for your trip, spend some time looking at your options. Do you want the beach or the mountains? Will you bring your friends or fly solo? Start to map out your options and weigh the benefits and costs of them. Start to research destinations to go to. Remember to pick your favorites because you do not want your itinerary to be packed in a way that you cannot enjoy your vacation.

BOOK EARLY

The worst thing that can happen is finding your dream trip and putting off booking your rooms and flights only to come back and see that they do not have open rooms or seats. There are many places that offer a deposit to hold the room, then require you to pay in full before the trip starts. If your funds are insufficient before your trip starts, put down the deposit and secure your rooms, then pay the balance before you go on the trip.

REMEMBER TO HAVE FUN

Planning and booking a trip can be stressful, but keep in mind why you're going. Whether you have wanted to travel for a while or if you've had the perfect trip on your mind, remember to have fun. Don't let the stress of planning ruin what will be a great vacation.

SOURCES:

¹ Stacey Leasca. Travel & Leisure. Aug. 29, 2021. "5 Ways Travel Is Good for Your Health, According to Experts." <https://www.travelandleisure.com/trip-ideas/yoga-wellness/ways-travel-is-good-for-your-health>. Accessed March 1, 2023.

² Condominium Travel Club. 2021. "5 Tips for Planning the Perfect Vacation." <https://www.condotravelclub.com/2021/12/5-tips-for-planning-the-perfect-vacation/>. Accessed Feb. 27, 2023.

THE GOOD LIFE

The Little Things¹

Would you rather go on a luxury vacation to an exotic destination or spend a few quiet days at home? Have a big blowout birthday celebration or a small, intimate dinner with family and friends?

For most people, it's not even a question. Society encourages us to seek out the rare, expensive and grand. Bigger is better and more fulfilling, right? According to the advertisers, yes. According to science, not necessarily.

While exotic travels and big celebrations can be fun and bring a measure of joy, they aren't a true indicator of happiness. The science of happiness has proved that the small pleasures in life leave us happier, more fulfilled and more grounded. But why?

To start with, humans are social creatures. We generally find more joy in meaningful connections with others (and ourselves) than in material



possessions and large-scale experiences. Who we spend our time with is more important than where.

Secondly, we already have an emotional connection to small pleasures because they are familiar (and easy to share). Because they are familiar, they have the strongest capacity to create joy and happiness. The scent of freshly brewed coffee, the riot of colors as the leaves change, a hug from a friend — small joys that fill our daily lives help restore feelings of happiness and positivity and help us feel energized and productive. Most importantly, they are the small joys that add up to a life well-lived.

Source: ¹ Intelligent Change. "Why Small Pleasures Matter." <https://www.intelligentchange.com/blogs/read/why-small-pleasures-matter>. Accessed Feb. 17, 2023.

HOW TO ...

Make Choices

Are you used to grabbing a coin and letting heads or tails decide between your two favorite things? Afterward, do you feel guilty for not being able to make a simple decision? Life is full of decisions, from where to eat to how you should spend your money, but there are better options than letting fate decide if you find yourself struggling to make choices. Take back your fate with these tips:¹

Limit Your Options

If there is less to choose from, you will be able to listen to what you really want. Limit your options to three to five choices and then decided from your smaller list of options.

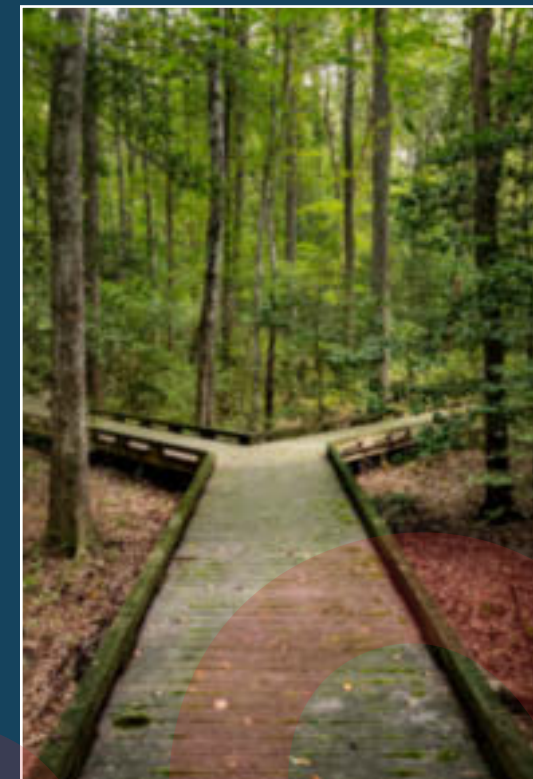
Trust Yourself

Although it is good to ask friends and family for their opinions, it can overshadow what YOU want. Trust your gut and work through the need to ask everyone else their preferences.

Practice the 80-20 Rule

Routines are a great way to overcome indecisiveness. Focus on ensuring that your routines are consistent 80% of the time and dedicate the other 20% to giving yourself a break if you don't uphold a routine.

Source: ¹Clare Schneider. December 21, 2022. "How to be more decisive." <https://www.npr.org/2022/03/07/1084907897/any-decision-is-better-than-indecision-try-these-tips-to-actually-choose>. Accessed Feb. 24, 2023.





DOLLARS & SENSE

An Ounce of Prevention Is Worth a Pound of Cure

How often do you see your doctor when you're not ill? For most people, the answer is never. As a result, many don't realize they have a problem until it's too late, often with devastating consequences for their health and finances.

It's no secret that the United States has one of the highest health care costs in the world, spending \$4.3 trillion (approximately \$12,900 per person) in 2021 alone — almost double what individuals in other wealthy countries spend.¹ For those in retirement, this can significantly impact your income. In fact, health care continues to be one of — if not the — most significant expense in retirement.

Recent studies estimate that the average retired couple aged 65 in 2022 can expect to spend around \$315,000 on health care expenses. How did it get to be so much? For starters, the average premium for Medicare Part B in 2022 was \$170 per month. The average cost for a semi-private room in a long-term care facility was \$7,908 per month, with a private room averaging \$9,034 per month.² Factor in all the medical-related costs Medicare doesn't cover while prices continue to rise, and it's easy to see how quickly the numbers add up.

Researchers noted, "With out-of-pocket health expenditures eating away at retirement income and Part B premiums on the rise, it is understandable why many retirees likely feel that making ends meet is difficult."³

Sources: ¹ Peter G. Peterson Foundation. Jan. 30, 2023. "Why Are Americans Paying More For Healthcare?" <https://www.pgpf.org/blog/2023/01/why-are-americans-paying-more-for-healthcare>. Accessed Feb. 17, 2023.

² Trina Paul. CNBC. Oct. 3, 2022. "Medical costs can eat up a sizeable portion of your retirement savings — here's how much you should expect to spend." <https://www.cnbc.com/select/how-much-expect-to-spend-on-medical-expenses-in-retirement/>. Accessed March 8, 2023.

³ Centers for Disease Control and Prevention. Dec. 21, 2022. "Power of Prevention: Health and Economic Benefits of Diabetes Interventions." <https://www.cdc.gov/chronicdisease/programs-impact/pop/diabetes.htm>. Accessed Feb. 17, 2023.

⁴ Rocky Vista Health Center. July 28, 2022. "Top Benefits and Tips for Preventative Healthcare." <https://www.rockyvistahc.com/top-benefits-and-tips-for-preventive-healthcare>. Accessed Feb. 17, 2023.

On the other hand, taking a proactive approach to health care can save you a lot of heartaches — figuratively and literally — down the line. Consider diabetes, the most expensive chronic condition in the United States, affecting more than 37 million people of all ages. For those aged 65 and older suffering from Type 2 diabetes, the cost of treatment is approximately \$5,876 per person each year.⁴

Preventative measures, such as maintaining a healthy diet, getting regular exercise and annual health screenings, are a lot less costly by comparison. While some risk factors, such as family history, can't be changed, the risk for Type 2 diabetes can be reduced by more than 50% when preventative measures are taken.⁵

Taking the necessary steps to detect and prevent disease before it becomes a serious problem can help significantly decrease the overall cost of disease management for individuals and society, including reducing the strain placed on our already overburdened health care system. Preventative measures can lead to fewer emergency room visits, lower costs for health care and insurance premiums and higher quality of life for everyone.⁶

When it comes to your health, prevention is better than cure, no matter how you measure it. There's simply no making up for the time and health lost to illness, time that is infinitely better spent pursuing the things you enjoy with the people you love.

THE SCOOP

Shopping Small Can Have a Big Impact¹

From food to clothes to home goods and everything in between, big box stores provide consumers with the convenience of one-stop shopping, usually combined with seemingly great deals and discounts. While the savings can appear hard to pass up, there are several good reasons to forgo the chain and redirect your dollars to your local businesses — including being better for your wallet in the long run.

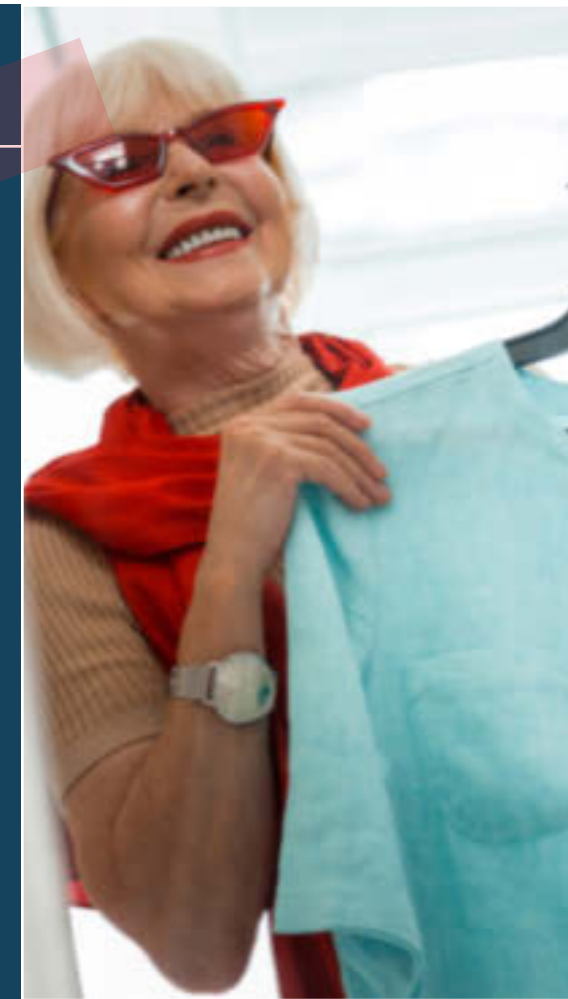
Support Local Communities

By supporting your local small businesses, you're also supporting the continued growth of your community. Unlike big box stores that typically receive tax breaks for setting up shop in your community, tax revenue from a small business is cycled back into the community. Big box revenue is sent outside of the community.

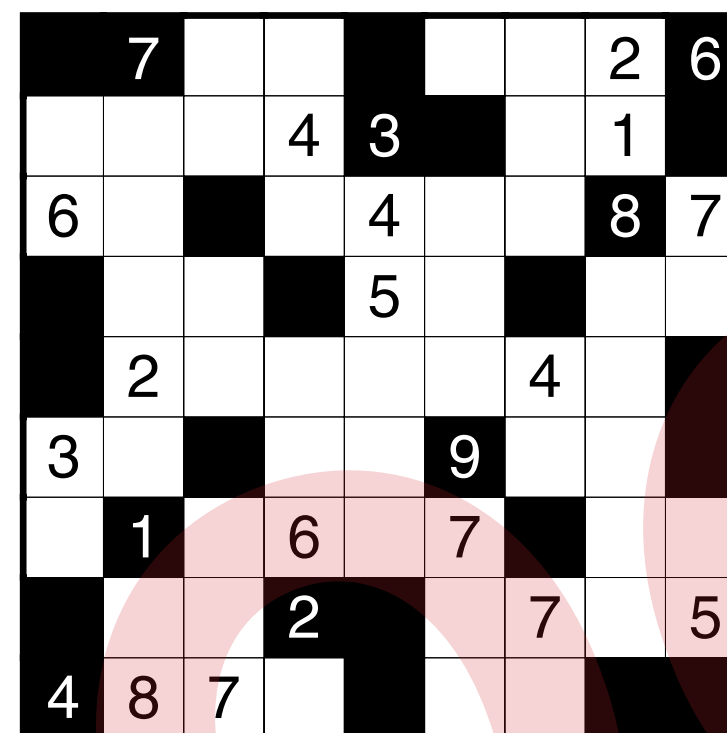
Furthermore, because local business owners depend heavily on their communities, they tend to be more heavily invested in supporting their communities. On average, small businesses donate 250% more than large businesses to local charities, nonprofits, youth organizations, local service groups and more.

Service With a Real Smile

Small businesses tend to spend more time ensuring you have a pleasant customer experience. They're more likely to hire people with proficient knowledge of the products and services they're selling, and they're more likely to take the time to get to know their customers and their needs. The very livelihood of small businesses depends on happy customers, and they're usually willing to go above and beyond to ensure a happy outcome.



Source: ¹Joseph Lustberg. Forbes. June 28, 2022. "7 Reasons To Shop Local And Support Small Businesses." <https://www.forbes.com/sites/forbesfinancecouncil/2022/06/28/7-reasons-to-shop-local-and-support-small-businesses/?sh=41ec116450d1>. Accessed 2.22.23.



BRAIN GAMES

Str8ts

Game Rules

Rows and columns are divided into compartments of white squares. Use single numbers to complete a straight for each compartment. A straight is a set of numbers with no gaps and in any order. No single number can repeat in any row or column. Clues in black cells remove that number as an option in that row and column, and are not part of any straight.