

January 3, 2022



Clients,

Happy new year!

The new year marks twenty years of my involvement in Wenzel Analytics managing money for others. Common wisdom is that because of variations in different markets and different times, one needs a twenty-year record to properly evaluate a money manager. So now you can properly evaluate my record.

Reflecting on the experience, I've become aware that performance is only part of our relationship, and in some cases not as important as what I would perceive. For example, sometimes custodial convenience plays a bigger role in who comes and who goes, or sometimes the time to do a proper assessment and allocation is the biggest factor.

I have also been reflecting on how I fit into the financial advisor/money manager marketplace. Wenzel Analytics exists as a boutique, personal service in an environment of large, institutional commodity vendors. There are advisors at Schwab and Fidelity who help with financial decisions and building loyalty, but they don't personally write detailed reports or do the investing. The money management is done at scale. At most, the advisor might choose mutual funds or ETFs which do the money management and perhaps are my competitors. The advisor is there to gather assets. That is how they are referred to in the Prospectuses of publicly traded firms such as Edward Jones or Ramond James.

People who are domestic animals are comfortable working in and with large institutions. They are important for the collaboration necessary to execute complex projects. Those of us who are wild animals are more comfortable outside the zoo. We go in to feed, such as working as consultants or provide other services, but we live on the outside. Most of you are wild animals. The longer we have been together, the more likely that is the case. It is a matter of more trust in an individual than an institution.

I'm startled by the pace for all economic transactions being a matter of negotiating through complex software. Many websites don't even offer a phone number, and if they do it's a long menu followed by a long wait. The same is sometimes true for Interactive Brokers. (Be sure to use the 866-694-2757 number

rather than the retail number.) I'm continually getting better at finding my way through their labyrinth. Their business model is to hire 1,300 software technicians and expect us to do what reps would ordinarily do. Consider that their primary market is institutional traders, which gives us good trade executions at low cost. Sometimes it is helpful for you and I to be on Zoom together and share the screen of the IBKR website.

After I do talk to a live human regarding any purchase or service needs, I get the inevitable feedback requests. Typically, the system was impervious while the rep was terrific. The rep needs a 10 to keep their job and the system escapes my feedback.

New Year's morning I bought a car online and did the whole process, including search, signing the documents and arranging payment and delivery to my door, without talking to anyone. In the beginning there was some texting, but I'm not sure it was a human on the other end. I wanted an electric car but all of them are made to compete with Tesla in price and 0-60 mph in 5 seconds or less. I have time for it to take 10 seconds. We talk about climate anxieties but looking on the highways at what we drive and are offered to drive, no one believes there is a threat. I ended up buying a plug-in hybrid the same as I have but three years newer and with 12,000 miles. We don't have to figure out all the new electronics and will continue to have two almost identical cars.

Since year-old cars are selling for the same price as new, the alternative I explored was to buy a new electric car every year and pocket the \$7,500 tax credit (maybe to be \$12,500) to cover the cost of all the money tied up in a new electric car. Even wild animals connive to work the system.

I thank you for how my business model is so compatible with the Covid precautions, with worktime flexibility and what would normally be retirement years. And I value our relationships.

Lee

P.S. Big event of the year – I had cataract surgery and can now see everything near and far without glasses. Even this small type. Miraculous!

An alternative to mutual funds.

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