News and Views

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Mark Bisbach, CFP®
Managing Director
Senior Portfolio Management Director
Alternative Investments Director
Financial Advisor
NMLS #1262355

Sara Pitcel
Executive Director
Senior Portfolio Management Director
Family Wealth Director
Insurance Planning Director
Financial Advisor
NMLS #1290442

Jeffrey J. Krause, CPWA® CFP®
Senior Vice President
Portfolio Management Director
Alternative Investments Director
Family Wealth Director
Financial Advisor
NMLS #128816

Denison J. Kummrow CPM® CRPS®
Vice President
Senior Portfolio Manager
Financial Advisor
NMLS #1295559

Kurt Maltby, CFP® ChSNC®
Vice President
Financial Advisor
NMLS #1504808

Daniel T. Krause
Executive Director
Financial Advisor
NMLS #2593226

You may have noticed in early February when the Dow Jones Industrial Average closed above 50,000 for the first time ever. Milestones like this are a bit of a touchstone even though it is just another number. Is there really a difference between 49.999.99 and 50,000? Regardless, when it comes to the market, events such as this are noted and referred to forever more. In fact, I can recall the day the Dow closed over 10,000 for the first time. It was March 29, 1999, and I was just entering my 4th year in business. Funny, I don't recall when it closed over 20,000 25,000 or any other round number but I will remember 10,000 and 50,000. For many people when you use 1999 in any sentence regarding the markets they usually associate it with the dot.com crash of that era. That decline actually began about a year later in March of 2000, but the late 1990's enjoyed the increase in many of the major indexes that preceded the dot.com crash.

If we go back even further the Dow first reached 100 points 100 years ago in 1926. A hefty development for the time which was driven in no small part by the fervor surrounding radio technology. Radio in cars? Where will it end? Can they build enough radios to satisfy the demand? But the triple digit level was short lived, and the index dipped back into double digits. It would take the passing of a world war, the great depression, and the start of another world war before the Dow once again reached 100 points in 1942…16 years later.

The next milestone would seem to be the 1,000-point level. That first time the index closed over that mark was in 1972 during what has been called the "nifty-50" era. That term came from a cohort of 50 stocks that were considered so compelling that many believed one could simply buy those names and forget about them. Companies like Polaroid which had marketed instant film development. The idea that these companies had products and technology that would always be in demand seemed to fuel their prices to lofty valuations. The bear market of 1973 soon emerged (remember lines at the gas stations) and these valuations came back to earth. So much so that it took a decade before the Dow consistently closed over the 1,000-point level again.

I do not recount these stories to cast any bad luck or parallels on the recent achievement. But as they say, history may not repeat, but it often rhymes. By many measures the current valuations of many of the leading companies in the index could be considered extended. Just as radio technology, instant film processing, the inception of the internet all drove previous markets to new milestones the current excitement surrounding artificial intelligence and its potential has been a leading contributor to the current run-up in many indexes. That by no means indicates that a decline is imminent, but it might give substance to the idea that this new level is not necessarily an impenetrable floor in the market.

It does bear noting that the 30 companies that make up this index obviously have a great deal to do with the levels the index has reached over time. These companies are chosen by a 5-member committee, 3 of whom are from S&P Dow Jones and 2 of which are from The Wall Street Journal. One can google the specific criteria and timing of additions and/or removals but the main topics in the process include company reputation and growth, having a U.S. focus, must be eligible for S&P 500 inclusion, and with an eye on maintaining good sector diversification among the 30 names. There is no specific schedule to make changes, and the process is not purely formulaic, which means it can, and does, draw criticism as being too arbitrary in stock selection.

We could write many more pages on the subtleties of the Dow Jones Index, for example the price-weighted approach to calculating the index level. In quick terms, this means the higher the cost of a share of stock in the index, the more weight is given to it in the calculation of the entire index returns. Regardless of all these issues and more, crossing the 50,000 level is an event to be recognized. It makes one wonder what levels our children and our grandchildren will witness? Given the nature of many market forecasters, it will not be long before we see some calling for the next noteworthy level…100,000. At the end of the day, the levels achieved by this and other indexes are secondary to you reaching your goals and objectives. The Dow could hit 75,000, but if you do not have a good outcome relative to your risk tolerance, your timeline, and your planning then it is meaningless. Thanks for allowing us to help, and as always please feel free to call on us at any time.

20975 Swenson Drive, Suite 300, Waukesha, WI 53186 Phone: (262) 523-8300 Fax: (262) 523-8333

Team News

We are very excited to announce that several members of the Riverwood Wealth Management Group have just recently received new title designations as shown here.

Mark Bisbach	Managing Director
Sara Pitcel	Executive Director
Denison Kummrow	Vice President
Jeff Krause	Senior Portfolio Management Director
Deb Lammers	First Vice President
Lisa Di Piazza	Assistant Vice President

Individual recognition is nice to be certain, but no member of any team could achieve any success without the entire team working every day towards the same objective. For us, that is helping you determine and reach your goals while striving to provide the highest level of service we can.

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