

# Morgan Stanley THE VOLRATH CASTLE *View*

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## IS CASH KING?

No, we're not taking a page out of Dave Ramsey's Book, but we are trying to find the silver lining in this high interest rate environment. With 11 Fed rate hikes in 18 months, interest rates are higher than they've been in over 20 years. If you're trying to buy a house, have any credit card debt, or are trying to grow a business, it's going to be difficult to see the upside of these upside interest rates. However, if you're someone with cash/emergency savings just sitting at the bank, these interest rates could be working in your favor.

Morgan Stanley offers a variety of cash management solutions at very competitive rates. Please give us a call so we can give you more information on our suite of services, such as CDs and money markets. It's been a long time since we could make this much on cash, so check to see what rate you're receiving on your cash and let's talk.

THE VOLRATH CASTLE  
GROUP NEWSLETTER

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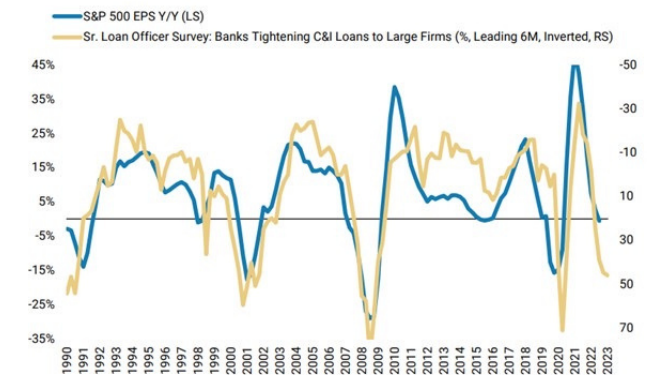
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After a rough 2022, the S&P 500 has experienced a rally in 2023. Through the month of August, the S&P 500 has returned 17.4% for the year. With this rally, many are starting to ask if last year's bear market has ended and if we have entered a new bull market for stocks. We remain skeptical of the most recent rally as it has largely been driven by multiple expansion and investors are paying more expensive valuations. According to FactSet, the forward looking 12-month Price/Earnings ratio for the S&P 500 has increased from 16.65x to 18.99x (a 14.1% increase) since the beginning of the year accounting for nearly all the gains experienced YTD from the S&P 500. We believe that earnings of S&P 500 companies will have to start improving for us to embrace we have entered a new bull market.

In the most recent Following the Fundamentals update, we focused on the most recent Senior Loan Officer Opinion Survey released quarterly by the Federal Reserve. As seen here, bankers around the country are reporting tighter lending standards. Specifically, they are tightening lending standards to Commercial & Industrial companies. Looking back, tightening lending standards on these companies does not bode well for future S&P 500 earnings growth. This is one of many data points that keeps us leaning cautious on stocks in the portfolios we manage.

For more information or any further questions, please reach out to your primary Volrath Castle Group advisor.



Source: Haver Analytics, FactSet, Morgan Stanley Research.

## THE IMPORTANCE OF BUDGETING

BY ALLIE GIRARDIN

*At it's core, a budget is a spending plan based on income and expenses. Whether you're trying to reduce spending or not, it can be incredibly helpful to ensure you've got a full understanding of your money coming in, and your money going out. More specifically, where's it going once it leaves. Below we'll look at two common budgeting methods. Consult with your advisor to see if one of these methods could be right for you.*

### Line Item Budget (Traditional Budget)

**Purpose:** To understand exactly how you spend your money and decide what you want to prioritize moving forward and set your own budget allocation

**Method:** On paper or spreadsheet - categorize every transaction for the prior couple of months. Then based on your goals and spending trends, estimate how much to allocate for each category moving forward. (Categories may include: Housing, Health, Food, Personal Care, Child Cost, Pets, Transportation, Entertainment, Gifting, Debt, Travel, etc)

**Best For:** Those trying to figure out where all their money goes and how to reduce excessive spending

### 50/30/20 Budget (variation of a proportional budget)

**Purpose:** To help prioritize savings and debt-payoff, while helping identify the difference between essential and discretionary spending

**Method:** Divide your monthly after-tax income into 3 categories:

50% of income → Needs/Essential Spending (rent, utilities, transportation, health/car/pet insurances, minimum loan repayments, and basic groceries)

30% of income → Wants/Discretionary Spending (dining out, shopping, travel, miscellaneous memberships, subscriptions (streaming services), and "extra" groceries (IE: the good stuff like cookies, peppered bacon, etc)

20% of income → Savings or Debt Pay Down

**Best For:** those trying to grow their networth while having more control over their spending without feeling restricted

# CREATING RETIREMENT INCOME

BY KELLEY GIRARDIN, RICP

*You've worked and saved, worked and saved, then worked and saved some more. Now it's time for retirement. Going from a steady, biweekly paycheck to possibly no paycheck can be one of the scariest transitional aspects of retirement. Working with an advisor who can hold your hand during the process will bring clarity and confidence as you enter this new chapter.*

## Step One: Understand your Expected Inflows and Outflows

Prior to retirement, it's so crucial to create a retirement budget. Having a clear understanding of what your retirement spending will likely look like is the first step. I prefer to start with a monthly budget then multiply by 12, then I add in any annual expenses not included in my monthly.

### Action Item

List out all essential expenses. What will it cost you to keep the lights on, food on the table and a roof over your head? Then list out all discretionary spending such as travel or hobbies. Next, add up any type of secured retirement income. This could be things like social security, pensions, part time work, rental income, etc. Now you've got your essential budget, discretionary budget, and secured retirement income.

## Step two: Identify the Gap

Is your secured retirement income enough to cover your essential expenses? How about your discretionary expenses? If so, will it cover it during your first year of retirement as well as your last?

### Action Item

Time for a little math! First, subtract your secured retirement income from your essential expenses. Will you have income left over? Or are you already in a deficit? Next, subtract your discretionary spending from the income leftover after your essential spending.

## Step Three: Work with your Advisor to Understand the Big Picture

After doing the math, maybe you've discovered that you're in a good spot and won't likely need any additional income; however, have you factored in inflation? Or taxes? Or whether or not your pension has a cost of living adjustment? And what consideration did you take when predicting when you'd begin social security?

### Action Item

Share your budget with your financial planning advisor. Let Kelley or Drew run a financial plan that will add in all of these other factors that will help you visualize not just the first year of retirement, but also the 20th.

## Step Four: Work with your Advisor to Identify how to Fill the Gap

Once reviewing the plan with your advisor, it should be much clearer if you're going to have an income shortfall. Advice given will depend on factors such as: when does the shortfall occur? Is it just discretionary income not being met, or essential as well? What tax bracket are you going to be in?

### Action Item

Now that we have more clarity on what and when the income need is, your advisor will work with you to determine which accounts (401k, IRAs, roth, taxable, checking/savings) we should utilize to make up this income shortage. We can create monthly, quarterly, or annual income from saved assets in the form of dividends, interest, and proceeds from selling positions. In some cases, annuities or cash value life insurance policies can be suitable as well.

**KELLEY  
RECIEVES  
RETIREMENT  
INCOME  
CERTIFIED  
PROFESSIONAL  
CERTIFICATION**

The American College of Financial Services awards the RICP certification to financial advisors who've completed in-depth training. In the program, advisors delve into three study areas central to planning retirement income: 1. Retirement income processes, strategies and solutions 2. Sources of retirement income and 3. Managing retirement income plans.

These three courses take a deep dive into complex topics involving taxation, Social Security and Medicare, and the impacts they have on an investor's retirement income. Advisors also learn about estate planning, health insurance needs and other risks retirees face—like inflation—which can threaten their income streams.

Once certified, RICP professionals are uniquely equipped to help clients create a retirement income plan before retirement begins—one that is inflation-adjusted and designed to last the rest of their lives.

# LET US MANAGE FOR YOU

WHAT EXACTLY IS THIS ACTIVE  
 “PORTFOLIO MANAGEMENT”  
 WE’RE ALWAYS TALKING ABOUT

BY SHEILA VOLRATH

There comes a point when managing one’s own assets turns into a full time job. As your life evolves and grows more complex, your financial strategy, and the options for implementing that strategy, tends to grow in complexity as well.

Frequently, evaluating those options and choosing wisely among them may require more experience and attention than you have to give. In such circumstances, it makes sense to work with an experienced professional who understands your financial needs and can dedicate the time and resources necessary to help you meet them.

That’s where we come in! Our advisors, myself, Aaron, Drew and Kelley, will work with you to help translate your goals into a specific investment objective and personalized investment strategy. Then, utilizing our Portfolio Manager’s knowledge, the team’s experience, and Morgan Stanley’s resources, we will structure your portfolio for you. We will continuously monitor your investments and evaluate the strategy, striving to bring you closer to your definition of investment success.

So you may be asking yourself, if my account is not actively managed than what is it? If not actively managed, than you are likely in a transactional account. The easiest way to understand the key differences, is to compare them side by side.

	<b>Managed</b>	<b>Transactional</b>
<b>Proactive Discretionary Changes Made to account</b>	<b>Yes</b> Clients in managed accounts have all of our innovative ideas implemented into their portfolio without having to do anything	<b>No</b> Trades are only placed based off client’s request or approval
<b>Client Focus</b>	<b>Yes</b> Each account can be individually customized to meet your requirements for growth, income or preservation of capital within your risk constraints <b>with</b> continuous monitoring	<b>Yes</b> Each account can be individually customized to meet your requirements for growth, income or preservation of capital within your risk constraints <b>without</b> continuous monitoring
<b>Proactive Tax-Loss Harvesting</b>	<b>Yes</b> We’re always on the lookout for tax-loss opportunities for our actively managed clients, with no additional charge	<b>No</b> Tax loss harvesting is not automatically done in transactional accounts. When a client requests it, commission charges will apply
<b>Quick and Timely Changes</b>	<b>Yes</b> Having discretionary authority gives us the flexibility to make timely decisions based on market events	<b>No</b> In order to make changes, we need to speak with the client first. This can sometimes lead to the infamous game of phone tag and delayed communication which can often result in a missed opportunity

<b>Data-Driven Decision Making</b>	<b>Yes</b> Discretionary decisions are made based on data and investment strategy	<b>No</b> It's our responsibility to give the client all the necessary information to make their decision, but emotion can sometimes outweigh data when managing your own investments
<b>Constant Oversight</b>	<b>Yes</b> When you're in one of our actively managed portfolios, we have constant oversight on all your portfolio positions	<b>No</b> There are tens of thousands of investments a transactional account could invest in, there's no way for us to monitor all of them daily
<b>Pricing</b>	<b>Management Fee</b> 1.5% or less based on level of managed assets	<b>Commissions on trades</b> 2.1% or less based on trade + <b>Account Fees</b> Vary by account

From this chart, you can tell that we favor active management over transactional. We feel like we are able to do the best work for our clients in the active management space and we constantly hear from clients that they love not having the burden of managing their accounts, but instead have the peace of mind knowing their professional advisors are managing it for them.

Now there are certain circumstances in which a transactional account can make a ton of sense. Some of the more common situations we see are: accounts with highly appreciated assets that aren't going to be sold, cash accounts, annuities, alternative investments or "play accounts" (for clients who are interested in keeping up with the market and like to place their own trades from time to time, usually a very small portion of their overall liquid networth). If you're not actively managed, or unsure whether you are, let's talk.



# MORGAN STANLEY CASH MANAGEMENT AND LENDING SOLUTIONS

BY GREG POTERACK

When it comes to investments, most clients think of us first. When it comes to cash management and lending however, we may not be the first resource thought of. We're hoping to change that! As one of the largest Financial Institutions, Morgan Stanley provides cash management and lending solutions **exclusively** for our clients.

Let's check out some of the daily **cash management** and **lending solutions** offered:

- CashPlus Account
- Morgan Stanley Debit Cards
- ATM Fee Rebates Worldwide
- Morgan Stanley Credit Cards
- Online Bill Payments
- Send Money with Zelle
- Securities Based Lending
- Home Loans

Working with our team, you also have access to a dedicated private banker, Justin Konkol, who we introduce on the next page. And to sweeten the deal, when it comes to pricing we will look at the entire relationship. Maybe your son or daughter is trying to buy their first home. They would be able to qualify for the same rate you would based on your relationship with Morgan Stanley!

# PREPARING FOR YOUR FUTURE: *WHEN, WHY, AND HOW*

BY DREW VOLRATH

Regardless of what stage of life you are in: moving ahead in your career, enjoying retirement, or somewhere in between, we can help you achieve your financial goals. Do you want to purchase a vacation home, fund your children's or grandchildren's education, spend your retirement as you've dreamed? Our team can help create a personalized and dynamic wealth management strategy to help you prepare for a successful financial future. Using a suite of tools that includes goal-specific analysis, we can work with you to create a realistic, holistic strategy that integrates the various aspects of your financial life, including your investments and cash management needs. From there, we can provide suggested modifications as needed to help keep your goals in reach and your strategy on the right course.

Morgan Stanley's personalized wealth management process is designed to provide a road map to your financial future. Leveraging our vast resources including intellectual capital, experience and dedicated personal service, we can work with you to create a personalized wealth strategy. Then, over time, we can adapt it to changing circumstances, helping you to achieve and to protect your goals.

How the process works:

**1.DISCOVER** We start with a conversation to gain a thorough understanding of your needs, lifestyle, and family—and your goals for the future.

**2.ADVISE** We work with you to develop portfolio strategies that help you achieve and protect the outcomes you envision.

**3.IMPLEMENT** We look across multiple accounts and products to help you implement solutions that are an appropriate fit for your strategy.

**4.TRACK PROGRESS** We help you track your progress as well as spending and savings to help ensure you remain on track toward your goals.

No matter what stage of life you may be at or how different your goals may be from others, we have the tools and processes to help layout the roadmap to achieving your dreams. Reach out to one of our advisors today to start preparing NOW!

## MEET YOUR DESIGNATED PRIVATE BANKER

An additional perk of working with The Volrath Castle Group is having access to your very own designated private banker.

Justin Konkol has been with Morgan Stanley since 2014, and in the banking industry for almost two decades. His industry knowledge, genuine approach, and prompt communication style has proven to be a great fit with our team. We feel like there is a lot of value he can add for our clients, especially when it comes to home loans and complex lending needs for our high networth clients.

Justin resides in Wisconsin with his wife and three children. When he's not working or spending time with friends and family, you can find him playing soccer, snowmobiling, or...wait for it...competing in Ultramarathon obstacle Course Races..for fun!



Justin Konkol  
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# IN OTHER (NON-HEADLINE) NEWS...

**Sheila:** The past 6 months have been relatively quiet for us. My "Friday Babysitting Gig" with Ava has unfortunately come to an end. Mommy is back to teaching and Ava has started daycare. It was a wonderful time and I feel so lucky to have been able to share that special day with her. Karlee and Keenan have been busy improving their new home. They have learned a lot while owning an older home. Jay bought a pellet grill and has been practicing on his cooking/smoking skills. This is new to him but he continues to get better and better! He recently cooked a pork butt and it was fantastic. He usually cooks on Sundays, if you are in the area stop by!

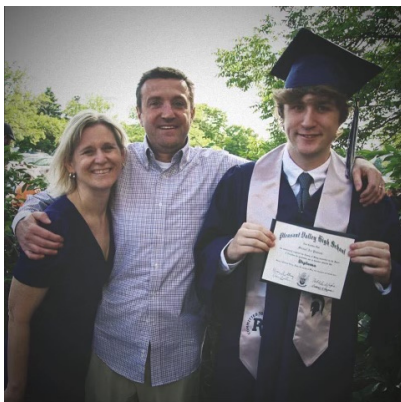


**Aaron:** It's very cliché, but time sure does fly! We had a great summer in the Castle household. Both of our boys gained a love for baseball and golf this summer and spent a lot of time practicing outside and in our basement. In an odd coincidence, I also gained a passion for drywall repair (in that same basement). My highlight of the summer was the family tagging along with me on a business trip to NYC. Other than experiencing some "new smells" as we walked through Times Square, everybody had a blast. As we head into fall the boys are back to school with Nile in 2nd grade and Oliver starting Kindergarten.



**Drew:** The past 6 months have flown by for Ava, Jordan, and I. Ava is about to turn 1 and birthday party preparations are in full swing, she is also so very close to walking as I type this (August)! The summer has been one that's filled with lots of pool time and plenty of wedding celebrations that will continue into the fall for us. Lastly, I can't forget to mention that we have officially become owners of a minivan (stylish of course), something that I never, not in a million years imagined I would do... secretly, I really do enjoy driving it!

**Kelley:** Home projects, completing my RICP certification, family vacations and getting a new puppy has kept me pretty busy these last 6 months! Our 100-year-old home has an endless number of projects, but one of my favorites has been turning the large attic space into my very own she-shed (more like a very large closet, but that's not quite as catchy as she-shed). In May, I took the last exam for my RICP which I had for about a year. It's really helped increase my knowledge and awareness for helping clients prepare for retirement. To celebrate, I spent time in Charleston, SC with my mom, sister and our significant others. Then a few months later spent time in Colorado with my boyfriend's family. We then decided, when life's not hectic enough, throw a puppy (Border Collie) into the mix!



**Greg:** Well, my wife and I are now officially empty nesters, except of course for our dog Thunder. We might be able to utilize the kayaks we recently bought. Our son Mitchell graduated from Pleasant Valley High School and is now attending Kirkwood in Iowa City while continuing to work for Hy-Vee. Our family had a great trip in June to Cocoa Beach, FL where we stayed a few steps from the sand. Last month I had my annual Boundary Waters fishing trip in Ely, MN with 5 friends I've known since grade school who come in from all over the country to catch some walleye. One of them happens to be a chef so the meals together were amazing! As far as something I'm looking forward to in the next 6 months is a trip to a Minnesota Vikings game on Christmas Eve with my college student.

# IN OTHER (NON-HEADLINE) NEWS...



**Allie:** Since our last issue, I officially moved all my belongings to Iowa from SC - it only took 5 years. I have been keeping busy with house projects. I definitely have a new appreciation for all the times my mom would repaint my room when I was younger, along with being in awe at how effortless my grandmother made gardening appear. Both involve a lot of hard work and time! This summer, we took a family vacation to my favorite city - Charleston, SC. Other exciting news in our household was Tallulah, my puppy, turning two! Her new favorite thing is water - she has been practicing her diving skills in kiddie pools.



Every year right after Labor Day, our team hits the course for what has been coined our golf fun-raiser. It's wonderful to spend some time out of the office, in the fresh air and sunshine, bonding over more than just work.

While we've got some good golfers on the team, we opt for a game of Best Ball, so everyone can participate in a more meaningful way. The teams are Sheila/Aaron/Kelley against Drew/Greg/Allie. While we do this more for fun than anything, as a naturally competitive group, we obviously keep score (and may have even had trophies made for this event...)



The game was tied til the very end, when Aaron, Sheila, and Kelley pulled off their third victory and kept their undefeated streak going strong. Afterwards, we enjoyed a delicious, multi-course meal and cheered the fact that we all felt like we won. It's not all that common to genuinely enjoy being in the presence of your colleagues way after the 9-5 workday is over, but **we do** and we're eternally #gladtogether.





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