

Summer Road Trips: Microcosm of Our Financial Lives

Dear Valued Clients & Friends:

Summer road trips have been a tradition for families across the country for many generations. They have changed over time with updated technology (i.e. cars, GPS, lodging, etc.), but the basic concepts of seeing something new while also possibly visiting distant family remain the same. To make this once a year event successful requires extensive planning. Having recently returned from our own summer road trip to the west coast to visit family, I can attest that much goes into the plan! What I discovered through this planning (and implementation) process were the many similarities between financial and summer road trip planning.



Unique Plans

Each family is unique. Thus, it should be no surprise that road trip plans are unique as well. If we surveyed a hundred families to answer summer road trip questions (just need to observe first day of school to prove this out), we would receive a hundred distinctive answers. We all have different starting locations, most likely have different ending points, and certainly have different preferences on how fast to travel and what we want to see and do along our trip. There is no one right answer for everyone.

Individuals and families also have different financial starting points with different preferred financial destinations. In addition, everyone has their own vision of what they want to accomplish, to see, and to experience in between those two points. Similar to road trips, there is not one financial path answer. What is important is that there is a plan in place with reasonable assumptions.



The Miler twins at Yellowstone National Park

Standard Tools and GPS systems

Global positioning systems (GPS) have become a wonderful, almost standard tool for all travelers. They have made getting from one destination to the next a virtual non-event. All you have to do is punch in your current location along with your ultimate destination and the system will provide the fastest route to get there. Machines, like GPS systems, are very good at giving answers. When I typed in Milwaukee for starting point and Seattle for destination, it gave me the quickest route between the two locations. However, what machines have difficulty doing is asking the right questions. Humans are much better at asking the questions:

- Would you be interested in seeing something along the way to help make the trip more enjoyable?
- How many are traveling together?
- Are there any kids?
- Have you ever traveled this direction before?

These are just a few examples of important questions that the GPS machine did not ask. However, they were very important in determining what the best Miller trip plan would be. ¹ Our answer included taking a detour to see National Parks along the way (Badlands, Mount Rushmore, Yellowstone, and the Grand Tetons). We wanted to take the opportunity to enjoy the ride while at the same time hopefully providing an educational experience. We ended up with a viable plan that had us taking longer to arrive at our destination. The quickest plan suggested by the GPS was not our best plan.

Financial planning technology is very similar to the GPS used in travel planning. Someone can use financial software to find out how much they need to save for retirement by providing certain assumptions (i.e. value today, investment return, years until retirement, etc.). Again, the machine that is financial planning software is very good at giving answers. The software will provide you with a number. However, are the right questions being asked? What are the other things you want to do along the way? Are you alright with getting to your destination later in order to see those different things? Rushing to the destination is many times not the right solution. To get your true answer requires knowing what questions to ask. As with travel planning, financial planning requires both the machine and human elements to arrive at the appropriate, individualistic answer for each family.

1 Fun fact: All fourth graders and their families are allowed free entry into any National Park. In addition, this is the centennial year of National Parks. <https://www.everykidinapark.gov/>

Road and Market Efficiencies

One more item worth mentioning regarding GPS is their effect on traffic patterns and traffic efficiency. Growing up in rural Illinois, my dad would take as many back roads as possible to avoid stoplights and slower traffic. I came to realize it was implied that these back roads were quicker for two reasons. First, out-of-towners would not venture off the main roads on the map. Second, other locals never bothered to drive another route. Both groups were hesitant to try an unknown path. They were unsure of what lay ahead. Thus, my dad's original willingness to take some unknown risk allowed us the opportunity to reap the rewards of faster travel. Through this

local knowledge, he was able to get a return probably higher than the risk implied (his "true" answer probably required some adventure too!).

Fast forward twenty-five years and my advantages to taking backroads are still there, but probably not as great. I realized on this trip the reason why. I was a "foreigner" traveling in uncharted territory but was still able to travel backroads, not because I knew the roads, but because my GPS showed me the way. I was fascinated with the amount of other cars on isolated Wyoming roads with license plates from differing states. We were all using the same GPS system! I imagine ten years ago before GPS became more common, those same roads would have seen less traffic.

Similar to today's highways, market information that once may have been known only by a few people (i.e. "locals"), is now quickly disseminated and prices are adjusted accordingly. Because events are quickly priced into assets as they occur, the opportunity for shortcuts has been greatly mitigated. We believe that due to this speed of information that markets efficiently adjust to any new information. Timing markets for this new, unknown information has been proven to not be a successful strategy. Thus, maintaining diversification, adhering to appropriate asset allocation, and structuring portfolios along dimensions of expected returns is the investment process we continue to focus on.

Summer Ending

Completing summer road trips can also be an indication for some families that summer season is unofficially coming to a close. Although summer is not officially over until September 21st,² the start of school for many families brings an end to the summer season. We hope you were able to enjoy some summer relaxation time and maybe even able to have gone on a summer trip of your own. Just as in financial planning, it is never too early to start making plans for your next road trip! As always, we appreciate your business and stand ready to discuss and review any changes or updates in your personal situation. If someone you know would benefit from or enjoy reading this newsletter, please feel free to pass it along. We look forward to continuing to serve you in all of your investment and planning needs.

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² There are actually two kinds of seasons-meteorological and astronomical. Meteorologists keep it simple. Meteorological summer ends August 31st basically for record keeping purposes.

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