2023 was a very strong year for markets with the S&P up 26.29% and the Bloomberg US Agg bond index also up 5.53%. Both of these exceeded the return on money market funds and T-Bill's of 5.14% as measured by the Bloomberg US Treasury 1–3-month index. While that return on cash was high relative to recent history, it is still much less than the stock and bond returns. (For a more in-depth discussion on cash as an asset class please refer to the Q3 commentary.) This was a welcome recovery after the lows of 2022. However, not all news was good in 2023. Charles Thomas Munger died on November 28th. I've been a fan of Charlie and his more well-known business partner, Warren Buffett, since I started investing at 16. In fact, I have rubber ducks of Warren and Charlie sitting in my office that I got when I was fortunate enough to visit with them back in 2013. They were made by Oriental Trading Company, one of the many companies owned by Warren and Charlie's parent organization Berkshire Hathaway. In this commentary, we will use many of Charlie's quotes to reinforce some of the points that we make to clients during our communications with you.

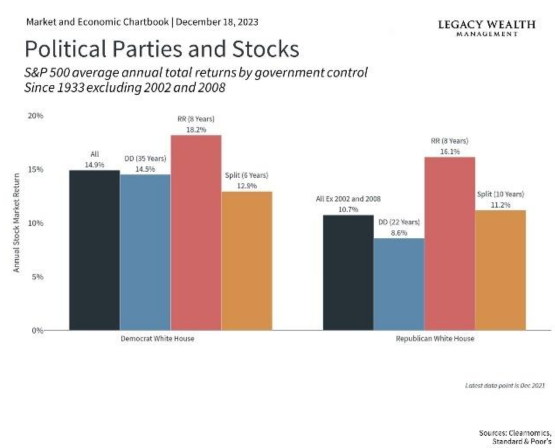
- **"A majority of life's errors are caused by forgetting what one is really trying to do."**
- **"I had a considerable passion to get rich, not because I wanted Ferraris – I wanted independence. I desperately wanted it."**

As we discuss regularly, Legacy Wealth Management is a financial planning organization first and foremost. We encourage all clients to go through the planning process with their relationship manager (RM). If you haven't, please contact your RM about it. The goal of the planning process is to get to know you better and to understand what you are trying to accomplish financially. Many wishes/desires are uncovered in this process, but most boil down to "I want to be able to maintain my current lifestyle and achieve goals X, Y, and Z along the way." These goals vary by client and include leaving money to heirs or charity, vacations, education funding, weddings, and others. The last five years have been turbulent in the investment markets with A LOT of volatility. However, our investment returns have outpaced our planning expectations over that period. Clients who have financial plans in place tend to stress much less during down markets. They understand that sticking to the plan is the best course of action that will most likely lead to financial independence.

- **"Acknowledging what you don't know is the dawning of wisdom."**
- **"If you took our top fifteen decisions out, we'd have a pretty average record. It wasn't hyperactivity, but a hell of a lot of patience. You stuck to your principles and when opportunities came along, you pounced on them with vigor."**
- **"The big money is not in the buying and selling, but in the waiting."**
- **"You don't have to be brilliant, only a little bit wiser than the other guys, on average, for a long time."**

Legacy's investment process is highly effective. It is not sexy. We do not pretend to be the smartest investors in the world. We do not promise the best possible investment return year after year. If it's not sexy and we aren't the smartest or the best returning, how can we be highly effective? First, we follow our own investment advice. Warren and Charlie both followed their own investment advice as well. Most of their personal wealth is/was tied up in Berkshire Hathaway. Their personal investment gains and losses coincided with the gains and losses that their investors experienced. We believe this is one of the best ways to do business. Every employee at Legacy Wealth Management is invested in the same holdings and allocations as our clients. The amount of stocks/bonds vary based on personal risk tolerances, but the investment holdings are the same. We are personally right there with you when we suggest being patient and sticking to the plan. Second, we understand Charlie's first point above. Unlike many people in the investment industry, we are not afraid to say what we don't know. Clients often ask when/why the market will turn around; we don't know. They also ask how the market can keep going up with (insert concern of the day here – war, politician, valuation, etc.); we don't know. We know that it will, but the underlying reasons or timing are hard to predict. There are billions of people betting real dollars on millions of investment ideas around the globe all the time. It is impossible to know for certain when enough of those dollars come together in a way that drives the market up or down. Third, we don't like taking oversized risks. To have the best returns you usually have to be taking much larger than normal amounts of risk. With that risk comes the potential for significant losses. If we remember what we're trying to do, it's easy to eliminate these excess risks and focus on getting "good" investment returns. The goal is to invest, not gamble, and the largest annual returns often come from gambling. Finally, we are good at heeding Charlie's next two bullet points for this section that all boil down to one word: patience. People who understand investments all recognize the power of compound interest. Letting your earnings make more earnings and compounding that over long periods of time is the basis of most personal finance books. We do not trade often, but when we do it is because we believe that there is a good investment reason to do so. We bought high-yield bonds in March 2020. We bought ultra-short bonds in 2022. These both added significant value to client portfolios. When we see big opportunities, we implement them into portfolios quickly. Most of the time, however, we invest interest/dividends back into the underperforming parts of the portfolio (buy low), fund distributions by selling outperforming parts of the portfolio (sell high), and buy/sell any investment that is more than 20% off of its targeted portfolio weight. This disciplined rebalancing strategy keeps us on target for the vast majority of the time where there isn't a big investment opportunity available. This led us to trim stocks in favor of bonds throughout 2019 and then to buy stocks with funding from bonds in March of 2020, only to sell stocks back into bonds throughout 2021 prior to the down market in 2022. The patience to stick to this strategy for decades allows compounding to work without changing the risk profile to which our clients agree.

- **"There's a tendency to think that our present politicians are much worse than any we had in the past. But we tend to forget how awful our politicians were in the past."**



2024 is an election year. This tends to invoke strong feelings from investors. However, if you look at the data since 1933, the investment returns have been relatively good regardless of what form of political control is happening in Washington. History shows that the "worst" option is a Republican president with Democratic control of the House and Senate with returns of 8.6%, a return we will gladly accept on average. The simple fact is that regardless of who is in office, the consumer drives markets and economies. Day-to-day spending decisions don't dramatically hinge on who holds political office. Politicians can do things that change behavior on the edges, but your mortgage, groceries, and vacations are going to get paid regardless of what surprises happen in October or who wins in November.

With that, we bid adieu to 2023 and to Charlie. We stand ready to help you build or execute your financial plan. We will proactively touch base with you regarding annual planning tasks such as required minimum distributions, Roth contributions, and tax reviews. We will always evaluate opportunities to improve the portfolio. We will remain patient and disciplined in facing the volatility and the noise the stock market has in store for 2024. We will continue to invest through the ups and downs right alongside you. Happy New Year!

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