Spring Cleaning– How Long Should I Keep Financial Documents?

By Jackson Keenan, CFP®

Spring (and pollen) is in the air, and the time is right for many of us to start our spring cleaning. The "urge to purge" might be strongest with our financial documents - taxes, statements, paid medical bills, etc. - but the nagging feeling of "should I keep this?" remains. This anxiety is typically attached to the fear of an IRS audit. To help provide clarity for what to keep and how long, you first need to understand the statute of limitations for tax returns.

How long do you have to revisit prior tax returns?

Depending on the issue, the answer is from three to seven years. I recommend erring on the side of caution and keeping your tax-related documents for seven years. Remember, there is no time limit for the IRS to show up if you filed a fraudulent return or no return at all.

Here's a quick summary of suggestions for how long to keep other financial documents.

Keep in mind, your particular circumstances could recommend that you keep documents for longer than the suggested time periods below.

One Year
(Unless you need them for tax purposes, then keep for seven years.)

Paycheck stubs	Utility bills	Cancelled checks
Credit card receipts	Bank statements	Receipts for large purchases

Three Years

Cancelled insurance policies	Annual investment statements	Records of selling a house or stock

Seven Years

Records of satisfied loans

Hold Until the Agreement or Underlying Asset is No Longer Active

Contracts	Insurance documents	Stock certificates	Property records
Investment records	Pensions	Retirement plans	Home improvement records

Records of disputed bills (Keep the bill until the dispute is resolved.)
Warranties and the receipts related to them
Medical bills (In case of insurance disputes or payment errors.)

Never Throw Away

Marriage licenses	Birth certificates	Estate documents
Inheritance documents	Beneficiary forms	Adoption papers
Death certificates	Records of fulfilled mortgages	Birth certificates
Social Security cards	Marriage certificates	Passports
Legal filings	Military records	

For more information, visit the IRS website for Topic No. 305 Recordkeeping.

DID YOU KNOW? *(from page 3)*

ANSWER: "E: All of the Above"

When done properly, spring cleaning can help you feel better about your environment, extend the life of your belongings, and more. And getting rid of those items you no longer need can result in charitable deductions.

As the sun begins to stay in the sky longer, throw open those windows, clear out the dust and get your home freshened up—it is good for you, too.

Source: Facts.net

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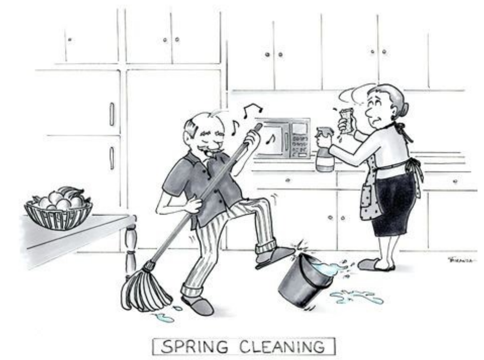
MONTAG Viewpoints
FIRST QUARTER 2024



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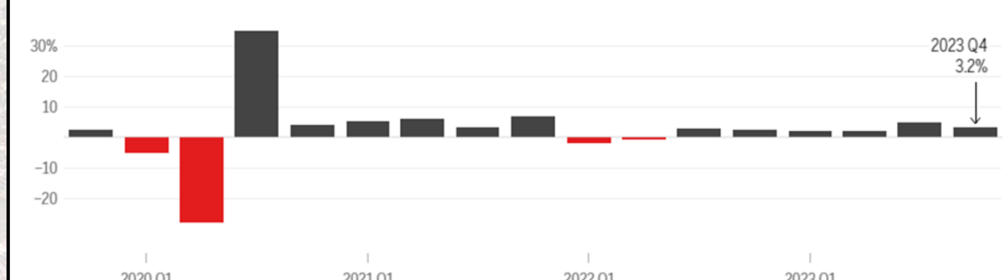
MARKET OBSERVATIONS — *Chris Guinther, Senior Investment Strategist*

Through 3/31/24, returns for the various indices are as follows:

	Q1 2024		
S&P 500	**10.56%**	**IWM**	**5.17%**
DJIA	**6.13 %**	**AGG**	**-0.77%**
NASDAQ	**9.13%**		

Good news, inflation slowed through the first quarter of 2024 and with that, the Federal Reserve shouldn't need to keep raising interest rates. In fact, the consensus view for 2024 is that the Fed will probably lower interest rates several times so they aren't restricting growth anymore. We tend to agree with that consensus and expect that if inflation stays flat or drops through the year, it's not just good news, it's great news! Stable or lower interest rates typically keep the economy chugging along as consumers and managers better understand what the future looks like in terms of growth. The U.S. economy has been extremely resilient in terms of steady growth since the Covid scare. As has been the case for many decades, owning big, public, U.S. based companies has generated tremendous growth. Over the past 10 years, returns for the S&P 500 index (the largest 500 companies in the U.S.) have averaged nearly 13% annualized. Compounded, that means investors have made over 3x their investment in a relatively short period that saw Covid, Inflation, 2 major wars, and, of course, much political turmoil.

Quarterly change in U.S. GDP



Data seasonally adjusted at annual rates.
Source: U.S. Department of Commerce

Since the collapse in the 10-year bond interest rates last November of over 100 basis points (1%), when the CPI (Consumer Price Index) came in lower than expected, equity markets have made material moves higher. When stocks move higher, that's a good indicator of what's to come in terms of economic growth, often measured by GDP. 2023 GDP growth ended up a whopping 6.3%. For 2024, GDP growth is currently expected to rise again by over 3%. We usually modify those growth figures by reducing them by the rate of inflation which has run hot the last few years, but still, nominal growth has been high and we're expecting it to continue through 2024 absent any big shocks. Reasons for this include strong labor demand, on-shoring as the world shuns China, and very high fiscal spending (a growing problem, but one that will be dealt with later).

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One developing theme that's both intriguing and confusing is AI (Artificial Intelligence) ....and it appears to have legs to run. We are in the early days for AI though and it's unclear what it will bring to each industry or how it will evolve. However, it feels similar to the beginning of the internet period to me (ala 1995). When I started in the business in the early 90's and the first internet company (Netscape) became public, our team was asking all the basics; what runs this thing called the internet, why do we need email, and asking generally what are obviously dumb questions today like, why do computers need to be connected? Little did we know that August 9, 1995 was the beginning of a revolution that would span 3 decades. Netscape, NSCP (the first internet browser) was priced at $14, then upped to $28 the day before the actual IPO. It reached $75 intraday when it started trading, to finally close at $58. Up nearly 4-fold in 24 hours. Wow, that had never happened before. The team was shocked by the volatility. Here was a company that had little to no revenue, let alone earnings, yet had plenty of future plans and hype, being valued at nearly $3 billion dollars. It later rose to over $10 billion only to be bought out by AOL and cede most of its 80% market share to Microsoft, and more of its share later went to Google, before becoming nearly non-existent....all within 6 years. That was followed by 100's of internet related IPO's over the next 5 years. (i.e. eToys.com, AOL, Yahoo, 3Com) New billionaires were being created every quarter in Silicon Valley and much of the world at the time "didn't get it."

What a ride that was, but it wasn't really over in 2000. The 'internet theme' was just on pause, only to gather steam with real revenue and earnings again by 2002. To keep the history lesson short, let's just say that the beginning of the internet period is rhyming with "AI" and it's happening again, right now, today as I write.

What is AI going to do? Who's going to use it? What is the ROI for companies adopting it early? Where are the revenues? Who loses and who wins? This sounds to us like 1995 all over again...all with about the same level of confusion. It took about 10 years before we began to see the real durable use cases of the internet and how it was going to change the world and every industry on the planet. This AI theme feels about the same. And for investors, it will probably be just as volatile. There will be early adopters and we will see winners emerge, only to see them potentially lose within 5 years. Early AI leaders like MSFT, NVDA, AMD, SMCI, TSM, MU and AMAT are making big moves the past 6 months and technology now constitutes over 45% of the S&P 500 (a new sector high!) All this to say, expect to hear a lot more about AI in the coming quarters and years. At MONTAG we continue to research, follow and invest in these themes, so based on investment objectives, it is possible that you will be seeing some of these stocks showing up in your accounts as well.

"...if inflation stays flat or drops through the year, it's not just good news, it's great news! "

Chris Guinther is Senior Investment Strategist & Portfolio Manager

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Stock Market Hindsight & Bias—How Could I Have Missed That? —

Have you ever considered buying a stock but decided to pass, only to watch it torment you by rocketing higher without you aboard? It happens to professional investors all the time as they analyze dozens of stocks, buying some while rejecting others, always knowing that some mistakes will creep in and some big winners will be missed. All investment managers make mistakes since the future is always uncertain and often surprising.

In reality, the decision to buy or pass on any stock idea is never as clear as it will seem with hindsight. Psychologists such as Nobel Prize winner Daniel Kahneman have identified a mental phenomenon called "hindsight bias", which is simply the extreme difficulty to judge, after the fact, how difficult

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DID YOU KNOW?

Many of us talk about it being time for a little spring cleaning, but the origin of the phrase isn't known. This is despite its being a common phrase in use for centuries.

What are the benefits of a little spring cleaning?

A. *Improved mental health*
B. *Home Safety*
C. *Extend longevity of appliances, furniture and more*
D. *Encourages philanthropy*
E. *All of the Above*

(Answer on Page 4)

"The human mind has a talent for tricking itself into believing that decisions that were always uncertain were, in fact, quite obvious, once the results are known. "

Ned Montag is CEO

MONTAG

a decision was before the outcome occurred. The human mind has a talent for tricking itself into believing that decisions that were always uncertain were, in fact, quite obvious, once the results are known. As humans, hindsight bias always creeps in, be it in life events or investment decisions. Many times, we are unfairly judged by this hindsight bias in life decisions as well as financial outcomes.

Psychologist Baruch Fischhoff demonstrated this phenomenon of self-deception by tasking a group to assign probabilities to 15 possible outcomes stemming from Richard Nixon's planned 1972 summits with the leaders of the Soviet Union and China. Once the trips were completed and the outcomes known, Fischhoff tasked his survey members to recall the probabilities they had assigned to each possible outcome.

The result? The participants overestimated the probabilities they had assigned to events that actually occurred, while underestimating the probabilities assigned to possible outcomes that did not. This same inability to remember after-the-fact what had been predicted before-the-fact occurred in other studies too. (Among the topics tested were the trial of O. J. Simpson and the impeachment of Bill Clinton.) As Fischoff wrote in 1975, "this lack of awareness can seriously restrict one's ability to judge or learn from the past."

Since hindsight bias makes tough decisions dependent on the future appear to be easier than they actually are, it can induce decision-makers to default their decisions to those favored by history and by the opinions of "expert" commentators. At turning points in history or the financial markets, following popular opinion can have severe consequences, but being wrong in defying popular opinion presents real career risk. The economist John Maynard Keynes understood this dilemma. He was not just possibly the most influential economic theorist of the 20th Century, but also a highly celebrated investor whose management of the Kings College, Cambridge Endowment Fund contributed to its massive growth. Keynes convinced the Kings College board to permit the addition of equities to its fund invested exclusively in real estate. Keynes reportedly bought out of favor stocks, often of smaller companies, and his returns reportedly exceeded the British stock market by about 8 percentage points per annum, an extraordinary achievement. In spite of this success, at some point, Keynes felt compelled to observe to "it is better for reputation to fail conventionally than to succeed unconventionally."

Hindsight bias is a phenomenon that becomes familiar to all long-term professional investors. Our best strategy to deal with it is to discuss with our clients why we are doing what we are doing, alongside an acknowledgement that there are plenty of times our investment choices simply may not work. The future is unpredictable! At MONTAG we recognize that investing is not about being perfect, but we adjust our decisions based on research, intellect, and probabilities, to help put our clients and their portfolios in the best position for success. We have been doing this for over 40 years and our seasoned portfolio managers will continue to use their insights and discipline with the goal of creating successful outcomes with competitive returns.

We will continue to study history while thinking ahead when we evaluate potential outcomes on your behalf.