



Nick Murray Interactive

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To the Prospective Subscriber

Nick Murray Interactive, now in its twenty-sixth year, offers multiple complementary resources:

- *An eight-page newsletter*, published on the last business day of each month, containing essays *for advisors only* such as you see here, on the economy, markets, practice management and financial planning. *The emphasis is always on giving you actionable real-life scripts*—what to say, not just what to think.
- *A Q&A/objections handling clinic (Ask Nick)*. Subscribers may email me directly with client/prospect issues they're encountering, and I'll formulate a response, usually within two business days. Selected exchanges are (anonymously) reprinted in the newsletter.
- Most (though not all) months, *a Client's Corner essay* for transmittal (subject to your own compliance procedures) to clients and prospects, *only by email or snail-mail of the pdf we provide*.
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I love producing this resource for its hardy band of subscribers, and would welcome the opportunity to do so for you, too.

Nick Murray

“There is no algorithm for empathy.”

—Dr. Hannah Wild

Tariffs and the Lessons of COVID

May 2025

WHEN LAST MONTH'S NMI WAS WRITTEN IN LATE March, we had just experienced the fastest ten percent S&P 500 correction on record—led by the hitherto unstoppable Mag 7, which were already in a bear market. All this as the dark cloud of the unknowability of tariffs spread around the world.

In the intervening month, the mystery of tariffs only deepened—climaxing in their being magically postponed for 90 days when the stock market, the bond market and the dollar went berserk, each in its own unique way. A relief rally ensued—as if, for all the world, the postponement did anything but prolong the impenetrable uncertainty.

As an investor in publicly held businesses the essential fact of what happened this month is that earnings visibility essentially disappeared. And when that happens, “the stock market” can fall as much and as far as investor hysteria will propel it. This it did.

In this as in many other respects, the current situation harkens back most directly to the Corona Crash of 2020.

You will recall that in February of that year, it became universally clear that a hundred-year virus of novel origin was sweeping the planet. Despite early and very compelling evidence that the disease’s lethality was hugely concentrated in the elderly and those with serious preexisting conditions, governments panicked and—following the example of totalitarian China—shut down their whole societies, including our own.

Earnings visibility ceased to exist. Companies could not begin to estimate how much they might earn—or rather how much they might lose—if they could not even guess at the extent to which they would be prevented from operating. “The stock market”—beset not merely by economic chaos but by rapidly escalating human tragedy—crashed.

On a closing basis, the S&P 500 fell 34% in 33 days—and might well have fallen much farther, had the monetary and fiscal authorities not begun carpet bombing the economy with freshly printed money, to the ultimate tune of some six trillion dollars. Whereupon the S&P 500 regained its original peak in five more months.

Moreover, in the five years from the March 2020 trough to

this February’s blowoff top, the broad market compounded at a just a hair less than 20% annually. Note well: *This is what it does.* It doesn’t just make up its losses. *It soars.*

A question arises: did anyone ask—at the panic trough of March 23, 2020—whether 500 of the largest, most profitable, most innovative and most strongly financed companies in the world had permanently lost a third of their intrinsic value as operating businesses? Because if they had, the answer would have been obvious: *the panic-driven prices of the stocks had broken off from the enduring values of the companies, and the two were now moving in opposite directions.*

This was the question investors might have been asking themselves this past month—as they watched the Index plunge, if only on an intraday basis, into what journalism exultantly called “bear market territory.”

The fact that the implementation of most tariffs has been postponed for 90 days—or in practice until tomorrow, when the president, as he does nearly every day, changes his mind—may reasonably have set off something of a relief rally in “the stock market.” But it manifestly doesn’t solve anything. Indeed it can only serve to drag out companies’ planning difficulties, postponing the return of earnings visibility that much further.

One can certainly hope for a slow, rolling completion of various tariff negotiations in the interim. One can sure as hell not count on any such outcome. And therefore, while steadfastly encouraging our clients to stand by their plans, we must take great care not to raise false hopes for the short to intermediate term.

If the fundamental outlook remains impenetrable in the absence of meaningful earnings visibility, we may at least begin to draw some cautious inferences about stocks. The most important of these is that all of history and logic teaches us that great companies emerge from significant episodes of uncertainty/adversity stronger and more focused than ever, as suggested by Walmart CFO John David Rainey’s quote on the front page.

The COVID episode offers very useful perspective. We’ve already looked at how frightfully stocks were marked down at the trough of the panic, and the extraordinarily above-trendline returns they produced in the five following years.

Microsoft at 50 and the Miracle of Compounding

May 2025

It seems probable that as the equity market continued its epic crash on Friday, April 4, most investors failed to note the great significance of that date in American economic history. It was, in fact, the 50th anniversary of the founding of Microsoft by Bill Gates and Paul Allen. Seeded with a few thousand dollars of the owners' capital, Microsoft's market capitalization surpassed \$3 trillion before the recent tech selloff.

You couldn't invest in Microsoft when it was founded; the company didn't go public for another 11 years, in March 1986. But suppose that instead you had invested \$100,000 in the S&P 500 Index right around the date of Microsoft's founding, 50 years ago. Suppose further that you had just left that account to compound, paying any taxes generated by your fund out of your own pocket.

By my count (*SWIW* pages 68-69), "the stock market" suffered 11 bear markets between April 1975 and the end of March of this year, or about one on an average of four and a half years. (That's deliberately not

counting the unpleasantness of this past month.)

The average drawdown was 26%; the largest was 56.8% over 17 months in the Global Financial Crisis.

Your \$100,000 investment in April 1975 compounded at 11.7% a year to a total of \$25 million at the end of March. (Source: S&P 500 Historical Return Calculator on the website "Of Dollars and Data.")

Microsoft is testimony to the boundlessness of American ingenuity and innovation, most particularly in technology. The S&P 500 is testimony to mainstream equities' unrivaled power to capture and compound that progress—while totally overwhelming all manner of economic, financial, political and geopolitical crises.

As the great Charlie Munger said, **"The first law of compounding is to never interrupt it unnecessarily."** The best time to buy the great companies in America is when you have the money. The best time to sell them is when you need the money. Everything else is the madness of market timing.

(Which were no walk in the park themselves, encompassing as they did *another* 25% bear market over ten months in 2022, when the inevitable helicopter-money-inflation butcher's bill came due.) Yet the Index compounded at an average annual 20%.

Invite your panicky clients to try to imagine the ceaseless agony of people who went to cash in those 33 horrific days and never got back in. Because those people are still out there: the financially undead.

But far beyond that, take clients back to the Global Financial Crisis. Tariffs may be in the process of completely reordering global trade (and then again they may not), but how serious are they likely to be in comparison to an episode in which the global credit system itself *entirely ceased to function*. As for several days in September 2008, after the Lehman bankruptcy, it surely did.

"The stock market" reacted very badly to *that*, if you

remember: cratering 57% on a closing basis over 17 months, climaxing in March 2009. At which point the power of the American economy, and the resilience and innovation of the great companies, began to reassert themselves. ***And the S&P 500 proceeded to compound at 16% for the next 16 years***, through this past February 19.

And consider this: from its intraday top at 6,147 on February 19 to its (so far) intraday trough at 4,835 on April 7 the Index was down 21.3%. Know when it was last 4,800? ***In January of last year***. So if one has anything resembling long-term perspective: ***In the last two months, at the very worst, all we've had to give back was the last one of those 16 amazing years!***

As I write, the S&P 500 is at 5,400, down about 12% on a closing basis. We were last at 5,400 as recently as August 2024. ***So far***, then, I have the greatest difficulty in seeing this "unprecedented cataclysm" as much more than a classic,

event-driven correction of a wildly overvalued, terrifyingly concentrated market. ***Why is no one saying this?***

The answer to that not-quite-rhetorical question is of course the two-word qualification ***so far***. It's possible that, rather than more clarity over tariffs and trade during these next 90 days, there emerges even less. It's possible that, in choosing to make tariffs the first great crusade of his presidency, Trump has imperiled the extension of the 2017 tax cuts. ***Anything's*** possible.

All we can be certain of is that financial media—which have to write and speak a million words every day whether there is any real news or not—will fill the 90-day void with largely negative narratives, agendas, invectives and speculation. What we can be sure of, in so many words, is that journalism will work ceaselessly to impeach our clients' confidence in the soundness of their long-term plans. I offer in evidence of this two absolutely classic examples of the way media actively encourage investors' worst instincts.

The first appeared in the economically illiterate *New York Times* as soon as the equity market had had its lightning-fast ten percent correction. Titled ***"Ride Out the Market Turmoil? Not These Investors,"*** it extols the deep thinking of a few carefully selected individuals who should never have owned equities in the first place. Far worse—if only because the *Wall Street Journal* should know better—was the immediate post-crash gem ***"Market Turmoil Shatters Long-Held Beliefs on Investing."*** Here we are treated to another selection of seemingly rational individuals, advancing what they see as sound reasons for making what may well turn out to be the greatest financial mistake of their entire lives.

Soon enough, the tragedy will again be complete, when sufficient volumes of common stock have been returned to

their rightful owners—a process that, as Bloomberg reports, is already well underway. "Corporate insiders scooped up shares of their own companies at the fastest pace in 16 months as the S&P 500 sank in March, and they kept buying at an elevated clip as the rout accelerated this month in the wake of President Donald Trump's global tariff rout."

Until the inevitable day when the great permanent uptrend of earnings, dividends and share values reasserts itself—if indeed it hasn't already—we may sit, of a chilly spring evening, and warm ourselves by the fire of the VIX.

Since 1990—and until the most recent unpleasantness—the VIX had closed out the trading week above a reading of 45 on 20 occasions. You will begin to see what must be coming when I report to you that all—I repeat all those 20 readings are clustered in 2008, 2009 and 2020, some of the greatest long-term buying opportunity years of this century. The most recent took place in the COVID panic month March of 2020. Until now.

On Friday, April 4, it happened again, at 45.3.

There has never been a 12-month period following one of these readings in which the S&P 500 failed to achieve a positive total return. The average 12-month return was 39%. ***The average five-year return was 139%.*** (Source: Charlie Bilello)

The future twists and turns of the Tariff Trauma remain impenetrable to us; likewise their effects on the markets. What we can know, as Behavioral Investment Counselors, is that massive episodes of investor panic—such as that which we've observed over the last ten weeks—aren't usually the beginning of something lastingly bad. Often quite the contrary. And thus quite the opportunity for the goal-focused, plan-driven long-term equity investor.

Ask Nick

September 2025

PUSHING BACK AGAINST PORTFOLIO TWEAKING

Q I'm a fairly new subscriber dealing with a difficult client, and I wonder whether you can think of one of your ***Client's Corner*** pieces that would be good for

this gentleman. His portfolio has returned 11% a year net of fees for nearly 15 years. He and his wife have more than they will possibly ever need. And he's asking questions like:

- * What do you think about U.S. vs. international?
- * What about the dollar vs. other currencies?
- * Do we have enough real estate?

A Clearly, you must not respond directly to any individual inquiry along these lines. Nowhere is it written that an advisor is obligated to speak

directly to a stupid/wrong question. And especially in a case like this, you're always playing whack-a-mole, because other equally stupid/wrong specific questions will surely follow.

What I would do is simply lump the questions together, gently declare them unanswerable and/or irrelevant, and reclaim the agenda, along these lines.

Thank you for your several inquiries about possible portfolio adjustments. I think the larger question is whether tweaking things like U.S. vs. foreign, dollar vs. other currencies or more real estate exposure—none of which I'd recommend doing—would meaningfully enhance the performance of the overall portfolio.

In my judgment they would not. As you know, our portfolio as presently constituted has been very productive for you—compounding at 11% for close to 15 years. To the

point where your capital exceeds anything you'll almost certainly ever need. The key question in that situation isn't (or shouldn't be) **how** to tweak the portfolio, but **why**.

I'd be very reluctant to tinker with it at this point, and I could not in good conscience advise you to do so. The late Nobel laureate Daniel Kahneman wonderfully said, "We would all be better investors if we just made fewer decisions." From my perspective (I'm delighted to report) there are no decisions you currently need to make, and therefore none you **should** make.

Thanks as always for being my clients. It is a privilege to serve you.

If he then comes back with another brace of these questions, he's not listening, and it's a pathology. Stand on this statement, and if he perseverates, end it.

Client's Corner

On Behalf of Your Financial Advisor: A Polite Request

[This essay is typical of the pieces I make available to newsletter subscribers most months, in pdf format, for direct transmittal to clients, though not in newsletters or any websites, which would open these essays up to the non-subscribing world. I retain the copyright, which must be cited. PLEASE NOTE THAT THE INCLUSION OF THIS ESSAY IN THIS SAMPLE ISSUE IS FOR ILLUSTRATIVE PURPOSES ONLY; NON-SUBSCRIBERS MAY NOT SEND IT ON TO ANYONE, WHICH WOULD CONSTITUTE COPYRIGHT INFRINGEMENT.]

March 2025

AS NOTED OFTEN IN THE PAST, THE FINANCIAL ADVISOR who sends you these essays from time to time has access to them because they're a subscriber to my newsletter for investment professionals. There's no other way to get them.

Most often, I'm attempting to flesh out a philosophical or strategic point about investing that I hope will resonate with you because your advisor has (perhaps often) made that same or a very similar point. I make no attempt to break new ground, not least of all because in successful long-term investing there is no new ground to be broken: the critical investment truths are genuinely timeless. I'm just trying to frame them in a way you may find helpful.

Given the cornucopia of chaos now swirling around the

economy and the markets (bad inflation numbers, almost daily new and different tariff proposals, and lots more), I thought I might step just slightly out of character this month and make a polite but deeply felt request on your advisor's behalf.

Simply stated, my request is: please cease asking your advisor to analyze the economic and/or market situation. I ask this for two good and compelling reasons.

(1) Your advisor has no more idea how these multiple dramas will play out than you and I do—because nobody does. And I do mean nobody. The newly installed president of the United States seems to be generating fresh chaos daily. The chair of the Federal Reserve may wish he had those last two rate cuts back, given the flaring January inflation numbers. And one can't help but wonder if the

new Secretary of the Treasury might be asking himself why he ever wanted this job.

(2) These issues have nothing to do with your advisor, nor the way they interact with you. You see, your advisor isn't an economic forecaster nor a market prognosticator. They're a very long-term (as in: the rest of your life) planner. And neither the twists and turns of the economy nor the gyrations of the market have anything to do with them—because those things have nothing to do with whether your long-term plan succeeds or not. A top quality advisor doesn't *predict*; they *plan*. And regardless of what else is going on in the world, if your goals haven't changed, your advisor will (quite correctly) tell you *not to change your plan*.

We observe, therefore, that the real reason your advisor politely pleads ignorance in the face of your economic/market questions isn't just that the answers are unknowable before the fact. It's that those concerns are, in the long run, irrelevant to the success or failure of your plan.

Thus my plea to you becomes: *let your advisor be good at what they're good at—charting a long-term course which has always succeeded over time—rather than asking them to be good at what nobody is good at: foretelling the immediate future.*

Already in this still young century, the broad equity market essentially halved in the implosion of the dot-com bubble, Enron and the accounting scandals. It

halved again in a Global Financial Crisis, during which the world's credit system at one point ceased to function altogether. The market declined by a third in barely a month when a deadly hundred-year plague enveloped the world in 2020. It went down 25% in ten months during 2022 when hyperinflation briefly threatened and the Fed engineered the fastest, steepest rate hike in its history.

Yet a \$10,000 investment in the S&P 500 at year-end 1999—right before the bubble popped—and left to compound had grown to over \$66,000 at the end of 2024. At no time during any of these very real crises could your advisor—or anyone else—have told you when and how the situation would be resolved, much less when and where the market would bottom. It was the wrong question then, and it's the wrong question now.

These last two paragraphs may appear to be contradictory, but in fact they're complementary. They tell us that even the most existential crises have historically been completely overwhelmed by the great American companies—innovating relentlessly, and increasing their earnings, dividends and share values in the long run.

These are the trends your advisor is focused on—and working to keep you focused on as well.

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Source: Compound return of the S&P 500 2000-24: Historical Return Calculator on the website "Of Dollars and Data." Underlying data from the Nobel laureate Robert Shiller.

Resources

October 2025

1 By far the most powerful item of periodical literature posted this summer—and the one we should send to all clients and prospects immediately—is the essay *"The Big Secret to Long-Term Investment Success"* by Morningstar's Daniel Sotiropoulos. It's essentially a paean to long-term optimism, with a ringing conclusion. "The most catastrophic disruptions are those we never saw coming. All those events tend to wash out over multiple decades. The secret to long-term

investment success comes down to tapping into...long-term economic growth in the most cost-effective way possible. *It also requires staying put when the inevitable downturns unfold* (emphasis added)." This is our entire philosophy; sometimes our clients just need to hear it from somebody else.

2 Americans' view of "capitalism" continues to deteriorate, according to a recent Gallup poll—while their belief in "small business" and "free

Some Further Thoughts on “The Mythology of Bonds”

September 2025

You’ll note that this month’s *Client’s Corner* focuses on the five years ending this December, which may end up being the worst such period for **stock vs. bonds** in at least 50 years. I freely acknowledge twice in that piece that I’ve chosen this period knowing that it’s something of an outlier.

Yet to me, it’s a wonderfully vivid and readily comprehensible demonstration of my work’s essential thesis, to wit: ***In real life, bonds are destructive of clients’ purchasing power over time, while equities are peerlessly accretive to it.*** And—again in real life—purchasing power is the single most important of all financial elements. Indeed, it’s the only rational definition of **money**.

Like all *Client’s Corner* essays, this one is meant to be a conversation starter. I question how many of your clients are likely to realize without any prompting that ***when these five years are over, the cost of living will have risen 25%. And it will not go back down.***

Inflation may accelerate or slow, and financial journalism will produce millions of words every month on the rate at which it’s changing. But for someone facing down a two-person three-decade retirement, the rate of change is almost an abstraction. There’s a much larger, even definitive truth about inflation, and for some reason it isn’t obvious. It’s that ***prices never go down.*** Let me say that again, because it’s the heart of the conversation I’m urging you to start here: ***The cost of living never goes down. It only goes up, at some greater or lesser rate.***

Another way of saying that the CPI will have risen 25% in these five years is, of course, that a dollar of fixed income will now buy only three quarters of what it did a mere five years ago. Heaven knows people are painfully aware of inflation as a generalized phenomenon—most sharply experienced in the cost of food. Indeed this issue was contributory to, if not decisive of, the outcome of the most recent presidential election. Still, one wonders if they’re taking full account of it **as investors**.

A fixed income buys inexorably less and less all the time.



That equity dividends rose over these five years at a significant premium to inflation—that they **accreted** retirees’ purchasing power, because that’s the very essence of what dividends do—is sadly not intuitive even to reasonably intelligent investors. ***We have to draw a line under it for people.***

But that can only come with full force **after** we bring the investor face to face with the fact that a fixed income buys inexorably less and less all the time. Such that in long retirements it can actually impoverish people—even as they pursue the toxic illusion of “keeping our money safe.”

With the whole world freaking out over stretched valuations and the overconcentration of the Index in the Mag 7, I can’t imagine a better time to be quietly refocusing clients on the power of dividends in general, and on dividend **growth** in particular. Since at least 1960, dividends have been growing at a rate very close to twice the CPI—just under six percent for dividends vs. just over three percent for inflation. ***People simply do not know this.*** If they did—if they took the full implication of it on board—your long-term stocks versus bonds conversations might get a whole lot healthier in a hurry.

enterprise” remains very high. (This supports the late Daniel Kahneman’s concept of “thinking fast,” the human capacity to hold ideas both intuitive and contradictory at the same time.) We Spartans, who hold capitalism to be our foundational truth, are thus having to row upstream that much more strenuously. The shortest, strongest and most profound elucidation of the subject is Roger Lowenstein’s September 1 *WSJ* essay “*How—and Why—U.S. Capitalism Is Unlike Any Other.*” It’s simply the best thing of its kind I’ve ever read, and a must-read for all of us. It should be sent out of the blue—quite unconnected to any other content—to all our clients and prospects. See the quick summary nearby.

3 A tremendous amount of silliness is written and spoken by “industry consultants” on the subject of how an advisor may, and I quote, “differentiate” himself/herself. Leave it to a genuinely successful toiler in our real-world vineyard to state and rigorously advance the thesis that the ultimate differentiation is *authenticity*. I refer to our mutual friend David Bahnsen’s August 21 posting in his B2Bahnsen series, “*How Can an Advisor Truly Differentiate?*” Not to be missed.

4 Our clients should see this under-two-minute *YouTube clip* from David Rubinstein’s interview with Chris Davis. Mr. Rubinstein, as is his wont, wastes the first 40 seconds with a question that could have been asked in half that time or less. This has the effect of

making Chris’s wonderful response even more powerful, to wit: “An advisor who can modify your behavior is one of the most important investments you make.”

5 To me, the two great underreported stories so far this year have been profit margins—which continue to expand despite inflation and tariffs—and a steady acceleration in labor productivity. “Creating more goods and services per hour of work,” the *WSJ*’s James Freeman reminds us, “is the path to higher wages and rising living standards.” See (and circulate) Mr. Freeman’s pithy *note* from August 7.

Lowenstein on U.S. Capitalism: A Quick AI Summary

- American capitalism fosters competition and incentivizes individuals, distinguishing itself from rival versions through Jeffersonian ideals.
- The U.S. resolved risk-taking by allowing speculation, leading to innovation, but also faces flaws like market-centric short-term focus.
- Despite inequality, American capitalism fosters opportunity, entrepreneurship, and attracts global talent, unlike more regulated economies.

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