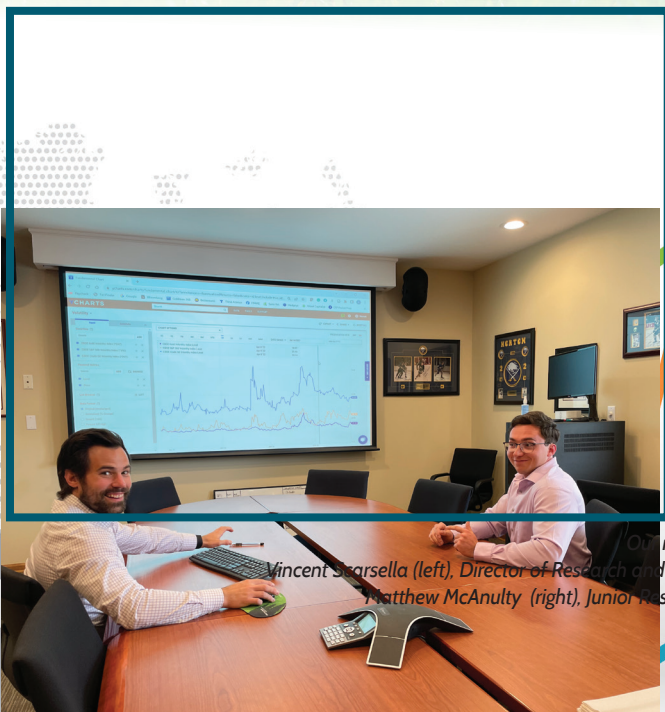


# the SGROI FINANCIAL

NEWSLETTER



Our research team:  
 Vincent Scarsella (left), Director of Research and Development.  
 Matthew McAnulty (right), Junior Research Analyst.

## Behind the Scenes with the Research Team

**A**t Sgroi Financial, we pride ourselves on always doing what is best for the client, both in our financial guidance as well as our investment strategies. As an independent, fiduciary firm, we do not have allegiance to any specific fund company or parent company that instructs us how to invest our clients' assets. Instead of outsourcing that work, we have our own financial research team working side by side with our financial advisors on a daily basis. We believe this approach has

set us apart from our industry colleagues by providing a more personal strategy to fit our clients' needs and goals.

Our research team, led by Vincent Scarsella CFP®, is the driving focus to keeping everyone in our office updated on global financial news. It is important to keep abreast of the day's news as it relates to how the markets are moving in the short term. However, more importantly, the markets are a forward-looking

*Continued on inside*



Our weekly portfolio meeting with the advisors lead by our research team


*Continued from front page*

entity; thus, the bulk of our team's time is spent studying the trends of the market, trying to anticipate where the markets may be headed. In the words of the great Wayne Gretzky, "I skate to where the puck is going to be, not where it has been". In addition to watching the markets, our team meets with outside financial analysts from around the world to gather opinions and different viewpoints. This allows our team to be open-minded to different strategies and ideas that

As we have seen in recent years, we need to be nimble as our outlook can change at any time due to some unforeseen circumstances. Once we agree, our team will adjust the investments in our portfolios to reflect any changes in our long-term viewpoint. Our research team is in charge of managing any trades needed for clients that are a part of our managed portfolios; providing swift action to keep up with the rapidly changing financial world. It is critical that our clients have a diversified portfolio spread among various asset classes that is tailored

to each investors risk tolerance and investment time horizon. No particular asset class wins every year that is why diversification is the key.

In addition, our research team will work with each financial advisor on specific client situations. Whether it is building a new investment strategy, reviewing

current investments or providing a second opinion it is a team effort to provide our clients with the most personalized plan. When you meet with a financial advisor at Sgroi, you may only be meeting with one person; however, there is a team of knowledge and experience behind that desk with your best interest in mind. 



might be beneficial for our clients.

Every week our research team leads a meeting with all of our financial advisors to review their data collected as well discuss what is going on in the global economy. Together, we build an outlook and investment strategy that fits our firms beliefs and risk tolerance to help prepare for the next few months ahead.



## *A Letter from the Partners*

### **Charles Schwab TD Ameritrade Update**

**A**s you may be aware, Charles Schwab and TD Ameritrade agreed to a merger in November of 2019. TD Ameritrade has been our custodian for our Sgroi Wealth Advisory Group clients since its inception in 2017. Although the merger closed in October 2020, to date there has been no impact to our clients as TD and Schwab have continued to operate as separate entities.

As some time has passed we wanted to give you an update on the timing of the consolidation and account conversion as we know it. We have been in contact with our client services team at TD throughout the process and we are being told to expect a conversion in the second half of 2023, possibly over Labor Day weekend. TD Ameritrade will be converting over to the Schwab platform. Outside of a change in your account number and the way your statements look we are expecting this to be a paperless conversion with very limited client impact if any. All existing account features will automatically map over to the new account including ACH, Systematic Investments and Required Minimum Distributions from your retirement accounts.

Until then there will be a great deal of things going on behind the scenes as we prepare for the conversion. Although some of the systems we use currently at TD will stay as part of the bigger organization, our staff will begin training on the Schwab specific tools and systems a few months prior to the conversion. We are excited about the possibilities this merger presents for us and our valued clients who will have access to new products and capabilities. We will keep you updated with more information as it becomes available. In the meantime, please do your best to get out and enjoy our beautiful WNY Summer!

All the best,

Patrick Sgroi,  
Partner

A handwritten signature in black ink, appearing to read 'P. Sgroi'.

John Clouden,  
Partner

A handwritten signature in black ink, appearing to read 'J. Clouden'.



*Patrick  
Sgroi*



*John  
Clouden*



# Volatility is the Price of Admission

*"You make most of your money in a bear market, you just don't realize it at the time"*

*– Shelby Cullom Davis*

To say it has been a tough first half of the year may be an understatement. As this letter is being written, the S&P 500 is down 19.22% and is on pace for the worst start to a year since 1970. What makes this year even tougher to digest is the bond market has been under pressure as well and is down 11.23%. Typically, bonds have had either a negative or low correlation to the equity markets, making them a hedge in a portfolio. There are many reasons why we have seen volatility in both the equity and fixed income markets. The biggest reason is the Federal Reserve was late in reacting to inflationary pressures and has had to hike interest rates this year to combat these inflationary concerns. The question moving forward is what happens next? Many would answer that question by looking at history. However, even a glance at prior bear markets reveals difficulty in doing so, as the lack of any pattern is the only evident thing.

Risk is always present in the markets, and is the main reason why stocks have returned an impressive 9% per year since 1990, despite being in two 50+% bear markets. In 2022, we are faced with a highly volatile market, filled with reasons to sell; however, some quick statistics may show you that selling and moving to cash during these volatile times could be a lost opportunity to generate real wealth in the future.

When you think about risk, it is most likely extremes that come to mind. Many think of the Great Depression, Dot-Com Bubble, Great Recession, and/or the Pandemic Crash of 2020. In regards to the Great Recession of 2008, from the March 2009 low to the start of 2022, the S&P 500 gained 818% or an annualized gain of 19%. This seems like a very easy ride to the top, however, what if I told you that there were 27 corrections

since March 2009 of more than 5%? Of these, 9 were larger than 10%, 3 were larger than 20%, and 1 was more than 30%. With each of these declines came fear-inducing headlines in the media that this is the end. On the day of the 2020 low on March 23rd, headlines claimed that we could be in the biggest economic downturn since the Great Depression. This wasn't the case, as the S&P 500 returned over 70% from there and ended 2020 up over 18%. All bear markets are different, and no one knows when the bottom will be for this one however, short-term risk in the market is the price you pay for higher longer-term rewards. Since 1928, the S&P 500 has generated an annualized total return of roughly 10% versus 5%



***"The biggest question moving forward is, what happens next?"***

for bonds, and 3% for cash.

At Sgroi we are remaining defensive for the time being, allocating to the areas of the market that can help weather this storm, and will pivot to offense once we feel that the worst is behind us. Fixed Income, although under pressure all year, could start to be that hedge in the portfolio again, as recessionary odds increase, so does the appeal of fixed income.

As always, thanks for the trust you've placed in us and understand that this year hasn't been easy. Sooner or later this will pass and a bull market will emerge. Have a great summer and enjoy time with friends and family!





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Vol. 12 No. 2 SUMMER 2022

*The Sgroi Financial* is the quarterly newsletter of Sgroi Financial LLC

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