

# The SGROI FINANCIAL

NEWSLETTER



## The Importance of Financial Literacy

*A key factor for money management success*



**F**inancial literacy is important because it equips us with the knowledge and skills needed to manage money effectively. Without it, decisions and actions that we may or may not take in our personal money matters lack a solid foundation for success. According to a three-year study conducted by the FINRA Investor Education Foundation, people aged 18-34 had the biggest drop in their ability to correctly answer 4 of 5 financial literacy questions declining from 30% to 17%.<sup>1</sup>

### How can this be?

In earlier generations, many of us were taught financial skills both in school and at home. We watched our parents living within their means, making a budget, and typically paying cash for items as opposed to utilizing credit. Nowadays, according to Next Gen Personal Finance, only 16% of high school students are required to take a personal finance course to graduate, and some aren't getting this knowledge at home.<sup>2</sup>

*Continued on inside*

1. *Forbes.com, July 12, 2019*

2. *NGFP.org, September 28, 2017*

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"Like all learning, financial education is a process that should begin at an early age and continue throughout life. This cumulative process builds the skills necessary for making critical financial decisions that affect one's ability to attain the assets, such as education, property, and savings, that improve economic well-being."

– Alan Greenspan, economist and former chair of the Federal Reserve of the United States

### Why does it matter?

Poor financial literacy skills can put people behind the 8 ball early in life and make it more difficult to dig themselves out of their financial hole. There are many influences in today's generation that make it much easier to fall behind, examples include student loan debt,

credit cards and store charge cards.

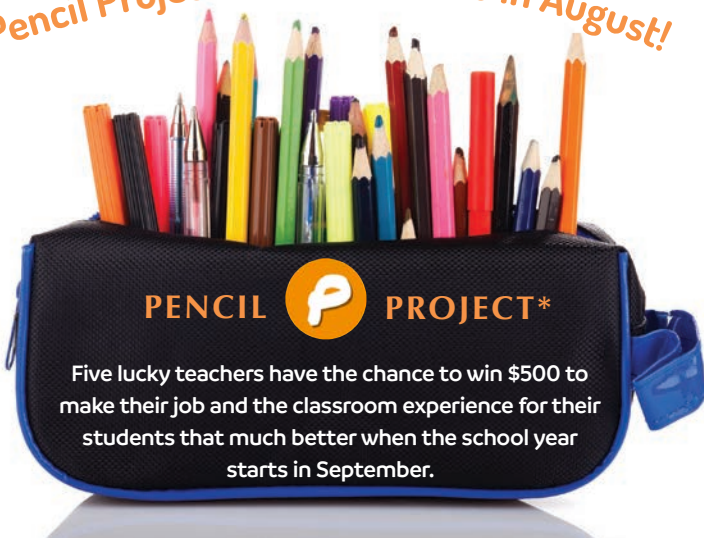
Nowadays, instead of paying cash for purchases, it is much more convenient to use credit cards. Shopping online and through various apps is certainly easier and more efficient, but it can also lead to spending money you don't have; if you don't have the self-discipline to pay off your credit cards at the end of the month, you are likely to fall into high debt. With this notion comes lower credit scores which leads to higher interest rates and less money available to purchase a home and/or begin saving for retirement.

### How we can help?

At Sgroi Financial, we recognize the emerging need to provide financial literacy resources for our clients and their families. Each quarter we will discuss a topic that provides knowledgeable information on different financial literacy skills.

*We encourage our clients and community to reach out to us if there is a particular subject matter that would like to be discussed! Should you have an inquiry, please send us an email to [marketing@sgroifinancial.com](mailto:marketing@sgroifinancial.com).* 

Keep an eye out for our 4th Annual Pencil Project Teacher Promo in August!





## *A Letter from John Clouden*

### **A Reflection on 27 Years of Service**

**T**his past February marked my 27th anniversary at Sgroi Financial, a milestone I am extremely grateful to have accomplished. Little did I know in 1994 that a push from my wife and a conversation with Joe Sgroi would lead me to where I am today.

I worked in the defense industry for 11 years prior to my start at the firm. My wife Robin was, at the time, working at Sgroi Financial and knew I felt unfulfilled in my current position and did not see a great professional future for myself. She convinced me to talk to my brother-in-law, Joe, about a career change. He took a chance on me, and I am so very glad he did.

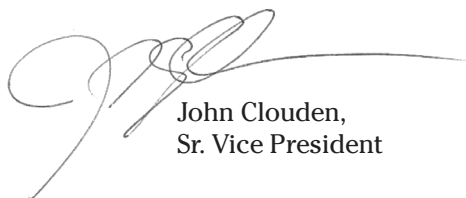
Having three young children at home, it was a bit terrifying to start over. I had to learn the ins and outs of a new office environment and the vast responsibilities of a financial advisor. Fortunately, for me, Joey was a great mentor who helped me transition into my new role fairly quickly. Many weekends were spent in Joey's office watching, asking questions, and understanding how and why he worked the way he did with his clients. "Always do what's right for the person across the desk," he would tell me, and to this day that saying still resonates with me and the firm. Other than my wife and kids, no other person has had more influence on my life than Joey. He taught me how to be a professional and the importance of being community minded.

Throughout my years at Sgroi Financial, it has been very satisfying to know that I have contributed to the success of this firm as well as assisting many, many people with their plans for the future. Pat and I are a great team, a team I wish Joey was still here to be a part of, to celebrate the milestone of 50 years in business.

I am very grateful for the unconditional support from my family throughout the years, as well as the hard work from each of our staff members; I would not be able to do my job without their help.

Thank you to my clients and our community for the continued trust and support. It has been my honor to watch you and your loved ones become financially strong throughout the years. I love my job, and I hope to continue on this path for many years to come.

All my best,



John Clouden,  
Sr. Vice President



*John  
Clouden*



# Inflation "Transitory?"

*"Inflation is when you pay \$15 for the \$10 haircut you used to get for \$5 when you had hair" – Sam Ewing*

Inflation is the rise of prices, meaning that the same amount of money buys less than it did in the past. Currently, inflation is rising, hitting some of the highest levels seen since the early 1980s. The Federal Reserve claims that inflation is purely "transitory," as we are coming off of very low "comps" from last year when the economy was shut down from the COVID-19 pandemic.

This is nothing we haven't seen before, as we have had many bouts with inflation in the past. Despite the fear mongers in the media, stocks typically do well during inflationary periods. In the 35 years since 1929 where the Consumer Price Index\* (CPI) was over 3%, the S&P 500 only produced negative returns in 10 of those years, or 29% of the time. In many of the down years the market saw in times of high inflation; there were other macroeconomic events occurring which weighed on stocks. These include the US entering World War II in 1941, the end of the dollar's gold standard in 1973, the 1990 recession and the tech bubble bursting in 2000.

Today, the government wants to stimulate the economy and cut unemployment. The Federal Reserve is key in all of this, as it has promised to let inflation run hot, getting over its 2% target, to reach its full employment goal. With all the stimulus bills passed last year, we now have a very high money supply, with excess savings over \$2.4 trillion. We have seen signs of overheating in areas of the economy, such as auto rental, air-



line fares, and used automobiles. Although the Fed sees this as "transitory," it is important to remember that collectively, these three items only have a 3.9% allocation in the CPI basket. Investors should focus on what matters most in the CPI, such as food, energy, and housing.

In our portfolios at SgROI Financial, we continue to favor value companies over growth. If inflation is not transitory, then value should keep outperforming these growth companies, as value stocks do better in periods of high inflation and rising real rates. Fixed Income has been the toughest asset class to deal with, as they have been out of favor with investors so far this year due to fears over rising rates. Bonds still do provide a ballast for our portfolios, and we have included some hedges like TIPS (Treasury Inflation-Protected Securities) in the portfolios, which often perform well in periods of high inflation.

## Definitions:

- Consumer Price Index - a measure of the increase or decrease in prices year over year 🌐

## Teacher of the Week Giveaway

*An update on our winners!*

*Educators are such an important part of our Western New York community, and we wanted to say thank you for all their hard work and dedication throughout the troubling times during the pandemic.*

*Starting back in April, we announced a new contest, **Teacher of the Week Giveaway**, as another way to give back to the educators throughout the 8 counties in Western New York.*

*Each Friday we randomly select a nominated teacher for their chance to win a **\$50 gift certificate** to local classroom supplies store, **Teachers' Tools & Treasures**, and the response was overwhelming! WNYers from across the area nominated teachers – over 450 nominations rolled in with more than 100 schools represented, and the contest isn't over yet!*

### **Our winners so far are:**

- Beth Farrar – Como Park Elementary School
- Mary Duerr – Blasdell Elementary School
- Elissa Gianadda – West Seneca East Middle School
- Julie Haylett – Anthony L. Fricano Primary School
- John Elliott – P.S. 67 Discovery School
- Amanda Kenney – Armor Elementary School
- Kristin Hess – D'Youville Porter Campus #3
- Karen Stachowiak – Akron Elementary School
- Danielle Potts – Maryvale Intermediate School
- Jennifer Sippel – Blasdell Elementary School

*There's still time to nominate an educator now through July 30th! Check out our website for more information:*

**<https://sgroifinancial.com/teacher-of-the-week-giveaway-2021/>**



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