THE FERRUCCI COMPANY

balance

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MARCH MADNESS!

Written by David Ferrucci

This week, men's and women's college basketball programs are competing to secure berths in the NCAA tournaments. Once the match-ups are set, the men's Division I tournament begins March 15th and concludes with the championship game on April 4th; the women's Division I tournament also begins mid-month and concludes with its championship game on April 5th. Though less attention is paid to the Division II and III tournaments, players at those schools are no less eager to win a title. All the while, millions of American fans will get swept away by March Madness!

Living in Connecticut, college basketball has become a very big deal. Since 1995, the women have won an unprecedented 10 National Championships, and the men have won four; certainly a lot to cheer about! The rest of the country has a lot to cheer for as well. Perennial basketball powerhouses dot the map with the likes of not only Connecticut, but also Duke, Indiana, Kansas, Kentucky, North Carolina, and many others.

As one who spends time on the topic of money, I have long wondered about the finances of March Madness. So, I investigated; and here are some facts about the men's Division I tournament:

- More than $50 million in ticket sales
- Approximately $5 billion in television advertising revenue since 2011

we play as though millions are watching us

- About $1.5 million per 30-second ad during the finals
- $5 billion annual sales of licensed college merchandise
- Americans will bet $2 billion during March Madness
- Total amount wagered over the basketball season: $10 billion
- Annual profit of $10 million for each of the high-profile schools
- Americans distracted by March Madness will cost employers nearly $2 billion in lost productivity (If writing this article qualifies, I am guilty as charged!)

Get swept away by the wonderful madness of March!

While these staggering figures fuel a complicated debate on the intersection of college sports and big business, March Madness also awakens in many the simple urge to play the game. My ten-year-old son, Nicholas, and I do tend to pick up a basketball in March more than any other time of year. Whether we're casually taking jump shots or playing one-on-one pick-up games in our driveway, we can play as though millions are watching us. At 5'6", I "tower" over his 4'6" frame. Occasionally, I take advantage of this height difference (a temporary advantage!) and slam dunk over his head. (Confession: the rim is only seven feet high.) Whatever satisfaction I gain from my aerial feat is eventually dimmed by Nicholas' buzzer-beating victory over me!

Like all sports, I respect the game of basketball played at a high level. I respect not only the skill, but more so the passion players and coaches take to the court. I also admire humility demonstrated in victory and grace in defeat, regardless of the sport. Yes, we will undoubtedly see a fair amount of showboating on the court throughout March Madness; the cameras often gravitate toward such antics. And, yes, the dollars can be dizzying. But we will also see exemplary – and sometimes profound – displays of the awesome characteristics mentioned above: *skill*, *passion*, *humility*, and *grace*. You won't have to look too hard to see them. And when you do, allow yourself to get swept away by the wonderful madness of March!

MARKETLIGHT

Written by Paul Ferrucci

Disconnect the Dots

I am reluctant to kick off any commentary with a statement about market returns, but in this instance, here it goes: from the start of the year through the middle of February, the S&P 500 was off 11%. While my reaction to this pull-back in the US equity markets is not one of excitement, I must admit a slight sense of relief. As an analyst of financial markets, I expect volatility. Historically, market-wide volatility of 10% or more has occurred, on average, once every year. The recent fluctuation, therefore, fits with history. Of greater surprise to me was the absence of this level of volatility in the US equity markets between 2011 and 2015. During that stretch, the S&P 500 had gone nearly four years without a 10% decline; hence the modest degree of ease I feel with regard to the recent market pull-back.

Since mid-February, equity indexes have increased slightly; rather than the aforementioned -11%, the S&P 500 was off only 5% through the end of February - good news! Meanwhile, the media's spotlight has shifted with great intensity onto the presidential campaigns, and some journalists, as well as investment professionals, are forecasting stock and bond returns based on various election outcomes. A variety of such "If/Then" scenarios have been broadcast among the media outlets. More generally, some connect election cycles with market behavior, suggesting equities perform one way or another during such periods. While certain patterns may seem to appear, we must be wary of these correlations; some have also connected the dots between market returns and events such as bird migration, snowfall, and winners of the World Series. Examining a portfolio strategy through the lens of these theories is a bit like planning winter and spring vacations based on whether or not Punxsutawney Phil sees his shadow.

While some financial and political prognosticators suggest connecting current events with your financial life, I am a strong advocate of disconnecting these dots. Yes, portfolio architecture and maintenance requires the connection of multiple variables. However, I am careful to not become distracted by the noise of current events. Rather, I turn, ongoing, to a single, overarching question: "What's the purpose of your portfolio?" Like the CEO of a corporation, you set the agenda; and, like a CFO, we design and implement strategies to help you realize your agenda, maintaining a disciplined approach through all the noise.

As always, you have permission to keep doing what you enjoy doing!

The Ferrucci Company is a wealth management boutique where families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

David Ferrucci: Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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