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The Reluctant Convert

Markets, Personal Finance, Travel, and Life

Issue
#25

Will Gibson, CFA, CFP, EA

Top of Mind

Every Trade is a Ballot

It's election day, so here's a corny yet somewhat accurate connection to investing.

Every trade is effectively a ballot, and price is the running tally. Following the price trend is a way to read that tally - and it has historically worked surprisingly well.

Why? The crowd is usually smart.

In *The Wisdom of Crowds*, James Surowiecki notes that on "Who Wants to Be a Millionaire?" the "Ask-the-Audience" lifeline was right 91% of the time, versus 65% for "Phone-a-Friend."

The catch: votes should be independent. Cliff Asness of AQR thinks that independence is eroding, with social media turning "a wise, independent crowd into a coordinated, clueless, ...dangerous mob."

And that's where the trend following and voting connection breaks down.

Because at the ballot box, you're technically part of the crowd. In the market, you're reading the crowd.

That said, a trend follower doesn't need the crowd to be wise, just to keep moving long enough in the same direction and have an exit plan.

And for the record, it's also a good idea to keep your politics out of your portfolio.



Does a 7% Mortgage Rate *Actually* Cost You 7%?

30-year mortgage rates surpassed 7%, again.

Naturally, that frustrated homebuyers because their estimated monthly payment on a new house just went up...by a lot.

Some hope prices will fall to compensate for higher rates, but I don't expect that to happen...nor do I think it'b a good thing.

However, there is a potential silver lining. Mortgage interest is tax deductible, which means it could lower your taxable income.

There is a quantifiable benefit to lowering your tax liability; the higher your income the bigger the benefit (usually).

Note: mortgage interest is only deductible if you itemize your tax return. Meaning, you need more deductions than the standard amount that all taxpayers receive.

Most people do not have enough deductions to itemize. If you're lost, keep reading here.

The Dave Ramsey disciples would probably crucify me for the remaining thoughts.

Regardless, here's a hypothetical example:

Say a couple just bought a house and has a relatively high income. Assume their state income tax, real estate tax, personal property tax, and giving add up to $32k.

(That's roughly the standard deduction, so it makes the mortgage math easier.)

Assume they also paid $20k in mortgage interest over the past calendar year.

That $20k of mortgage interest would *further reduce* their taxable income at the federal and state level.

Federal tax saved: $20k × 24% = $4.8k
State tax saved: $20k × 5% = $1k
Net interest cost: $20k - $5.8k = $14.2k
Effective rate: 7% × ($14.2k ÷ $20k) ≈ 5%

That's napkin math to make a point. The higher your income, the bigger the benefit.

Technically, this figure could change each year with your loan amortization schedule.

Regardless, it's important to tax adjust your cost of borrowing. What is considered "high interest" for some may not be for others, resulting in different debt strategies.

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ON THE NEXT PAGE

The Saver's Match
Coming in 2027

You may be eligible for a federal matching contribution to your retirement account next year.

Online Data Removal
Less Spam & More Security

Cassidy and I are paying less than $5/mo for an automated digital identity removal service.

Random Stuff
Charts, Blogs, & More

Notable changes to Social Security. Bilt changes its transfer ratio to Hyatt, and updated net worth data.

The Saver's Match



In 2026, if you save for retirement the government may take 10% to 50% of what you put in (up to $2,000) off your taxes, depending on how much you earn.

That can lower your tax bill by up to $1,000, or $2,000 for married couples.

It's currently called the Saver's Credit. Households earning $80k or less benefit.

But in 2027 the rules are changing, and in my opinion, it's for the better.

The Saver's Match is a new federal program that matches a portion of the money you save for retirement.

So, instead of reducing your taxes owed, you could receive a government contribution to your retirement account. It's like a company 401(k) match.

Example: You and your spouse each contribute $100/month to a retirement account. Assuming you qualify for the full 50% match, the government would then put an additional $600 in each account.

The first deposit would probably be in 2028, after filing your 2027 taxes.

Supposedly, the match will NOT count toward the annual contribution limit! However, it's expected that the government match will be pre-tax and not eligible for deposit in a Roth account

If you think you'll be eligible, or close, watch for communication and consider ways to manage your MAGI to get the max benefit.

Online Data Removal

Cassidy and I signed up for Optery in September, which is an automated data broker removal service.

Their system continuously scans the internet and automatically requests (on your behalf) that data brokers remove your information from their site.

It's only been two months since we signed up, but we've received noticeably less junk mail, emails, and spam calls.

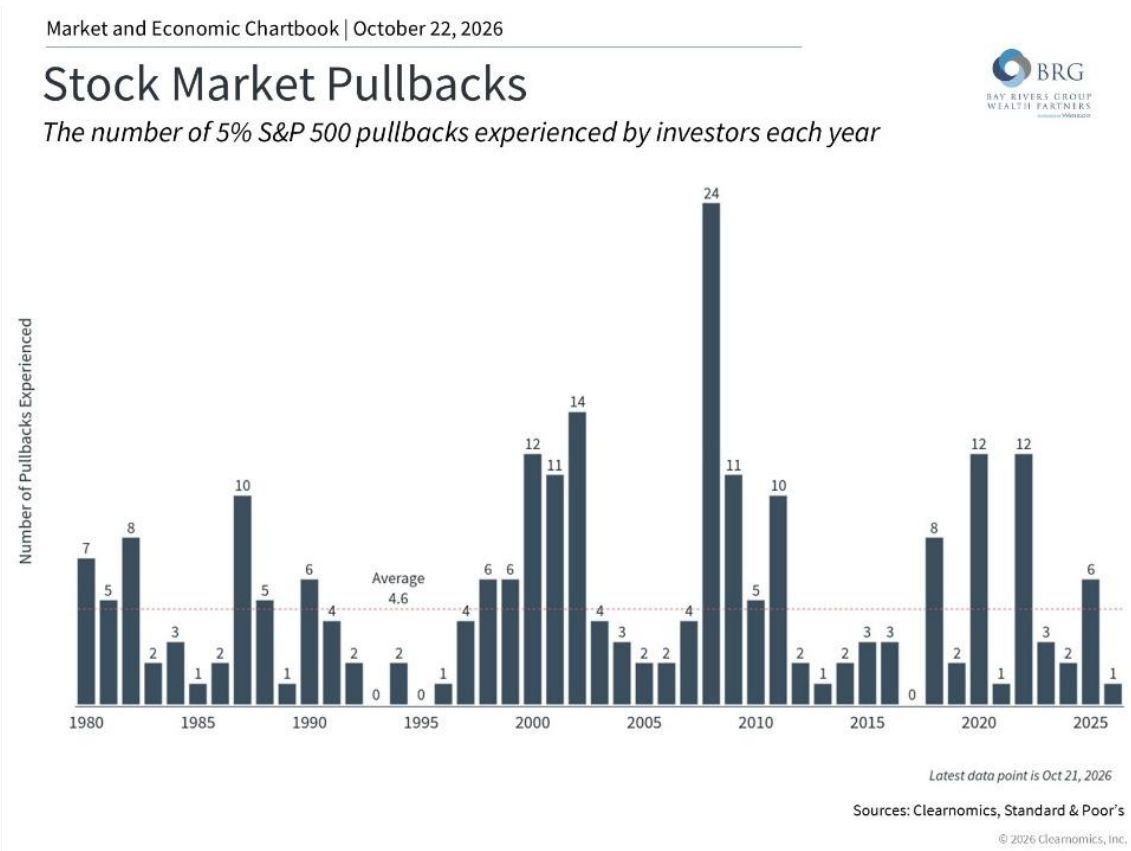
I know other people who also tried the service and reported a decline in spam.

Our Google search exposure has also come down considerably.

We pay about $3/mo. thanks to a promo, which seems well worth it so far.

Competitors include DeleteMe, Cloaked, and Aura. Some have proactive identity services too, which I guess is cool.

CHART OF THE MONTH



Pullbacks are normal

4.6

avg. 5% pullbacks per year since 1980

1

so far in 2026 (through Oct. 21)

24

in 2008, the worst year on record

Sources: Clearnomics, Standard & Poor's

FURTHER READING

Net Worth by Age

Of Dollars And Data →

Nick breaks down the latest data from the Survey of Consumer Finances, giving us an updated view of household net worth. He also strips out home equity at the end, which is super interesting. See how you compare, it may be surprising.

Social Security Changes

Journal of Accountancy →

In 2027, Social Security payments rise 3.6%, the income cap for Social Security tax rises to $192,300, and working retirees can earn more before their benefits are reduced.

The Half-Life of Money

Building Santa Barbara →

"Wealthy families experience a different type of inflation...luxury goods inflated 5.1% over the last four decades...double the inflation rate...private jets and yachts running north of 10% in some years - or nearly four times regular inflation..."

Bilt–Hyatt...Sad

PointsYeah →

BILT is cutting its Hyatt transfer ratio in 2027, which is horrendous news because Hyatt points are some of the most valuable in the hotel realm.

Ski Free with Alaska

PointsYeah →

Fly on Alaska Airlines to a participating destination, show your boarding pass and Atmos Rewards numbers, and you could get a free lift ticket.

Mississippi Burning

No Rebates →

This is a rather blunt Substack rant about why Europe is struggling, financially and socially. There's more to the situation than mentioned, but the post highlights some great data points.