Episode 19: Duration is Not Your Friend!

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Howard:
Good morning and welcome to *Financial Edge*. I'm Howard Silver, founder of Silver Edge Financial Group, and I'm joined—as always—by my colleague and co-pilot in all things market-related, Michael Bass.

Michael:
Thanks, Howard. Always good to be here, even if markets feel like they've forgotten how to behave themselves.

Howard:
That's a polite way of putting it. We had the Fourth most volatile trading week in over six decades. You'd think markets had a caffeine addiction and an existential crisis at the same time.

Michael:
Yeah, wild swings across equities, bonds, currencies—pretty much everything that moves. Monday, Tuesday, Thursday saw some steep drops, and then Wednesday gave us the biggest one-day rally since the depths of the financial crisis.

Howard:
Why the bounce? The White House hit the brakes on retaliatory tariffs—just a 90-day pause, mind you—but apparently that was enough to send investors rushing back into stocks like kids who just heard recess was extended.

Michael:
Exactly. But here's where we need to step back. Volatility is telling us something. It's not just random. It's a reflection of uncertainty—and right now, there's plenty of that to go around.

Howard:
Let's take a moment and get one thing completely clear. If your portfolio still holds long-dated Treasuries, municipal bonds, or corporate bonds with extended duration… it's time to take a hard look. Because those assets? They've been in the wrong place for a while now.

Michael:
Absolutely. Ever since the Fed began aggressively raising interest rates in 2021 to fight off inflation, the world of fixed income changed. And 2022 made it painfully clear—bonds had their worst year in four decades. First Republic, Silicon Valley Bank—gone. Wiped out not by loan defaults, but by the rapid devaluation of long-duration paper.

Howard:
This wasn't just a bad trade. It was a structural failure. These institutions didn't hedge their duration risk. And for everyday investors, the same lesson applies. If your portfolio still leans on duration-heavy bonds for safety—whether it's Treasuries, munis, or corporates—you could be exposed to the exact same risks.

Michael:
And look—maybe your advisor doesn't see it. Maybe they've been doing the same thing for 20 years. Maybe they believe those old allocation models still hold up. But if they're keeping you in long-duration paper while the Fed is still holding rates high and the yield curve is anything but normal… it's time to have a conversation. We've been steering clear of duration risk for years. Not because it was trendy. Because it was prudent. And in an environment where the safe stuff isn't always safe anymore, prudence is power.

Howard:
We do this every day at Silver Edge. And our team is built to navigate markets like these—where headlines are noisy, and strategy matters more than ever. If you haven't reviewed your portfolio in a while, this is your signal. Call us at 561-300-0090 or visit us at www.silveredgefg.com. You can also email us directly at howard@silveredgefg.com or email michael@silveredgefg.com. We'll schedule a no-cost, no-pressure consultation. We'll review your portfolio line-by-line and show you what risk is hiding where—and what to do about it. This is not the time to wing it. You want a plan that actually reflects your goals, your risk tolerance, your time horizon, and frankly, one that isn't built on guesswork.

Michael:
Alright, let's take a second and address the stat that's been floating around lately—you've probably heard it. The "5% day" stat. Yes, it's rare. Only 23 times since the inception of the S&P 500. And people love to point out that a year after those days, the market is up nearly 27% on average, and higher 91% of the time.

Howard:
Right, but here's the thing. Historical averages are just that—averages. They're not blueprints. You can't assume that a huge rally today guarantees a win next year. Look—these kinds of statistics sound good in a client newsletter or a cable news segment. But they're not a strategy.

They're just comfort food for the hopeful. They don't care about today's macro environment, rate policy, earnings compression, or geopolitical risk. They're backward-looking. They smooth out the messiness of real markets into a story that makes people feel better about inaction. What matters isn't whether the market *might* be up a year from now—it's whether your portfolio is actually structured to navigate the path in between.

Michael:
And right now, the biggest structural risk we're seeing? Duration. Long-dated bonds are still being treated like ballast in portfolios, and they're not holding up. They're not counterbalancing equity risk. They're compounding it.

Howard:
If you're still sitting in munis, long Treasuries, or corporates with 10-plus year maturities, ask yourself: why? Because 2022 should've been the wake-up call. Bonds got crushed right alongside stocks. And for investors leaning on the 60/40 model? That wasn't volatility—it was failure.

Michael:
Right. Our portfolios are built on principles, and one of the key principles we've stuck to? Discipline in reallocating.

Howard:
Every four to six weeks, like clockwork. No exceptions. Not because we think we can outguess the market—but because data drives decisions. Markets move. Sectors get stretched. Risk builds. That reallocating rhythm? It lets us take gains when assets overextend and redeploy where there's value. It's one of the clearest ways to turn volatility into opportunity.

Michael:
While most advisors were happily pushing clients into long-dated bonds chasing a few extra basis points, we stayed short. Not just recently—but for years.

Howard:
Exactly. Even when yields were scraping the bottom of the barrel, we told our clients: "Don't reach. Stay short." Why? Because when interest rates rise, long-duration bonds get punished. And now that rates have moved meaningfully higher, we're not scrambling. Our clients didn't take the hit.

Michael:
And we're seeing it play out in real-time. Portfolios with long-duration Treasuries or corporates are still digging out.

Howard:
That's the difference when you're not operating out of a one-size-fits-all model. We have flexibility. We're not stuck in style boxes. We don't outsource to some third-party strategy that trades once a quarter. And we're certainly not beholden to traditional portfolio theory that assumes the world works like a textbook.

Michael:
Real life isn't theoretical. Retirement isn't theoretical. Your financial future shouldn't be treated like a classroom exercise. At Silver Edge, we build real plans around real lives.

Howard:
We encourage listeners—if you're unsure what's sitting in your bond sleeve right now, or whether your portfolio is positioned for the next ten years instead of the last ten—give us a call. Let's review it together. It costs nothing, but it could be the most valuable 30 minutes you spend on your financial health all year.

Michael:
Call us at 561-300-0090. Or visit www.silveredgefg.com. We'll schedule a no-cost consultation. In-person or virtual—whatever works for you. And of course, you can reach out to Howard directly at howard@silveredgefg.com or email me directly at michael@silveredgefg.com.

Howard:
We're not the firm that waits for a problem to show up in your statement before making a move. We're proactive. That's how we avoid landmines like duration risk. That's how we help clients stay one step ahead—calm in the chaos, grounded in the process, and focused on outcomes that actually mean something.

Michael:
And when volatility spikes like it did recently—rather than hitting the panic button, our clients get to say, "We already planned for this." That's the power of doing it right the first time. Alright, let's continue to pick on one of the most persistent beliefs in portfolio construction: the 60/40 portfolio. For over 30 years, it was considered the gold standard—60% equities, 40% bonds. Why? Because it delivered equity-like returns with half the risk. Stocks would rise, bonds would hedge. Simple, elegant, effective.

Howard:
Until it wasn't. The year 2022 flipped that model on its head. Equities fell. Long-dated Treasuries fell *even more*. And for investors clinging to the 60/40, that wasn't just uncomfortable—it was devastating. It wasn't a hedge. It was a double whammy.

Michael:
And the reason is simple: correlation. When stocks and bonds *both* sell off, the 60/40 loses its

structural integrity. What used to be diversification becomes just two different flavors of downside. And if you're relying on Treasuries as a counterweight, you're assuming they'll always act as a safe haven. That assumption may no longer hold.

Howard:
Because the world has changed. We're not in a stable, low-inflation, rules-based environment anymore. We're in a global economy marked by trade friction, geopolitical realignment, ballooning deficits, and uncertainty around the dollar's reserve currency status. That backdrop reshapes how markets view "safe assets."

Michael:
And that's what's driving the big story in the bond market: massive moves in Treasury yields. These aren't just normal rate fluctuations. These are *structural dislocations*. That's not retail investors panicking. That's institutional unwinding. Margin calls. Basis trades gone wrong. When yields spike far beyond what inflation or growth data would justify, it signals a deeper concern: confidence is eroding.

Howard:
Confidence in what? In the reliability of policy. In the solvency of governments. In the assumption that Treasuries are immune to volatility. We're not saying Treasuries are going away—but we are saying the blind faith investors have placed in them as the bedrock of portfolio risk management is being tested.

Michael:
That's why we pay far more attention to Treasury moves than corporate credit spreads. Corporate spreads widen in recessions, then narrow as things recover. They're cyclical. They bounce. But the kind of dislocations we're seeing in Treasuries? Those are foundational. When the so-called "risk-free" rate becomes volatile, every asset class has to recalibrate.

Howard:
And here's the key: this isn't just an isolated event. It fits into a larger pattern of declining market liquidity. When liquidity thins out, you don't need a big shock to create big volatility. Prices get jumpy. Spreads widen. Confidence wanes. And suddenly, what felt like a normal pullback becomes something more destabilizing. And if your portfolio is built on assumptions from 1995, it's like building a house with an outdated blueprint in a neighborhood that's been rezoned and flooded three times.

Michael:
At Silver Edge, we've been positioning for this shift long before it made headlines. We avoided long-duration exposure. We stayed short. We built layers of flexibility into our models, because we assumed this world—this noisy, complicated, macro-driven world—was coming.

Howard:
So when we say "diversification," we're not talking about owning 100 tickers that all behave the same way when the market drops. We're talking about true diversification: across structure, strategy, liquidity, and time horizon.

Michael:
And that's how you build portfolios that last. Not portfolios that look good in a brochure, but portfolios that are actually built for this environment—the one we *actually live in* now.

Howard:
And here's something we've been repeating for years: we don't reach for yield. We don't buy long-dated bonds just because they have a shinier coupon. That's how you end up with portfolios full of duration risk that implode when rates move higher—as they now have.

Michael:
Meanwhile, we've kept duration short. Not because it's trendy, but because it's prudent. When you manage money with the assumption that conditions *can* change quickly, you tend to avoid getting blindsided. That's the Silver Edge way.

Howard:
All of this uncertainty points to one key theme: risk is rising. And not in a panic-your-portfolio way. But in a sober, it's-time-to-review-your-positions kind of way. And that's why this is not a time to take on excess risk just because you're worried about missing out on a rally. We're in a period where rallies might be opportunities to *reduce* risk—not add to it. Cutting risk doesn't mean running to cash. It means tightening up. It means reallocating from marginal positions into quality. It means reassessing exposure to overvalued sectors and stress-testing portfolios against multiple outcomes—not just the optimistic one.

Michael:
And that's what we do for every client. Not once. Not annually. But on a rolling basis. Adjusting, refining, asking the tough questions *before* the markets do.

Howard:
If you're unsure how much duration risk your bonds carry… or whether your asset allocation still matches your goals in this environment… or if you simply haven't had a real portfolio conversation in the last year, we invite you to connect with us.

Michael:
Call us at 561-300-0090. Or schedule a complimentary consultation at www.silveredgefg.com. Virtual or in-person, wherever you are, we're here.

Howard:
And if you want to talk directly, email me at howard@silveredgefg.com or email michael@silveredgefg.com. We're a boutique firm, and that means access. You don't get passed around. You get us. That's how it should be.

Michael:

Let's shift gears for a minute and tackle a few listener questions. We love these—real people, real concerns, and usually the kinds of questions everyone's thinking but doesn't always know how to ask. First one comes from Dave in Delray. He writes: *"I'm 62, just retired, and I've got a mix of 401(k) assets and some taxable investments. I'm hearing all this talk about reallocating, but how do I know when to actually do it? And is that something I should be doing on my own?"*

Howard:
Dave, first—congrats on retirement. Second—great question. Reallocating isn't just a calendar event or something you do when a headline spooks you. It should be systematized, data-driven, and personalized. At Silver Edge, we reallocate every four to six weeks, not just annually like many firms. Why? Because markets move fast—and ignoring that means your portfolio can quietly drift out of alignment.

Michael:
Exactly. And whether it's in your 401(k) or taxable accounts, the strategy matters. In retirement, reallocating isn't just about risk—it's about income. Cash flow. Tax sensitivity. So if you're doing it manually, it's easy to miss critical steps like minimizing capital gains, or adjusting for RMDs. That's where we come in. We do it for you, as part of a holistic plan—not in isolation.

Howard:
Next question—Sarah from Wellington asks: *"My advisor has me in a target date fund. It's supposed to get more conservative over time, but with everything going on, I'm not sure it's conservative enough. Should I stay the course?"*

Michael:
Sarah, you're not alone. Target date funds are sold as "set it and forget it" solutions, but the truth is—they're generic. Everyone your age gets the same mix of assets, regardless of income needs, tax profile, risk tolerance, or goals. It's like wearing a suit off the rack. It might fit… kinda.

Howard:
Right—and many target date funds carry far more risk than people realize, especially in the bond sleeve. We're seeing funds with heavy duration exposure that are getting hammered as rates rise. At Silver Edge, we don't use cookie-cutter models. We build your allocation from scratch, around *you*. And yes, we've avoided duration risk for years by sticking to our process—not the consensus.

Michael:
Another one here from Mark in Jupiter. He says: *"I have a bunch of Apple stock from my time working there. It's done great, but now it's over 40% of my portfolio. What should I do?"*

Howard:
Mark, first—nice job. But yeah, that kind of concentration is dangerous. One stock making up 40% of your net worth? That's not a portfolio, that's a bet. That said, we don't just tell you to sell and pay the tax bill. We work with clients in this exact position all the time.

Michael:
We can structure hedging strategies. We can offset gains with tax-loss harvesting elsewhere. We can reallocate around the position and use alternatives to diversify without triggering massive taxable events. There's nuance here, and we walk through it carefully.

Howard:
Let's do one more— this one from Jordan in Parkland. He writes: *"I've always thought bonds were the safe part of my portfolio. But after last year, I'm not so sure. What's going on with Treasuries, and are they still safe?"* Jordan, thank you. This is one of the most important—and under-discussed—questions we're hearing right now. For decades, U.S. Treasuries were the go-to safe asset. The ballast. The stabilizer. But what we saw in 2022—and frankly what we're seeing ripple through the markets now—is a fundamental change.

Michael:
It's not that Treasuries are suddenly "bad." It's that the assumptions behind their role in a portfolio need to be revisited. When rates rise sharply, especially from such a low base, bond prices fall—hard. Long-dated Treasuries got hit worse than most stocks.

Howard:
And it's not just about interest rates. It's about *perception*. In a world where fiscal policy feels chaotic, trade relationships are strained, and there's even whisper-level chatter about the dollar's role globally—safe-haven assets start to behave differently. Volatility creeps in. Liquidity thins. Price action gets sloppy.

Michael:
That's why we've been cautious on duration for years. It's also why we don't treat bonds as a monolith. There's a world of difference between owning a 30-year Treasury in a rising-rate, politically uncertain environment—and owning short-term, tactical instruments designed to weather that exact storm.

Howard:
So Jordan, it's not about abandoning bonds. It's about using the *right* ones. In the *right* context.

And building a strategy that reflects today's reality—not the one from a textbook written in 1993.

Michael:
These are the questions that really get to the heart of what we do. We listen. We assess. We design a plan that accounts for all of this—strategically, systematically, and personally.

Howard:
And if you're sitting on a question of your own—whether it's about your 401(k), your income plan, your estate strategy, or just "do I have the right advisor?"—let's talk.

Michael:
Call us today at 561-300-0090. Or head to www.silveredgefg.com to schedule your complimentary consultation. No pressure, just thoughtful guidance.

Howard:
And for those who prefer the direct route, email us personally at howard@silveredgefg.com or email michael@silveredgefg.com. We'll make time. As we bring today's discussion to a close, let's step back from the screens, the charts, and even the numbers. Because at the core of what we do at Silver Edge isn't just about risk metrics, reallocating, or market calls. It's about stewardship.

Michael:
That's right. It's about what it means to be responsible for someone else's future. Their retirement, their legacy, their sense of financial independence. That's a responsibility we take seriously.

Howard:
You're not a case number in our CRM. You're not part of a quarterly report. You're a person. With real goals, real anxieties, and real aspirations. And the truth is, the work we do together—when it's done right—shouldn't just make you wealthier. It should make you *wiser* about your wealth.

Michael:
Because smart investing isn't about always being right. It's about building a system that can absorb the shocks, adapt to change, and still move forward. It's not just about what you own. It's about *why* you own it, and what it's there to do for you.

Howard:
And let's be honest—when markets get rocky, and headlines get louder, people aren't just afraid of losing money. They're afraid of losing control. That feeling of "I don't know what's going on"

is what drives the worst decisions. Selling low. Sitting in cash. Chasing trends. Freezing when action is needed—or acting rashly when patience is smarter.

Michael:
That's why we spend so much time educating our clients. It's not to impress you with jargon or show off performance charts. It's to bring you into the strategy. To make sure you understand the *logic* behind the plan. So when volatility comes knocking, you don't flinch. You lean on the work we've already done.

Howard:
We say it all the time: planning is what happens when things are calm so that you don't have to scramble when they're not. We can't eliminate uncertainty. But we can design portfolios and structures that are built with uncertainty *in mind* from the start.

Michael:
And this is where we stand apart. We're not just tacticians—we're architects. Our portfolios are built on layers. Liquidity, income, growth, downside buffers, estate structures, tax efficiency—it's all integrated. Because a financial life isn't linear. It's complex. And that complexity demands a process that's rigorous, customized, and, frankly, a bit obsessive.

Howard:
And we like it that way. We do the deep work because we know that shortcuts in planning eventually show up as surprises in results. And nobody wants surprises when it comes to their retirement, their legacy, or their income.

Michael:
So if you've been working with someone who's just allocating assets and calling it a day—or if you've been on your own, cobbling things together from headlines and hot tips—it's time for something more. More clarity. More communication. More commitment.

Howard:
Reach out. Talk to us. There's no pitch, no pressure—just a real conversation about where you are, what matters to you, and what it will take to align your financial world with your life.

Michael:
Call us at 561-300-0090. Visit www.silveredgefg.com. And if you want to go straight to the source, Howard and I are always available at howard@silveredgefg.com or email michael@silveredgefg.com.

Howard:
We offer portfolio reviews that go way beyond "are you up or down this year." We look at

structure, alignment, tax exposure, liquidity, embedded risk, and whether the strategy in place still makes sense for the world we live in now—not the one we hoped we'd have.

Michael:
This is what we do. And we're proud of it. We're not trying to be everything to everyone. But if you want real insight, personal attention, and a plan that's as serious about your future as you are—well, then we're probably your people.

Howard:
Thanks again for joining us. Next week we'll continue the conversation, keep dissecting the signals, and offering the perspective you need to stay steady in a shifting world. Until then, stay thoughtful, stay strategic—and remember: in finance, as in life, the edge goes to those who prepare.

[COMPLIANCE: Government bonds are guaranteed by the US government as to the timely payment of principal and interest and if held to maturity offer a fixed rate of return and fixed principal value. The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield. Asset allocation does not ensure a profit or protect against a loss. The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. The principal value of a target fund is not guaranteed at any time, including at the target date. The target date is the approximate date when investors plan to start withdrawing their money.