



Banking System Update – Implications for Investors

March 13, 2023

Summary

- We realize that recent headlines over bank failures have been very unsettling.
- Despite the chaos in the media, we are not concerned about the health of the banking system from a depositor perspective.
- The Federal Reserve has stated that they will make available funding to all banks to ensure they are able to meet the withdrawal needs of all their depositors.
- Large brokerage firms have been provided with ample resources under a newly created government funding program to meet all the liquidity needs of their customers.
- These Federal programs make it unnecessary to move money or assets from your bank or brokerage account.
- We are comfortable with our individual equity positions in large well-run banks in our stock portfolios, however, poorly capitalized banks may be at risk.

Banking Headlines

In recent days, several banks and most notably SVB Financial (SIVB), have been taken over by the Federal Deposit Insurance Corporation (FDIC). To summarize, liquidity issues created a run on these banks forcing the FDIC to step in. Due to the extraordinary nature of these events, and a growing unease among bank customers, U.S. authorities introduced a new backstop for banks to protect all customer bank deposits.

As an investor, there is risk in weak banks as the government is not backing up equity holders. We currently hold JPMorgan and Bank of America in individual stock portfolios. These are premier banks, and we are not concerned about their health. We also are comfortable with our position in Charles Schwab, which recently issued a statement that they have “ample liquidity” to meet client withdrawals. In addition, more than 80% of deposits at Schwab are insured by the FDIC, notwithstanding the additional government support highlighted previously.

Conclusion

- We understand that recent headlines have been unsettling.
- Banks are now receiving additional government support to meet all customer withdrawals.
- Rest assured that we are on top of this situation and monitoring it closely as it develops.
- Tumultuous times are when you can count on us to provide perspective.
- If you have any questions or concerns, please feel free to contact your advisor.

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