



# BIRCHWOOD CAPITAL

## 2024 Annual Letter

January 22<sup>nd</sup>, 2025

*“Most people think things are going to get easier.... It never gets easier. So make yourself a person that ‘handles hard well’.” - Kara Lawson, Duke coach*

*“In this world you will have trouble, but take heart! I have overcome the world.” - John 16:33*

### Handle Hard Better

2024 was a year of growth, challenge and excitement. It was hands down the most pivotal year that Birchwood has had in its young life. The year started with me excited over the work before me and how I could continue to grow, and ended with me wondering how I could get all the work done.

In the span of about eight months, I went from being proud to finally be able to have a modest business that provides for my family to wondering how quickly I can bring another person on staff and pay to provide for their family. Change happens fast in a small firm. During these first four years of being in business I feel like we’ve already lived through infancy, childhood, adolescence, and stepped firmly into adulthood.

When I got a moment to breathe, I told myself: *“Just get through this and things will get easier.”*

Maybe you’ve told yourself something similar as well:

- Once I retire, things will get easier
- Once we finish this home remodel, things will settle down
- If only my portfolio got to this value and then stayed there, things would be a lot easier
- Once I’ve handled this family issue, things will be a lot better

Kara Dawson, head coach of Duke women’s basketball team gave a great talk on the idea of ‘things getting easier.’ If you haven’t seen the full [2 minute speech](#), it’s worth a listen. She’s talking to college basketball players, but the same speech could be said to you and me.

The truth is it will never get easier.

If you have a meaningful pursuit in life - raising kids, mentoring/coaching others, pursuing a career, caring for a parent or grandkids, starting a business, stewarding your wealth - *it will never be easy*. I’m learning to not wait around for stuff to get easier because it will never happen. You might finish something, but the ante always gets upped. In fact, something else will come along that will be hard. It will be discouraging. It’s supposed to be.



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The goal isn't to make things easier, it's to build the resilience and fortitude to handle hard stuff well.

My wife and I talk about this all the time regarding our kids. How do you make your kids “anti-fragile?” Not in the sense of being apathetic to the “sticks and stones may break my bones but words will never hurt me” type of thing, more like being able to handle things well when stuff doesn't go your way or when life expects a lot out of you and you need to step up. Can you have a soft heart toward others but also the strength to not collapse under difficult circumstances?

The benefit of handling hard stuff is well documented in the financial markets:

- Amazon is up 170,000% and yet *has plunged 95% in value and experienced multiple 30% declines*
- Microsoft is up 350,000% and yet *had 15 years of a falling stock price*
- Apple is up 120,000% and yet *has fallen by 75% 3 separate times and been cut in ½ many more*

This is what happens to successful teams and successful companies: the periods of trials give birth to great successes. The Ohio State Buckeyes lost to a mediocre Michigan Wolverines team this past year...and then turned around and won a national championship. Buckeye nation wanted Ryan Day's head and now has to settle for a championship trophy.

This is what also happens to successful financial plans. Trying times have come and are already on their way again. Will we be able to handle hard well, adjust, and adapt so that we're around to see the success?

## **This Years' Changes**

Here's how the year shook out in numbers, for the markets and the firm:

In 2024, the U.S. equity market returned almost 24%. This is the second year in a row of +20% market returns. While all stock asset classes worldwide (developed, emerging markets, real estate, bonds) were positive, they considerably trailed the U.S. market by 17-22%.

I know 2022 seems like a distant memory, but it was [pretty painful](#). 2023 got us back to even and 2024 pushed us into substantial positive territory. Remember this when we go through another tortuous period.

OK, vanity metrics time:

We welcomed 16 new clients to the Birchwood family this past year. The most we've ever had by a long shot. For those keeping score, assets managed by the firm at the start of 2024 were \$38.3 million, and we were working with 26 clients. We ended the year with \$74.5 million of assets under management and are now working with 42 families. Since Birchwood's founding we have never lost a client. The reason I can now say that is because the one client that did leave of their own choosing, came back in 2024. I know this streak won't continue forever, but we can celebrate it while it lasts.



Like I said [last year](#), small businesses don't stay small on purpose. You're either growing or you're doing something wrong. To be honest, I wasn't exactly planning on growing *that* fast in such a short period of time. Adding my first hire quickly became a priority.

Adding someone to work alongside you brings many complications. It's like when a team hires an offensive coordinator to be a head coach, but he doesn't end up being very good at it because calling plays and being a manager overseeing everyone are two very different skillsets. I'm aware of the difficulties and the importance of getting hire #1 correct. I struggled with this because I didn't want to mess up a good thing we had going with Birchwood and our clients.

A board member offered this advice to me when we were discussing hiring someone: "It is a gigantic step. But consider what can go *right* also, and your ability to go change more lives."

Sure, the difficulty of being a business owner just increases by having to oversee another person. It is much harder, but the blessings are well worth it. One of the biggest obstacles I've heard from people about working with Birchwood is that it is only me. What happens if I'm no longer around? I wrestled with how to handle this. The prior best option was to provide a list of vetted firms that clients could reach out to if I got hit by the proverbial bus. The other way to solve that would be to bring on another advisor to the firm.

In December, I hit the jackpot with hire #1, Matt Higbie.

When you work alone, you can only go so far. My knowledge and expertise have a limit. When you work with another person, you get refined and if you complement each other well then the results are hyperbolic.

Here's what writer and scholar C.S. Lewis said on what people can bring out in each other:

"If, of three friends (A, B, and C), A should die, then B loses not only A but "A's part in C," while C loses not only A but "A's part in B."

In each of my friends there is something that only some other friend can fully bring out. By myself I am not large enough to call the whole man into activity; I want other lights than my own to show all his facets."

Matt's background is extensive and packed with stops at some of the biggest powerhouses of finance. In short, he should not be working at little ole Birchwood. But get this, he wants to! And in a short time, Birchwood and clients have already reaped the benefits of having him on the team. I am not large enough to showcase all the facets of financial planning for clients. Matt helps bring out the best so that all of us greatly benefit. I'm exhilarated to learn from Matt and watch us better serve our clients.

**How Much Is Enough?**



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When I started Birchwood my goal was to work with around 50 families. It was a race to see how efficiently, yet thoughtfully, we could attract the right people to join our firm as clients, and allow me to provide for our family (kids apparently need new clothes as they get older, who knew?).

50 clients? This is a far cry from what a “top firm” looks like for most people. You look up any of the [“top firms”](#) across the country and it’s all based on the amount of money that’s managed by the firm. More equals better. I hate to break it to you, but Birchwood or myself will probably never be on a “top financial advisory” firm list. I’ll never be an [Investment News “40 under 40” advisor](#) (I can’t say under 30 anymore, darn!). I don’t make enough noise in the industry to be noticed.

I see it all the time. Advisors are looking around and going “how can I get noticed and be at the top?” There’s then the frenetic energy of more accomplishment, more growth, more success and more recognition as if that will cure all. Some people spend their entire careers in this first stage (more = better), rather than moving beyond it.

In my opinion, a top firm is where the advisors do two things: 1) know their trade craft backward and forward and 2) love and serve their clients well. As a third-party media outlet, how do you evaluate that? How do you determine if you’re the best at it? We’ll let someone else worry about it and focus on doing things 1 and 2 rather than raking in awards.

We must enter a second stage of maturity as a firm, otherwise we will try to relive the first one again and again. It would be a commitment to immaturity. Instead of seeking how to get more recognition and more growth for us, this second stage of Birchwood will seek how to love clients better. Outside of Birchwood, it will go completely unnoticed. But it doesn’t mean it’s any less valuable or important.

I felt like Birchwood did a good job of this even in our first stage, but there will be harder things to come and we want to handle it well for our clients.

-Will Birchwood continue to grow? You bet. We’ll need to add more than 50 clients, but can now do that methodically and not at the expense of our clients’ trust.

-Will Birchwood hire more people? Probably. But you’ll be able to count our team on a few fingers.

-Will Birchwood continue to stay small and personal? Absolutely. That’s the best thing about this firm!

-Will Birchwood continue to handle hard well? 2025 will tell.

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I’ll end this letter the exact same way as last year with a lot of gratitude. Thank you to my clients who put a lot of trust in our work. You make this job exciting and purposeful. Thank you to my mentors - Matt and Holly Lewry - and your timely wisdom. Thank you to my family: my wife, who is so encouraging



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throughout the year, and my kids, who remind me a successful day is not whether I've solved a problem, but if I've loved well.

*"You know, my whole life I have been complaining that my work was constantly interrupted, until I discovered that my interruptions were my work." - Henri Nouwen*

Stephen H. Nelson  
President