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From the Desk of Doyle Ranstrom

In March, while in the Twin Cities meeting with clients, I was watching the weather for the trip home the next day. Stephanie, our Client Relations Coordinator who often gives me good advice, told me over the phone in the morning to quit worrying about it today and check it out tomorrow. Later in the day, while driving from one meeting to another on I-694, the sunroof on my car imploded. This is very rare, the service manager had only heard of it happening one other time in the past ten years, but it can happen. The boom when it happened was substantial and the hole in the roof exceeded the size of a beach ball. Fortunately, I had the roof visor closed as my hair style does not do well in continual sunlight and no glass came in the car. I was not hurt and drove to the dealership to have it fixed. Stephanie made me remember that planning is important, worrying is pretty much a waste of time, and often the thing that goes wrong is totally unexpected.

As I reflected on Stephanie's comments, I realized they are applicable to a wealth management framework. When making wealth management decisions, it is important to balance risk and reward within your overall risk tolerance.

Considering the above, four comments come to mind.

1. There is risk in the world. One can plan for risk and reduce it but not eliminate it. It is an important part of the planning process, but one should not live in fear of risk.
2. Unforeseeable events can happen. It can be addressed in your overall plan, but there is no sense in worrying about it.
3. Too often we focus on the negative side of risk, but there is a positive side as well which we refer to as reward. Put simply, the risk of an investment going down is balanced by the reward of the investment going up.
4. It is a good idea for bald guys to keep the visors on their sunroofs closed.

My wife and I recently made a trip to the Balsam Mountain Inn, a historic hotel near the Great Smoky Mountains in the Blue Mountain Range. It was her birthday and we both enjoy a bit of history and time spent in the mountains. The Balsam Mountain Inn opened for business in 1908 with 100 rooms, majestic porches, and stunning views of the surrounding mountains. Given its perfect location near the highest altitude train station in the East, the Inn (and the town of Balsam) thrived, serving families on their extended summertime jaunts to the cool mountains, and away from the heat and humidity of the big Eastern cities. However, as cars slowly replaced trains, highways replaced tracks, and road-side motels in all their convenience replaced grander options, visitors slowed to a trickle and Balsam had turned into a forgotten backwater by the second half of the 20th century. Fatefully, in the early 1990s it was bought and restored by an innkeeper and preservationist who happened to stumble upon it during a hike in the mountains. Though I am certain the restoration has been a labor of love, the love part is quite evident as the inn is positively alive with over a century of memories.

These days, my wife and I found the hotel online and rented our room via Groupon (an online coupon service), ultimately paying less than 1/3 of the normal rate. Instead of a passenger train, we drove our car out there. At the end of a wonderful weekend, we signed up to receive promotional emails regarding the Inn's singer-songwriter nights, where a rotating cast of famous Nashville songwriters play their well-known and other not so well-known songs for an intimate night of music and sharing.

I bring all this up to highlight how things change, and at times fall apart, but often re-emerge into sustainability once more. In the late 1800s to early 1900s railroads were THE investment to make as they were the very symbol of technological prowess and industrial progress. However, in later years the interstate highway system, modern trucking, airplane passenger service, and over-regulation each dented the railroad industry in varying capacities. More recently, after de-regulation, increased energy costs (railroads are incredibly energy efficient), and an oil boom, railroads, and their stocks, are back in vogue again. Even Warren Buffett's Berkshire Hathaway owns one (BNSF).

Joseph Schumpeter called this capitalistic phenomenon 'creative destruction,' but the sobering erosion caused by the passage of time most likely needs no such introduction when a simple walk through a forest will readily showcase all the ups and downs that nature has to offer. I believe it is important for investors of all stripes to move past the idea that the market's blips on a screen represent nothing more than the pricing details of a piece of paper rather than ownership of actual businesses and industries. Railroads have always represented more than their ticker symbols. They were the industrial revolution, the connection of the American coasts, and, frankly, life to thousands of little known locales such as Balsam, North Carolina.

Over the last 50 years, an observer of the US manufacturing sector has seen the pinnacle of success turn into the outsourcing of millions of jobs, to a more recent industrial rebirth and 're-shoring' of labor. Correspondingly, fortunes have been made and lost and made again in North Dakota and Texas oil and gas fields, while construction workers in the housing sector have reason to be more optimistic regarding current and future job prospects after a very recent boom and bust cycle. Anecdotally, in the last two years I have purchased two pairs of American-made jeans which means that in all the blue jeans that I have owned over the years, I have worn exactly two pairs that were manufactured domestically.

All this is to say where some financial pundits see nothing more important than a tick up or down in price, we see a very human drama unfolding beneath the names of our investments. We think this helps us focus on what is actually important in long-term investing as these trends take years if not decades to fully play out. Just as important, it helps us focus on what is real in life. Things like your neighbor finding a decent paying job that helps support his or her family, or a recent graduate entering a much friendlier looking employment market, or even the restoration and revitalization of a sleepy little inn hidden deep in the Blue Ridge Mountains.

What is new always becomes old, but just as importantly, what is old often becomes new again. We live, and invest in, a fascinating world and, for our part, we are excited to continue observing and learning about it as we serve as a steward of your investment capital.

An Update on Estate Planning from Ryan

Estate planning can be a rewarding service to provide. Though it is easy to procrastinate when preparing your estate plan, we find that most of our clients are grateful when the process is complete. Additionally, when a taxable estate exists, some very simple planning tools can provide a great deal of tax savings.

However, all too often, one step in the process is missed. At times, lack of communication from the people creating the estate plan to the heirs of the estate can cause a great deal of conflict between heirs. I am sure almost everyone has a story of a relative or friend who felt slighted by a parent or ended up with strained sibling relationships after their parents passed away. There are many reasons to not share every detail of your estate plan with your heirs, but sharing key details of why you have made these decisions can potentially save a great deal of pain for those close to you after you pass away. Even if everything is divided equally among heirs, heirs may not see it as such.

At a minimum, we recommend making a comprehensive list that you can provide to your loved ones which indicates where your important documents are stored, who to contact in the event of your passing, and a list of your accounts and where they are held.

Regardless of how much one decides to share with heirs, please do not let procrastination stop you from at least getting a plan in place. No plan is not a good plan, as the state has a plan for you if you choose not to create one yourself.

Information on Your Performance Report from Courtney

Each quarter, you receive a Performance Report from us. This report provides information on your account(s), current holdings, account balances, and performance information. As you read the enclosed report, we want to highlight a few areas and provide information to help you get the most out of your report.

The first page of your report shows which accounts comprise your portfolio and the date range of the report. When you see "Since Inception" numbers on your report, refer back to the date range shown on the first page. This range shows when your accounts transferred to our discretionary models. Unfortunately, your reports do not show performance information prior to transferring to our discretionary models. If you would like historical performance information regarding your accounts, please contact us.

Page two of your performance report is a summary page. The "Portfolio Value Summary" section shows your year-to-date return information and summarizes the activity in your account. Please be aware that on your current report, year-to-date means the first quarter of the year (January 1, 2014 – March 31, 2014). This page also gives you a breakdown of your allocation by asset class and a chart of returns since your account transferred to our discretionary models.

Page three summarizes the account(s) in your portfolio and provides year-to-date and since inception return information broken down by account.

Beginning on page four, the current holdings are listed for each of your accounts along with the corresponding year-to-date return. Again, the return information on the enclosed report is for the first quarter of 2014 only.

As you review your Performance Report, there are a few things to keep in mind:

- At this point, the year-to-date numbers only cover three months of data. We invest over the long-term and build our portfolios accordingly. The year-to-date numbers on your enclosed report are a snapshot of a fairly short period of time.
- As the year continues, the year-to-date numbers will encompass larger date ranges. For example, when we mail the Performance Report in early July, the year-to-date numbers will cover the first two quarters of 2014 – January 1 through June 30.
- While the stock market as measured by the S&P 500 was relatively flat in the first quarter of 2014, it is important to remember that past performance is not indicative of future results. The daily market gyrations operate as an excellent distraction; however, we believe in taking a long-term viewpoint as we help you work towards your financial goals.

As always, if you have questions on your Performance Report or want information on your historical returns, please let us know.