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From the Desk of Doyle Ranstrom

Recently, I was meeting with one of our many wonderful clients for a review and update. As part of the meeting, I not only reviewed the allocation models in his Portfolio but the other models we have available. We want clients to be aware of all of our options, even if some may not be appropriate for their situation. We have low risk, moderate, moderate growth, and growth models. For example, our core model, the Global Spectrum, is not designed to have a stock market return, but rather have a return in excess of inflation with reduced market risk or volatility. (Note: There are never guarantees of future performance or that objectives will be reached.)

After discussing the models, the client looked at me and said, "Doyle, are you better than you were before?" Frankly, at first I was a little offended which he sensed, so he added that he was not trying to be critical, but it just seems like our firm is better. After thinking about it, I agreed, we are better, much better than before. I thought we were good before, but times are different.

Today's global markets, economies, and political turmoil are different than past decades – not necessarily more difficult or worse, and in many ways better with more opportunities, but clearly different.

- In the 1930s, life expectancy was about age 58. Social Security benefits did not start until age 62. Today life expectancy is about age 79. Keep in mind, that means about half of the population lives longer than that. Life expectancy at age 65 is about 20 years and one out of four individuals who reach age 65 will live to age 90. Planning for retirement, both accumulation and distribution, is much more difficult today.
- Technology has changed our lives. Farmers have GPS in their tractors for working the fields. Doctors use lasers to do surgery. I bought my first computer in 1989. Now, I have a laptop, iPad, and iPhone, all of which can access any personal or business information I need at any time. The virtual world is here to stay which creates its own set of investment opportunities and risks.
- We are continually bombarded by information which sometimes affects markets and often does not. Markets trade in nanoseconds. The negative news can lead to fear in many. Those who succumbed to fear at the end of 2008 into March 2009 missed one of the greatest stock market recoveries of all time. We filter through the information to develop strategies for enhancing return and reducing risk or volatility.

In 2012, we developed our own proprietary discretionary asset allocation models to both take advantage of the opportunities and manage the risks in today's investment world. In addition, we have our own internal portfolio manager, Morgan, whose full-time position is tracking economic and market conditions and evaluating asset classes, ultimately leading to investment selection and ongoing monitoring for each of our models.

As Courtney discusses in her article, we recently invested in a comprehensive financial planning and money management package which will help us plan and coordinate all are-

as of a client's financial plan. This will better help us plan for our client's future, be it money management, asset accumulation or distribution, risk management, estate planning, and distribution to heirs.

In short, we are better, and our goal is to continue getting better. You should expect no less from us and neither should we.

An Investment Update from Morgan

Happy summer everyone! Amidst the North Carolina heat and humidity and one long car ride with my wife and our new puppy (Sven the border collie!) to escape it, I have been making my way through an interesting book by Gerd Gigerenzer called *Risk Savvy: How to Make Good Decisions.* With ample corollaries to much of Nassim Taleb's work on the misuse and misunderstanding of statistics and statistical models, Mr. Gigerenzner makes an interesting point: complex systems do not demand complex answers. In fact, battling complexity with more complexity may only further destabilize the system. Rather, the best route for maneuvering through or acting within a complex system may be a broader, simpler solution such as the use of a heuristic, or rule of thumb.

I have been chewing on some similar thoughts for quite some time and I find the push toward simplicity intriguing both in everyday life and within the broader spectrum of the economy and financial markets – two interrelated systems that offer the height of complexity. The more I study the most recent financial crisis and its relationship to past crises, the more it becomes obvious that a central tenant of all of them is extreme overconfidence in an idea, opportunity, or institution. Throughout the early to mid-2000s, complex financial models were based on the idea that we had entered a "New Economy" where the risk of recession had been dramatically reduced due to financial innovation. Like so many other closely held doctrines, this proved false.

In recent years, the coin flipped as it so often does. Now, instead of a riskless "New Economy" we have a terrifying "New Normal" with limited growth and high risk of recession. True to form, regulatory authorities continue to fight the last crisis by adding layer upon layer of regulation to the banking sector. Most notably, the Dodd-Frank Act was succinctly summarized in roughly 800 pages and has thus far created over 13,000 pages of additional rules.[1] The Federal Reserve, which under Greenspan epitomized 'laissez faire' ideology, is now obsessed with alleviating every less than optimal economic data point – (they call it 'macroprudential regulation,' we call it nitpicky). Our fear is that our society's obsession with 2007-2009 and the resolve to never experience such pain again, has led us to miss the forest for the trees. Though I have not read one word of Dodd-Frank, I rest assured that it will not immunize the economy from future financial panics. Correspondingly, I trust Ben Bernanke and Janet Yellen's Federal Reserve policies will have ample unintended consequences, just as they always did under Alan Greenspan. At the end of the day, complexity has been met with added complexity.

And so to circle back, we are left thinking about simple investment responses to an increasingly complex financial world. First, instead of feeling paralyzed by past market sell-offs, we might hold a more constructive view on equities. Additionally, instead of seeing financial institutions as more risky given recent experience, we might see them as less risky after cleaning up their balance sheets and, in many cases, shaking out ineffective management teams. Lastly, we might consider that the Federal Reserve will get exactly what it wants – full employment – but risk inflation in the process,

[1] http://www.davispolkportal.com/infographic/july2013infographic.html

hurting the case for bonds and arguing for an allocation toward commodity-related equities. I know none of this with any certainty – and risk is always present – but these seem to be a few basic responses to the present situation. My computer did not generate those ideas and they certainly are not the result of some complex algorithmic calculation. However, I trust that does not degrade their usefulness in practice. At the end of the day, no plan is fool-proof, but maybe that is indeed Mr. Gigerzenzer's point: instead of creating the optimal fool-proof plan, perhaps we should instead be worrying about how many fools are providing the proof.

An Update on Retirement Planning from Ryan

Americans seem to be putting off many things until later in life, like marriage, buying a home, and having children. Unfortunately, another trend we see is people not putting enough money away for retirement in their early years. Too many Americans realize at age 40 or 50 they have saved nowhere near enough to that point in their lives and end up scrambling to save as much as they can before they retire. Or worse, they deem the amount needed to be saved too much of a hurdle and don't do anything.

Obviously, the best advice we can give is to save early and often, compounding interest is a powerful tool. But for those that are already age 40 or 50 and behind on retirement savings, there are some things that can be done:

1. Track your spending. Setting a budget is a huge plus, but most people who simply track their spending quickly realize where they can trim some expenses. After a month or two of tracking spending you should be able to cut out excess expenses and save the difference.
2. Don't Upgrade. So many people feel the 'need' to buy that bigger home or get a new car instead of driving the current vehicle a few more years. It is generally impossible to catch-up on retirement savings without lowering or maintaining home and auto expenses, which can be two of the largest personal budget items. In our experience, 'too much home' is (by far) the number one killer of retirement saving. It is very tempting to keep up with the Joneses, but if you are already behind the eight ball heading into retirement, it will be best to back off spending to enjoy your later years.
3. Save Future Income. How does one save future income? Make a promise to yourself to save half of that next raise or bonus. It is easy to increase your lifestyle with every raise you get, but if you can save a portion of all increases your retirement savings can start to rise also. Similar, set your 401(k) contributions to automatically increase by a percentage point every year (or whatever you choose). Chances are you may not even really feel that type of small change.
4. Consider Part-Time work. Even a few hundred dollars a month can help add to your retirement kitty. Along these same lines, consider working longer in retirement. Maybe complete retirement will not be an option. Finding a job or career that will allow you to taper off your workload as you get older is ideal.
5. No More Consumer Debt. If retirement is a priority, debt is simply a drag on your goal. Try not to borrow against your home. As interest rates hover around all-time lows it can make sense. However, a paid-off mortgage heading into retirement is a huge advantage.

Most importantly, do something. Don't be ashamed. You are not alone. Make some changes and start on the right path to building a more comfortable retirement.

An Update on Technological Enhancements from Courtney

As my dad mentioned in his T&C article, we recently started using a comprehensive financial planning and money management package to help us better coordinate our clients' assets and give our clients the opportunity to see many parts of their financial picture on an ongoing basis. The biggest perk of this program is the ability to aggregate accounts. From the client portal, you can log in and see your accounts with us as well as any other accounts you would like to view including your employer-based 401 (k) accounts, checking account, credit cards, mortgage, and car loan.

As we meet with clients, we will be giving them the option of using this program. From the client portal, you can add accounts which will be summarized on the home page into different categories including cash, credit cards, investments, life insurance, loans, and property. To connect your outside accounts to the client portal, you will need the account's username and password. This will provide a link to the client portal and automatically update the data. If you don't have online access for an account, we can also add it manually. Once your accounts are entered, you will be able to see your Net Worth on an ongoing basis and a breakout of your investments. If you enter your checking account and credit card account information, you will be able to track your spending and budgets. By default, the client portal does not allow our firm to see your individual expenses. However, if you would like us to have access to that data so we can help you analyze your spending and budget, you can change the setting.

From the program, you will not be able to move money around, pay bills, or make transfers within your accounts. The program is read-only meaning that it provides information but is limited in what it can actively do. If you would like to add or withdraw money from one of your accounts with us, please contact our office.

You can use as much or as little of this program as you would like. If you are not interested in accessing the client portal, you don't need to. If you are interested in the client portal, but don't feel particularly tech savvy, do not fear – my dad has been using the program without issue. We will be using the program behind the scenes to better organize your information. As financial planners it is very useful for us to see a client's financial information in a summarized fashion and be able to drill down into the details. While we were already doing most of this work prior to adding the program, it is more efficient for us to house the data in one location. In addition, since the program is web-based, we can access it from anywhere.

As for the security of your data, the program requires individual usernames and passwords to access your client portals. Passwords and account data are stored and transmitted in an encrypted format. Only you will have access to your password. As always, please remember to use strong passwords and do not share them with anyone.

If you would like to get started using the client portal, please contact our office to set up a time to meet with Ryan, my dad, or me. I am also available to meet via Skype or FaceTime if that works better for you. Alternatively, I can email you instructions on setting up your client portal and getting started.

In other news, we have started blogging on our new website. I will be writing primarily about financial planning topics and Morgan will provide his investment commentary. Periodically, you may see posts from Ryan and my dad. If there is a financial planning or investment topic you would like to see on our blog, please email me.

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