

# THE \$TRATEGIST

## The Cost of Liquidity or the Price of Safety

By Thomas M. Wargin, CFP®, CFA

As the stock market continues to bump along and volatility rises, investor enthusiasm also increases. Those hoary days of 2008 and early 2009 seem banished forever. Or so we hope. If we were to look back and analyze what would have reduced the losses incurred by most investors then, we would have to conclude that a higher cash position would have been great ballast.

In fact, cash has always been king when crises hit, allowing investors to cushion their loss and take advantage of other opportunities at lower prices. However, there is always a cost to that cushion. When money market rates were at 3-5%, returns were not affected as much by having a higher cash position. But with rates around 0%, the cost of

keeping larger amounts parked in cash is the potential loss of earnings elsewhere. *That is the cost of liquidity.*

However, the money that is sitting there also has no downside risk. It is unaffected by a drop in the stock market or a rise in interest rates. So no matter what happens to the stock market, or when the Fed begins to raise interest rates, that money is safe from decline.

The stock market has entered its seventh year of gains. According to Jim Stack of Investech Research, this is a feat that has been matched only three times in the last 85 years! Therefore, in the interest of safety and not market timing, we started to accumulate some opportunity money in your accounts because we have found it more and more difficult to



find investments that meets our (your) criteria. This may have, and will most

*continued on next page*

## Planning Notes

By June A. Schroeder, RN, CFP®

### Retirement Planning Adds Value

A recent article in *Forbes* highlighted results of a retirement planning survey, and it showed little progress in the past decade. About two thirds of the workers surveyed feel they are behind, but don't know by how much, and only 48% have tried to figure out how much they need to save. Those who felt like they were on track had two main characteristics:

saving every month (usually in a 401k-type plan) and having a financial advisor.

### Protect Your Passwords

A great tip I learned from a hacker relates to the security questions you are asked to provide when signing up for a website. Don't answer honestly! Always provide the wrong answer or misspell the right one. For example, if your mother's maiden name is Smith, say Smythe or Johnson. Or if you were born

in Milwaukee, answer Wauwatosa or Omaha. Then always use the incorrect answer. There is so much personal information out there that can provide the truth that, in this case, untruth is your protection.

### Beware of "Chip" Credit Cards

We just got one at home from Discover. Even though they are designed to foil a hacker by generating a unique code with each use, they are not as secure as

*continued on next page*



# Client Alerts

By Shannon Nook, RP®

## Summer Hours

Memorial to Labor Day

- Mon-Thurs: 9 a.m. to 5 p.m.
- Fridays 9 a.m. to noon
- Evenings by request

## Investment Policy Statement (IPS) Review

As you know, we continue to manage your accounts in accordance with your most recent designated investment objectives or IPS.

**Note:** It is your responsibility to advise us if there has been a change in

your financial situation, investment objectives, or if you would like to impose, add, or modify any reasonable restrictions to the management of your accounts. Feel free to contact us to discuss this further.

## It's Regulation Time Again

If you're interested in a free copy of any of the following documents, please contact [info@lfgwi.com](mailto:info@lfgwi.com) or our office directly:

- Proxy Procedure and Guidelines
- ADV
- Business Continuity Plan

## Liquidity, cont.

likely, lower the rate of return in your accounts. *That is the price of safety.*

Question: Would you rather have lower returns now and more of your money left when it hits the fan or would you prefer to ride the roller coaster?

For those of you who rode through 2000-2003 and 2008-2009 with us, you already know my secret. For those who haven't, my confession is that we've always been a little early in our safety precautions. We may be again, since we've watched the markets go to levels neither I nor most of my peers, nor any sane person, could have imagined.

## Planning Notes, cont.

you may think. Most U.S. credit card issuers have opted for the convenience of chip and signature cards rather than the more secure chip and PIN cards, believing that Americans would not like to remember and input a PIN. (Talk about dumbing down!) If lost, the chip and PIN card cannot be used without the PIN. The chip and signature can be, since you and I know that many retailers do not confirm the signatures when you check out.

## ID Theft – One More Tip

Recently we sent out information about putting a fraud alert or a credit freeze on your accounts. This has been valuable to several clients who found that someone had already filed income taxes using their Social Security number. To add more peace of mind, you can also add extra security to your Social Security online account if you wish. You must have a cell phone that can receive text messages to do this, but for

some it might be comforting. To find out more, go to your account at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount) and click "Add Extra Security." You will then receive a letter in the mail with further instructions.

## Speaking of Taxes

Believe it or not, the IRS believes that only 43% of the phone calls placed to their hotline during the 2014 tax filing season were actually answered. Hold times were up to 30 minutes and, if longer, callers were automatically disconnected. Blame is said to lie on the involvement of the IRS in the Affordable Care Act and new provisions of the Foreign Account Tax Compliance Act.

## Financial Funny

Why did the banker break up  
with his girlfriend?  
He lost interest!

## Featured Artist

By Shannon Nook, RP®

We welcome artistic quilter Karen Hendrickson! Karen learned to sew and embroider by watching her grandmother. She was even allowed to cut up her mom's wedding dress to make clothes for her Barbie doll. Her family instilled a love of fabric, texture and handwork that continues to fascinate her today.

A traditional quilter for over 25 years, she embarked on a new style and created her first "art quilt" in the early 1990s. While her work adorning our walls is mostly dedicated to and created for family members, she is happy to recreate an art quilt just for you. Stop in to check out her amazingly creative pieces that will truly take your breath away!



Liberty Financial Group, Inc.  
700 Pilgrim Parkway, Suite 300, Elm Grove, WI 53122-2063  
Toll-free 877-750-1377 • 262-785-1377 • Fax 262-785-6655  
[www.libertyfinancialgroup.com](http://www.libertyfinancialgroup.com)