Wealth Care LLC Monthly Commentary-March 2015

What We Do With Your Money

Every Wealth Care LLC client has an individualized portfolio. We start with a decision on how much of a portfolio should go into stocks vs. fixed income. It is our firm belief that over the long term, stocks do better.

But fixed income plays several roles-to reduce portfolio volatility, to provide diversification, and to provide a supply of funds not exposed to stock market volatility.

Once the stocks/fixed income decision is made, we drill down into each category.

Fixed income is mostly allocated to actively managed funds and ETFs that invest globally in a variety of vehicles.

Stocks are then considered. How much should we keep in the US, vs. how much outside the US? It is our strong belief that a reasonable amount of our portfolios should be overseas. We have sent out a variety of articles to support this position and are always happy to discuss individually with any of you.

Once we decide on the US/Non US split, we have to decide on a variety of factors that may increase returns. These include considerations of : profitability, momentum, size, value, dividend growth, dividend yield, and more. We seek a variety of vehicles that offer these factors at the lowest cost, and also diversify widely.

Your portfolio at Wealth Care LLC is therefore actively managed using a variety of both active and passive vehicles. It is closely monitored and adjusted whenever we see an opportunity to do better.

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Always feel free to call and talk about your investments-we love it!!

Investment Thoughts

The American Stock Market continues to do well. It has outperformed other markets for several years running, and I'm starting to get questions about overweighting the US market in our portfolios.

To a student of market history, this sets bells ringing. We know that markets cycle in relative returns in an unpredictable manner. It appears that every 1-3 years, a new market leader emerges from an asset class or location (emerging markets, etc) that was doing poorly just before.

Combining this knowledge with the rich valuation of the US markets suggests that the "right" thing to do with our portfolios is to increase non US investments, or at least to sit put.

We don't know when, but suspect that within a year or two, non US investments will shine compared to US investments. Most of us won't notice, except that we'll see our returns surpass the reports of the US stock markets (as they did for most of 2003-2009).

Having said this, we also have to take the long term view. I'm frequently aware of the perception by non-clients of Wealth Care that the stock market is "dangerous" and makes poor returns. Accepting that returns are sometimes volatile, this perception is mistaken.

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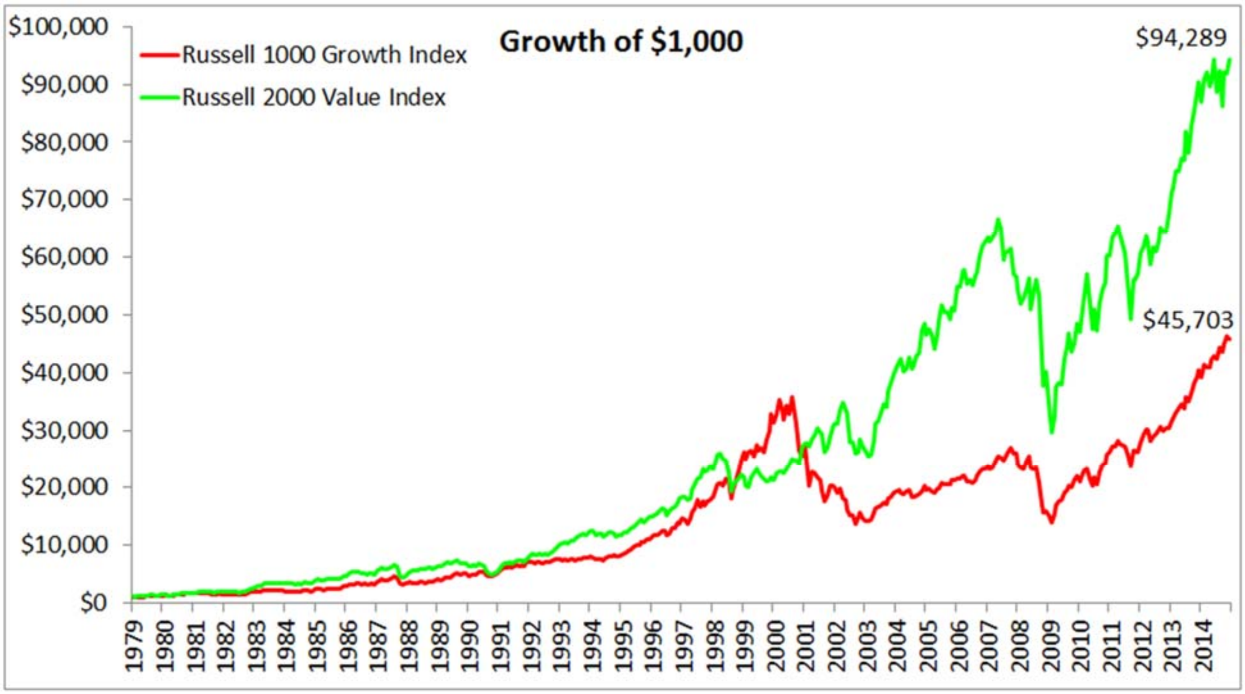

How Does Government Intervene in the Business Cycle?

If our government thinks that the economy needs stimulating (usually when unemployment is high), it has two major tools: monetary and fiscal.

Monetary stimulus is what it sounds like-putting money in the system. Monetary stimulus is done by the Federal Reserve in a number of ways, but primarily through its influence on interest rates. Up until recently, the Fed concentrated on short term rates by offering to lend money to banks at low rates. Theoretically, being able to borrow money short term at low rates induces people to buy things and businesses to expand. After the great recession of 2008-9, when monetary stimulus seemed not to be working well, the Fed introduced “quantitative easing”, with which it began

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printing money to buy long term bonds (primarily government bonds and mortgage bonds) on the market, driving up their prices and lowering their interest rates. Japan started its version of quantitative easing last year, and Europe began in January 2015 (as the US has recently stopped).

Fiscal stimulus is the government's tool to decide how much of the extra money you might keep. It is the taxation and regulation of income and business. If monetary stimulus is turned on to stimulate business and yet any significant increase in business activity and income is taxed away-not a good outcome. Increasing regulation is just another tax.

I'd argue that since 2009, we have had a government at cross purposes. It has been pouring on monetary stimulus, while applying increases taxes and regulation. Rather than seeking to increase general wealth and income, it has sought income redistribution and government control of business. It is no surprise that a major reason that unemployment is dropping is due to people dropping out of the work force rather than new jobs being created.

Hopefully, we will see a more organized effort to grow the economy with some political change in 2016. Watch for what the government proposes for interest rates and for taxation/regulation to have some clues.

AutoSlash.com

I've used this web site several times now for rental cars and think it is worth using. It allows an initial and then continuous effort to obtain the lowest price for a rental car at your destination. I've been saving at least 20% against best efforts using Expedia, etc.

Email address change

If you are using StevenP302@aol.com for me, please change to Steven@wealthcarellc.com at your convenience. Thanks

Random Thoughts

Never argue with someone who doesn't have the authority to help you. Simply find out who does have the authority. Alan Weiss

“If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring.”-George Soros

I used to be indecisive. Now I’m not so sure.

Being young is beautiful, being old is comfortable.   -Will Rogers

Steven Podnos MD, CFP® for Wealth Care LLC 3-1-2015

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