



Wealth Care LLC Monthly Commentary-July 2015

Investment Thoughts

The first half of 2015 ends with mediocre investment results. No asset class is doing well-not US stocks, not foreign stocks and not fixed income. At the same time, no asset class is doing terribly.

The S&P 500 will finish the first half of the year with no real gain. When asked “how’s the market doing,” my response is to ask “since when?”

Looking at the S&P 500 as a reasonable marker for the US domestic stock market as a whole, the return from the peak of the tech bubble in January 2000 is about 3-4% a year (dividends included as reinvested). The return from the peak of the market before the great recession of 2007-9 is about 5-6% a year. The return of the index from the bottom of the great recession in April 2009 is 16% a year. For the last fifty years (since mid 1985), the return has been about 9% a year. So, “since when?”

At times like this, it pays to do nothing in particular. No asset class seems particularly cheap, and the only asset class that looks crazy expensive is long term US bonds (which we are avoiding).

The economy is slowly (very) recovering. Unemployment is actually high and being masked by people dropping out of the workforce. The largest new driver to the economy was the burst in domestic energy, current hobbled by lower oil prices. Geopolitical risk seems high, with Greek defaults and instability in the Middle East.

All of this is short term stuff. There is nothing that makes us want to shift from our long term focus on investing. As I’ve shared with you at times, I’ve seen many

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families become wealthy slowly, and none that became wealthy quickly. Be the turtle.

Technology is Exploding

Not a day goes by that doesn't reveal some spectacular new technology bringing changes to our lives:

3D Printing

Self Driving Cars

Improved and less expensive fracking-allowing more domestic oil production

Improved battery technology

Cheaper solar energy

Increasing use of robotics in many aspects-including manufacture and the military

Biotechnology advances including gene manipulation and nanotechnology uses

Thousands of apps are developed annually that help with the chores of daily living and for business applications



Our daily lives are being rapidly changed (and I'd argue much improved) by technology such as subscription services:

- Netflix/Amazon prime for TVs and Movies
- Spotify (and a new Apple service) for music
- Sirius Radio for the car
- Kindle Unlimited for books (needs improvement)
- Software as a service (Adobe DC, Microsoft Office Online)

Uber is replacing taxi service (a big improvement)

Same day delivery in larger cities is becoming routine.

Life expectancy continues to extend-now reaching late 80's for most Americans.

There is a terrific essay on how technology is liberating the environment, adding to more forests, less farmed land, less pollution and more. You can find it at:

<http://thebreakthrough.org/index.php/journal/issue-5/the-return-of-nature>



Figure 15. The smart phone as dematerializer, one small device replacing many larger ones.
Credit: M. Tupy 2012.



Value Added

We came across an excellent article about the value added in using a trusted financial planner and would like to share some of the contents over the next few commentaries. The seven areas of benefit to you include:

- Return on Investment-better long term investment returns than you are likely to get otherwise
 - Organization
 - Accountability
 - Objectivity
 - Proactivity
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- Education
 - Partnership

Last month, we focused on Accountability. This month, let's discuss the value of Objectivity.

Objectivity means that we give you opinions without conflict. After learning about your life and goals, we can offer advice to help you succeed. Being fee only means that the only conceivable conflict of interest is deciding whether to pay down debt or invest with us. We will almost always favor paying off debt for both this reason and for the psychological benefits of doing so.

On an ongoing basis, we remain available to talk about both old and new issues. If we don't have an answer, we'll do the research needed to get you the best advice.

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Our interest is always to put you first and help you to succeed in your goals.

Next month, we'll discuss the value of Proactivity.

Back Up Your Photos

In June, Google Photos launched and appears to be the premier way to back up your photos-on phones and computers (Apple, Android and Windows versions). It is free and has unlimited storage. I've been using it on my PCs and iPhone and am generally pleased. It appears to be much better than Apple's iCloud picture backup in that it is unlimited in size and works on all platforms.

Googles main support site is at

(<https://support.google.com/photos#topic=6128818>)

The PC Magazine review is worth reading also

(<http://www.pcmag.com/article2/0,2817,2484832,00.asp>) and has useful pointers such as:

To get started using Google Photos, simply point your browser to photos.google.com and log into a Google account. If you've already used Picasa Web Albums in the same account, you'll see those photos.



If a cloud photo service's intention is to gather all your photos from all sources, it better have desktop utilities that auto-upload from Windows and Mac computers, as Flickr and OneDrive do. At first, I couldn't find a Google Photos desktop utility for this, but the Download Apps menu choice offers "Auto upload photos from your Mac or Windows computer, camera, or storage cards."

In the next two months, I talk about backing up music and documents.

What We Will Do in the Next Bear Market

We have not had a bear market (usually defined as a twenty percent drop or more in major market indexes) since early 2009, almost a record. We will certainly have one, but no one knows when. Since WW2, there have been bear markets on average about every five years.

We'll work with you in a Bear Market. The many clients that were working with us in 2008-9 (perhaps the second or third worst bear market in stock market history) know exactly what we did. We provided reassurance and the very strong advice not to sell. In many cases, we stepped up the allocation to stocks (then on sale) for the many families that were still saving and accumulating towards retirement. For the families who were in the distribution phase of retirement, we reminded you that we had set aside at least two years of stable funding from high quality short term fixed income, allowing the markets to recover without forced selling. For many client



portfolios, we took advantage of the sale on stocks to do some modest rebalancing in the portfolios.

When the next Bear Market comes (and it will), we'll be there again for you-to talk, to plan, and to push forward with the plans already made when skies were brighter.

Random Notes

There was this really smart scientist guy who said we could learn a lot from dogs. He said that when someone you love walks through the door, even if it is five times a day, you should go totally insane with joy----

From the short movie Denali

A fine is a tax for doing wrong. A tax is a fine for doing well.

I spent three days a week for 10 years educating myself in the public library, and it's better than college. People should educate themselves - you can get a complete education for no money. At the end of 10 years, I had read every book in the library and I'd written a thousand stories.

Ray Bradbury

Some people ask the secret of our long marriage. We take time to go to a restaurant two times a week. A little candlelight, dinner, soft music and dancing. She goes Tuesdays, I go Fridays.

Henny Youngman

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