Wealth Care LLC Monthly Commentary-August 2015

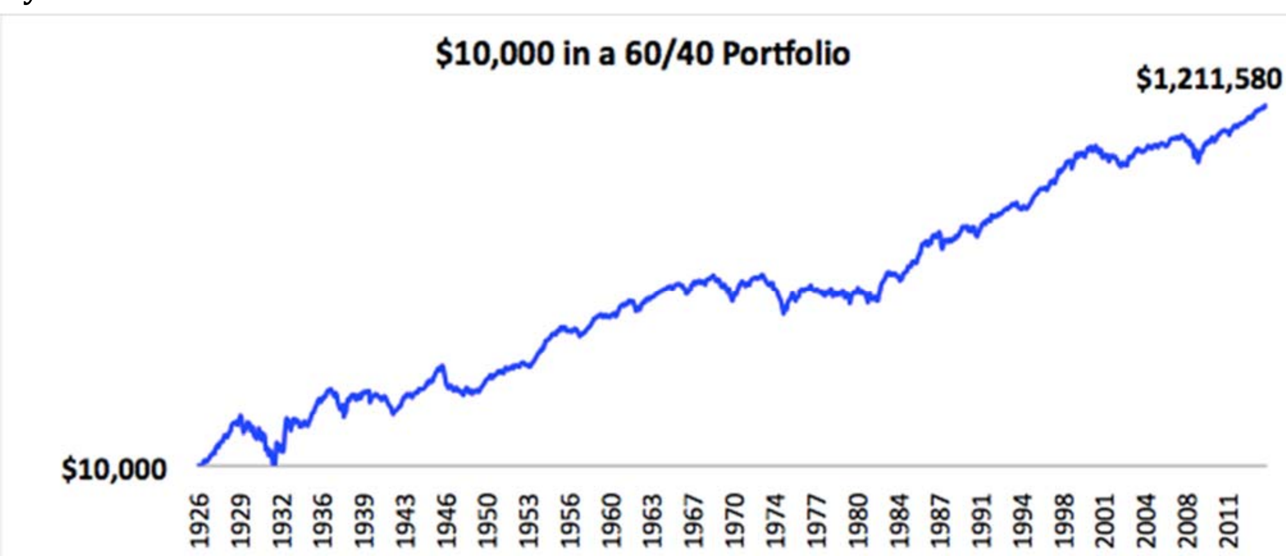
It has been hard to make any money this year, as just about every global asset class is in the red. Last year (2014), only large company US stocks did well, meaning that the average diversified portfolio had mediocre returns.

How easily we forget-our investments dropped (on average) about 30% over several months just six to seven years ago. Now we get disgruntled by "flat" returns.

After six straight years of going up, we've flattened out for a while. I'll take that any day over another large drop. I'm optimistic about the future of both the world and our investments. The article below by author Michael Blatnick is worth your time on this issue.

What To Expect When You're Expecting

By Michael Batnick



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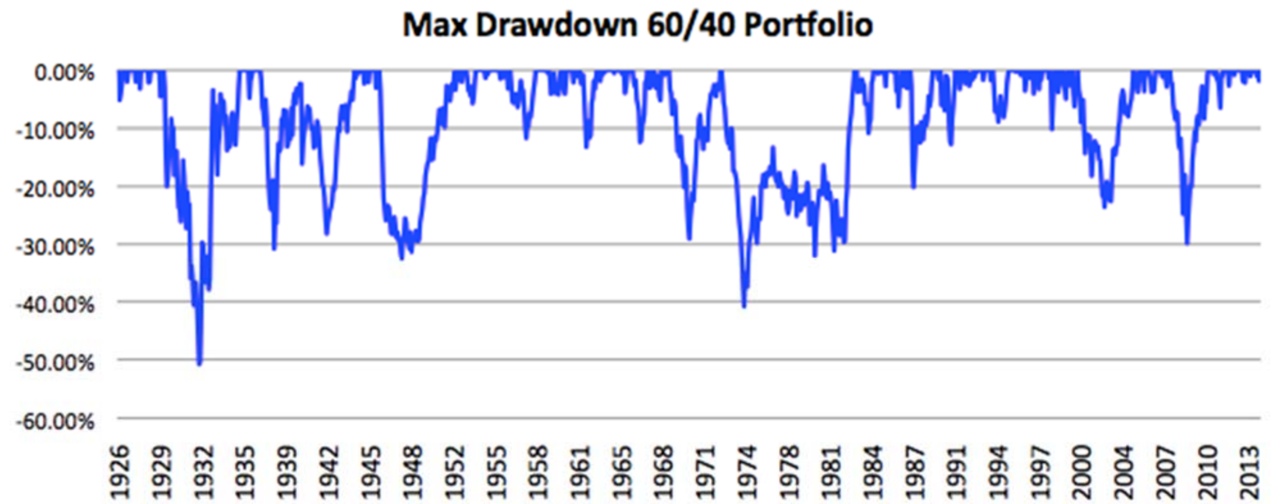

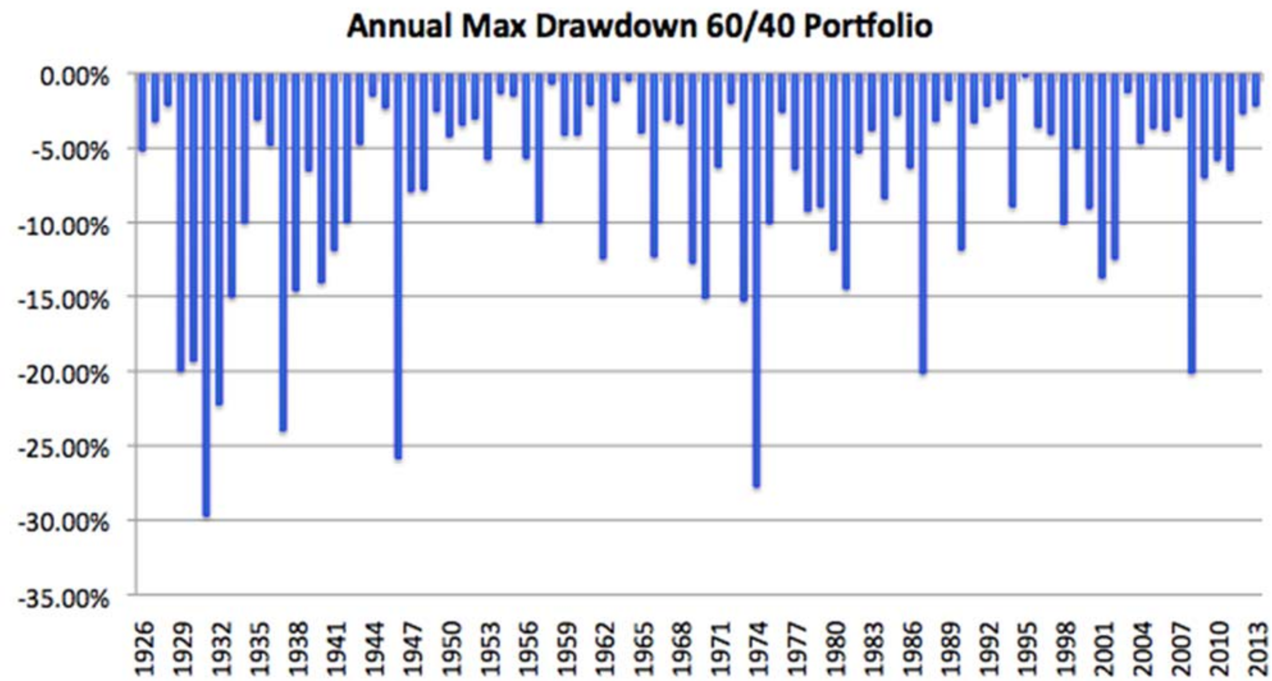

We often spend far too much time worrying about things beyond our control; how will stocks do next year, will rates rise, etc. It's easy to overlook one of the key elements to successful investing; setting realistic expectations.

Looking at the chart above, you'll see an investment of ten-thousand dollars in a traditional sixty/forty domestic portfolio ballooned into well over one million dollars net of inflation; a real return of over twelve-thousand percent. The message is clear; those able to insulate their emotions from the manias and the panics can their see money appreciate demonstrably.

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However looking at a ninety year chart is completely useless. We don't see investments through a ninety year looking glass. To many of us, just one year feels long term.

The patient investor can hope to see their portfolio increase many times over throughout the course of their lifetime, however, it is *critical* to prepare for periods of disastrous returns. Intelligent investors can have no delusions of grandeur, they must be able to take the bitter with the better.

Consider a moderately conservative investor with this sixty/forty allocation- there were three separate decades of real annualized returns under two percent: the 1940s, 1970s and 2000s. Had an investor thrown in the towel after ten years of agonizing ups and downs with little to show for it, they would have missed extraordinary returns in the periods to follow. The 1950s delivered a one-hundred and forty percent total real return, the 1980s delivered a one-hundred and fifty percent real return and 2010-2014 has delivered real returns of over sixty percent.

Looking more closely at this portfolio, going back to 1926, the median calendar year drawdown is negative five and a half percent. Thirty-six out of eighty-eight years, or forty percent of the time, this portfolio experienced at least a ten percent drawdown. In roughly one out of every twelve years, this portfolio experienced at least a twenty percent drawdown.

Invest over your lifetime and you will learn that thirty plus percent drawdowns are the rule, not the exception. The bottom line is that investors can build great wealth in the market, but the price of admission can be gut wrenching. Avoid risk and you are all but doomed to inferior returns, there really can be no other way.

Proactivity

The very essence of financial planning is to be proactive. It is to think about what is needed and what may be needed. As former Secretary of Defense Donald Rumsfeld said, we have known knowns, known unknowns and unknown unknowns. For example we have the known knowns of what it will take to educate our children and to have a suitable retirement fund. But we have the known unknowns of just how our portfolios will perform toward reaching those goals. We have the unknown unknowns about whether we will be the subject of litigation and need to be prepared as much as is possible.

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Almost everything we do together will be proactive attempts to deal with the knowns and the unknowns. It will be designed to give you some reasonable flexibility and planning with which to move forward in your financial lives.

Back Up Your Music

There are a number of ways to back up or just listen to all of your music in the "cloud". Four free or inexpensive methods are Google Music, Apple Music, Amazon Prime Music and Spotify.

Google music will let you backup up to 50,000 songs online, including your iTunes library. See: http://forums.everythingicafe.com/threads/google-play-music-is-an-excelllent-place-to-backup-your-entire-itunes-collection.107647/ and: https://support.google.com/googleplay/answer/4515411?hl=en

Amazon offers a plan for $25 a year that will back up your existing libraries of music for access anywhere.

Instead of uploading your own music files, I'd recommend just subscribing to a streaming service with access to millions of songs.

If you have Amazon Prime, then you have access to free Prime Music with literally over a million songs for free along with curated radio and playlists. It is a relatively free version of Spotify or Apple Music (see below), but often does not have current hits for up to six months.

Apple Music launches this month. It is a Spotify clone for $10 a month. However, up to six members of a family may subscribe for $15 a month, which makes it appealing. There is a free 3 month trial available.

Spotify is the original successful streaming service at $10 a month. I use this along with the family plan that lets me add family members at $5 extra a month. I have virtually abandoned by very large music library that I accumulated over the years.

Note that these services allow you to access and play any of your music files anywhere you have wifi-phones, tablets, PCs and Macs.

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http://www.exceleratorsports.com/

One of the members of the Wealth Care LLC family has developed a company selling high quality women's athletic clothing. Check it out!

Random Notes

Let me offer the top 10 distinctions between what money can and cannot buy:

10. Money can buy a bed, but not sleep.

9. Money can buy books, but not brains.

8. Money can buy food, but not appetite.

7. Money can buy finery, but not beauty.

6. Money can buy a house, but not a home.

5. Money can buy medicine, but not health.

4. Money can buy luxuries, but not culture.

3. Money can buy amusement, but not happiness.

2. Money can buy companions, but not friends.

1. Money can buy flattery, but not respect.

Author Mitch Anthony

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Laugh and the world laughs with you, snore and you sleep alone.

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