



Wealth Care LLC Monthly Commentary-September 2015

Investment Thoughts

After a nearly straight up recovery for six years, the American stock market has been weak this year. Also weak (but now for several years) are foreign developed markets and especially emerging markets. Valuations in emerging markets are approaching multi year lows, and I'd suspect we'll see some gains there in the not too distant future.

The financial press is buzzing about China, with its usual gloom and doom. In the long term the 3% or so devaluation of their currency matters not at all. For perspective, Europe recently devalued their currency almost 30% and Japan's Yen has dropped 50% against the dollar over the last year. The Chinese stock market is up solidly for the last two years even after the sell off over the last month. China appears to be positioning itself to be a rising superpower, both geopolitically and economically. They are slowly taking steps to join the Western world in more transparent accounting and financial matters.

China sponsored an Asian international bank to spur development in their region. The US was very much against it, but the rest of the world enthusiastically supported it and are participating. We'll see gradually increasing exposure to Chinese equities with their inclusion in many Emerging Markets indexes soon.

For now, Wealth Care LLC portfolios continue with a tilt outside the US, especially in fixed income. We expect a gradual rise in US interest rates.

From Investment Commentator Ben Carlson:

Despite the near universal acceptance of the importance of diversification, having a diversified portfolio does not automatically mean investors will outperform or gain value in risk reduction.

This was best demonstrated in 2014, when despite a sixth consecutive year of stock market gains, some investors might have lagged, as most segments of global financial markets failed to keep pace with many of the popular domestic stock market indexes. The

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broad S&P 500 Index and the Nasdaq Composite Index finished the year up 13.7% and 14.8%, respectively, and solidly outperformed other diversifying asset classes, like small cap or international stocks, by wide margins. Investors taught not to keep “all their eggs in one basket” and diversify their portfolios were left wanting more, as their investment performance trailed these broad U.S. benchmarks.

And 2014 is not a sole outlier, as diversification failed to benefit investors twice more in recent years. In fact, the S&P 500 Index has outperformed an equal weighted portfolio of the most common equity asset classes used to diversify (mid cap, small cap, developed foreign, and emerging market stocks) by a combined average of roughly 5% in three of the past four years. Not since 1998 and the Asian Crisis, when international stocks suffered and small and mid cap stocks also underperformed, has such a large performance gap between the S&P 500 Index and the other segments of the global stock market existed.

So why not just invest in large cap stocks or the S&P 500 and abandon the notion of diversification? Simply put, to do so would be a mistake of overvaluing a short term phenomenon over a long-standing investment axiom that benefits more than it hurts. In fact, over the past 20 years, the S&P 500 has only outperformed all other major asset classes (including small, mid, foreign developed, and emerging markets) 30% of the time, and it was the worst performing asset class 25% of the time. This demonstrates the importance of investing in at least several different types of investments. Diversification has historically worked and it remains the core tenet of portfolio strategy.

Education

At Wealth Care LLC, we put a great deal of effort in our attempt to share a variety of financial topics with you. I'd venture to state that no other planning firm in the country sends out as many informative articles to read and share. We also love to discuss topics with you personally and to be challenged to learn ourselves. If you haven't done so in a while, take a look at the web site and see all the resources made available to you there.



Identity Theft

I became disillusioned with Lifelock this year when it did not alert me that I had applied for some new credit cards (I had legitimately done so, but Lifelock took no notice).

Then I found that homeowner's insurance companies are beginning to offer ID theft insurance for free or as a rider for \$25 a year (my current insurance has this). These policies vary from company to company, but cover costs of fixing an ID theft issue. Some companies offer direct help in clearing up the issue as well.

Although we have not had any identity theft issues, we usually don't need credit anymore (other than the occasional new credit card). I went ahead and put a hard credit freeze on our accounts with the large four agencies. This article explains the process

<http://www.creditcards.com/credit-card-news/credit-report-freeze-1282.php>

Back Up Your Documents

Most of us have important files and documents on our computers and cell phones. Backing up these files is crucial, as having a problem is just a matter of time. Here's a link to an article on free online storage with plenty of capacity to store all the documents most people have.

<http://pcsupport.about.com/od/software-tools/tp/free-online-backup.htm>

I'd suggest Mozy home, iDrive, or Dropbox free versions as the best known and most stable.

Note that all of these have limits of 2-5GB, but this is more than enough for documents. If you want to back up music/videos/photos and have large collections, see my suggestions



for free services in the last couple of monthly commentaries (at the web site) or buy storage with Mozy/Carbonite/Dropbox/Amazon Cloud or others.

Great Video and Story-The Boatlift of 9/11

<https://www.youtube.com/embed/MDOrzF7B2Kg?rel=0>

Random Notes

"I can live with doubt, and uncertainty, and not knowing. I think it's much more interesting to live not knowing than to have answers which might be wrong." -Richard Feynman

"If you can enjoy Saturdays and Sundays without looking at stock prices, give it a try on weekdays."-Warren Buffett

"Investing is the only place where when things go on sale, people run out of the store"-Mark Yusko

"To learn who rules over you, find out whom you are not allowed to criticize." — Voltaire

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