



Wealth Care LLC Monthly Commentary-January 2016

Investment Thoughts

Happy New Year! Good riddance to 2015. It was an almost impossible year to make any money, unless you owned the “FANG” stocks (Facebook, Amazon, Netflix and Google). Just about every asset class dropped in price this year.

Looking at the S&P 500 index on an equal weight basis (reducing the effect of the FANG stocks), prices were down 3-4%. The Dow 30 was down similarly. Europe (hedged for currency or not) lost about the same, and Japan made a small gain. Emerging markets continued to drop-over ten percent-but look to be an increasingly good value long term. Even bonds were no place to hide, most losing a few percent (and with terribly low yields). Some sectors of the economy such as energy were a disaster.

Keeping our single digit drops in price in perspective, this year’s action was completely normal. A personal source of optimism (for me) is the likelihood of a new administration next year that is easier on taxes and regulation-usually good for economic growth.

How Risky is the Stock Market

I’ve included the following piece by writer Ben Carlson as I could not have written it any better. It speaks volumes about the incredible need to have a long term horizon when investing in stocks:



The following is one of my favorite running stats on the stock market:

S&P 500: 1926-2015

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Source: Returns 2.0

Over the years I've noticed that whenever these types of long-term numbers are presented there tend to be two extreme responses:

- 1. See, put your money in stocks, close your eyes and you'll be fine in a couple decades.*
- 2. Who has a twenty year time horizon? How many people have the patience to wait that long?*

There is some truth in each of these statements, but as with most things the historical data is never black or white, but a shade of gray. The future is uncertain, so investors should always think in terms of probabilities, never guarantees. What this data tells me is that the longer your time horizon, the higher your probability of seeing a gain in the stock market.

Does this mean that you're guaranteed to earn a certain level of returns in stocks if you hold them for a specified time frame? No.

Will these same results be guaranteed to repeat themselves in the future? No.

Has anyone figured out a better way of compounding your money in stocks beyond increasing your holding period? Not many.

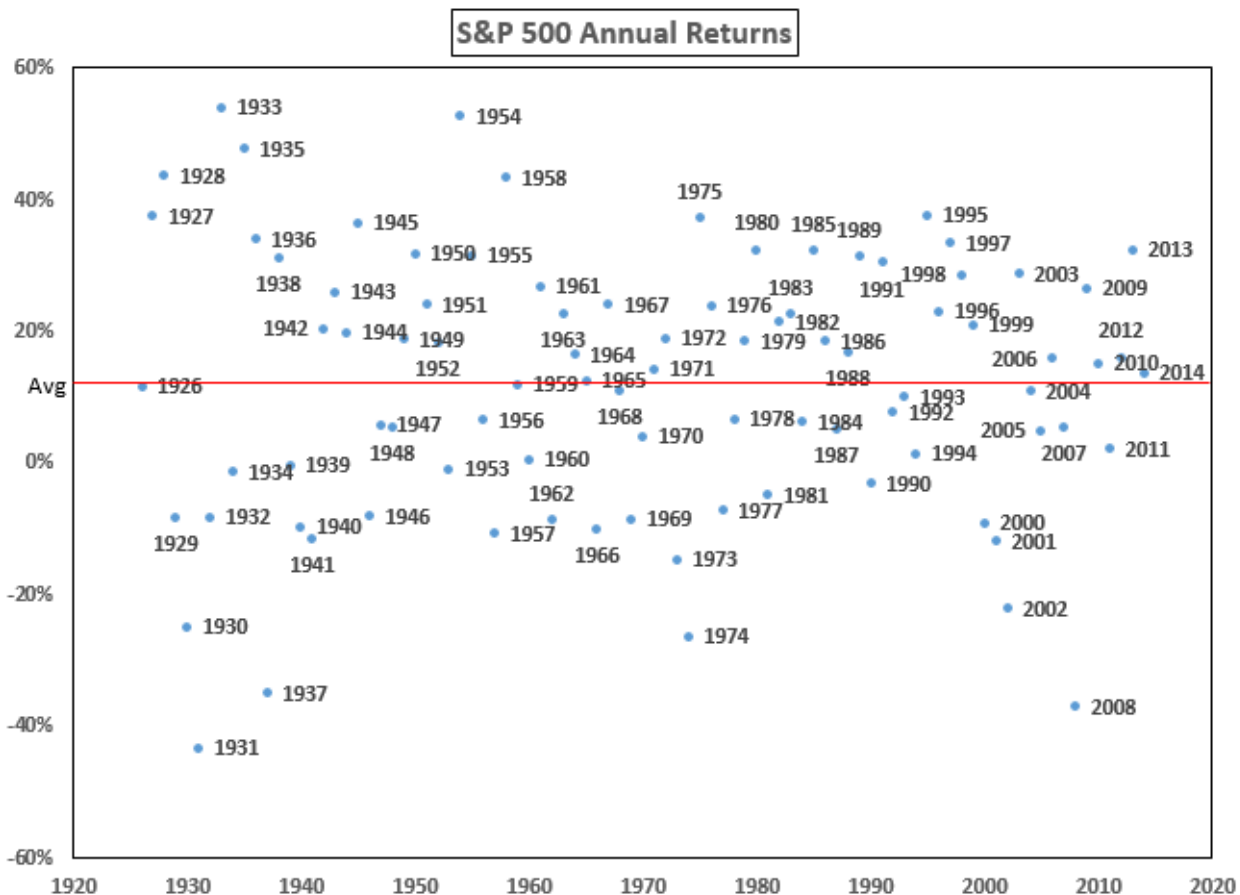
Are there investors out there who actually have twenty year time horizons? Absolutely — Millennials just starting out in their career, middle-aged workers playing catch-up with their retirement savings and even retirees who will likely have 2-3 more decades to invest during their



retirement years. The difference in each case comes down to how much each of these investors should hold in stocks and what their needs are in the meantime.

I like to think that every single retirement contribution has its own twenty or thirty year time horizon.

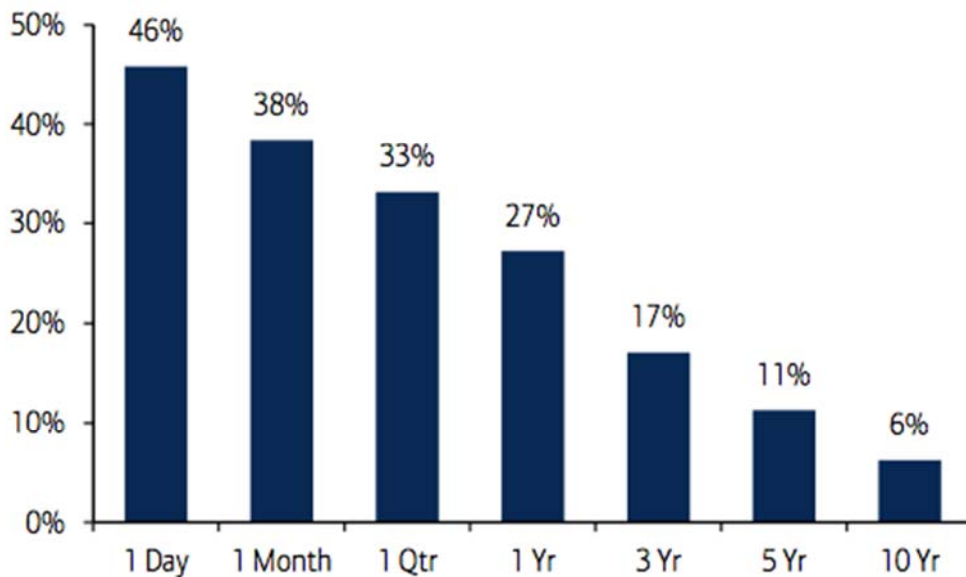
The usual caveats apply here — these numbers are before inflation, taxes or costs are taken into account (although one of the biggest benefits about a longer holding period is that you can reduce the impact of trading costs and taxes on your portfolio). With that disclaimer out of the way, here are a few more interesting long-term stock market stats I found: Annual returns are all over the place and rarely do investors experience average performance in any given year as you can see from this graph.





Time is Our Friend

Chart 28: Probability of negative S&P 500 returns over different time horizons (1929-present)



Source: Bloomberg, S&P, BofA Merrill Lynch US Equity & US Quant Strategy

The chart above is just another reminder that having a long term investment horizon (and not watching your portfolio closely) has paid off well for 90 years.

ADV/Privacy Policy

Each year we remind you that our “ADV” (SEC filing) and privacy policy are updated and posted on our web page.



Miscellaneous:

National Do Not Call Registry-Block Telemarketers

<https://www.donotcall.gov/default.aspx>

<http://techmazic.com/best-websites/>

A Curation of “Best Websites”

Shred That Boarding Pass After You Land

http://krebsonsecurity.com/2015/10/whats-in-a-boarding-pass-barcode-a-lot/?utm_source=nextdraft&utm_medium=email

Itools

A great place to find the “tools” of the internet, such as phone number look-ups, video searches, etc.

<http://itools.com/>

Personal Choices-by Alan Weiss

It's your choice whether, arriving at your kid's soccer game late, you feel guilt for not having been there from the beginning or you're thankful that you're there at all. You may decide that a "no" from a prospect is a defeat, or a wonderful learning opportunity.

Your mindset is personal and manageable. Outside of calamity and trauma (and, often, even then), you can make what you choose to out of your days. What you tell yourself informs your behavior. The way you behave will influence others about how to respond.



At my 2016 Thought Leadership Conference, Dan Gilbert of Harvard will be my special guest. He has studied the salutary effects of "synthetic happiness" and has concluded that people who make the best of the situation (e.g., "Being fired was the best thing that ever happened to me," or "That accident turned my life around") are genuinely happier than others who merely find joy in major life events (births, anniversaries, holidays, etc.).

Simple Acts

The very simple act of reminding yourself how beneficial your day was and how promising it's going to be is a major "self-intervention" in your improved state. Try it for a week, and see if it makes a difference.

My dogs view each new day with great relish. They don't dread anything. They sleep soundly at night. They always find something fascinating to do in the same yard.

I'm not sure what they're telling themselves, but it seems to work.-Alan Weiss

If You or a Friend Have Ever Been Sold an Annuity

A recent government inquiry into annuity sales uncovered the following (unsurprising) facts. The motivations to sell annuities is even more than outrageous commissions (7-10% commonly):

American Equity Investment Life has just concluded its San Francisco junket for agents with sales over \$3 million in annuities and life insurance sales. Its top 15 sellers (the Chairman's Club) will spend four days at the Calistoga Ranch & Spa in Napa Valley. Last year, these elite sales agents were given all-expense-paid trips to Disney World.

Athene Annuity & Life's "Leaders of Olympus"-level sales agents (qualification: \$5 million of sales) will get a trip to the Ritz-Carlton Aruba in the Caribbean Sea, with a 24-hour casino and exotic cuisine on location. The brochure, surely designed to motivate agents to sell the desired products, talks glowingly about the nearby nightclubs, stunning landscape, and the opportunity to walk barefoot along the coast at dawn—perhaps after the agent and a guest have spent the evening pulling handles in the casino, where the odds of a real return are better than with an equity-



indexed annuity. Athene's top ten sales agents, meanwhile, get an additional "ultra-luxe experience"—two more days in Aruba, executives suites for their hotel stay, and a privately chartered catamaran cruise. Last year's perk was a trip to Dublin, Ireland—and a three-day trip extension to Dromoland Castle on the Cliffs of Moher.

Lincoln Financial sent its top agents to South Africa in 2015 and to the Bahamas next year. Fidelity Guarantee & Life (no relation to Fidelity Investments) sent its "Power Producers" to the Four Seasons Resort in Punta Mita, Mexico. Mutual Trust, obviously watching its pennies, merely invited its leading sales agents to Laguna Beach, California. American National Insurance's top award was a five-day stay at the Cove Atlantis on Paradise Island in the Bahamas. Others simply give out sales credits that can be redeemed for a trip of the agent's choice.

Producers groups, field marketing organizations and independent broker-dealers are conduits for lavish perks paid for by the insurance company. These are typically golf events, transportation and lodging at luxury resorts, and the pipeline is so thick and varied that one person described some of these sales organizations as "glorified travel agencies." The most generous perk described in the report was a 30-day trip around the world for two, with stops in Bora Bora, Tahiti; the Ritz on Grand Cayman Island; a trip to Monte Carlo and a week in Rome, Italy. The least generous: jewelry, gift cards and iPads.

Random Notes

A few years ago Warren Buffett asked a group of students which classmate they would choose if they could have 10% of that person's earnings for life.

"Are you going to pick the one with the highest IQ?" [he asked](#). "Are you going to pick the guy who can throw a football the farthest? The one with the highest grades?"

Nope. Students invariably pick classmates with traits like integrity, honesty, and kindness.-
Morgan Housel



From Jason Zweig's dictionary of investing terms:

- Data: The raw material from which Wall Street fabricates distortions for marketing purposes.
- Disclosure: A statement that, by law, absolves a company of all responsibility, including any responsibility to present the statement in language that isn't so stupefyingly obscure that nobody can understand it.
- Forecasting: The attempt to predict the unknowable by measuring the irrelevant; a task that, in one way or another, employs many people on Wall Street.
- Market maven: Someone who does not know what will happen, but who does know how to sound like someone who does.

When things are bad, we take comfort in the thought that they could always get worse. And when they are, we find hope in the thought that things are so bad they have to get better. – Malcolm S Forbes

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