



Wealth Care LLC June 2017 Commentary

Investment Thoughts

The American stock market continues to be strong for the second year after a flat to slightly down 2015. By valuations, the US market is much more expensive than foreign developed or emerging markets. We have been *slowly* tilting towards more investments outside of the US, anticipating some realignment in values. Actually, Emerging Markets (outside the US, Japan and Europe) have been the best asset class for returns in 2017 (and did well last year after several years of underperformance).

We are expecting lower taxes and higher interest rates looking ahead. Interestingly, the new administrations tax proposal eliminates the deduction for state income taxes, making Florida and the other seven states that don't tax income more attractive for both workers and retirees.

What Market Timing Gets You

Consider a long-running study of investor returns by Dalbar, a financial-research firm in Boston. It found the average investor in U.S. stock mutual funds lost 2.3% in 2015, whereas the S&P 500 was slightly positive that year, including dividends. Dalbar, which has published this study each year since 1994, plans to release an updated version this week.

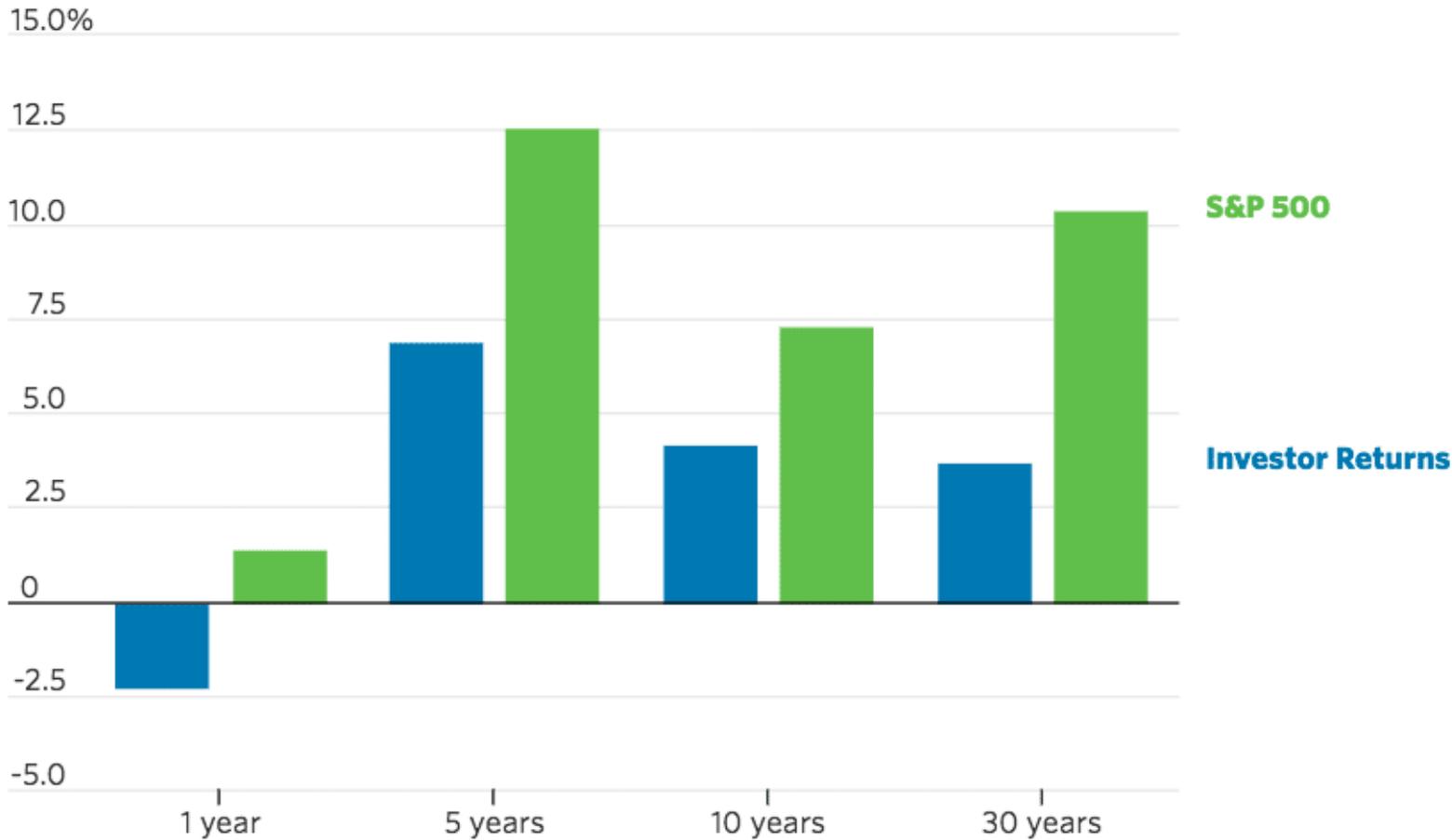
And 2015 wasn't an anomaly. The gap between investors' returns and the market's performance is even wider over a longer time horizon. Equity-fund investors earned just 3.7% annually over the past 30 years through 2015 compared with a 10.4% annual return for the S&P 500.

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Missing Out

Annual returns, average U.S. equity mutual fund investor and S&P 500



Figures are as of Dec. 31, 2015. S&P 500 performance include dividends

Source: Dalbar

THE WALL STREET

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Why A Concentrated Portfolio is Dangerous

All of these companies on the next page that were once on the S&P 500 index suffered catastrophic losses and/or bankruptcy. All their stock is essentially worthless.

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Auto Components

Dana Corp.
Delphi Corporation
Federal-Mogul Corp.
Goodyear Tire & Rubber Company
Lear Corporation
Visteon Corp.

Department Stores

Federated Department Stores Inc.
Macy's, Inc.

Distributors

GNC Energy Corp.
Subaru of America Inc.

Diversified Consumer Services

Apollo Education Group Inc.
Corinthian Colleges Inc.
Education Holdings 1 Inc.
ITT Educational Services Inc.
Learning Tree International Inc.

Hotels Restaurants & Leisure

Bally Total Fitness Holding Corp.
Boston Chicken, Inc.
Boyd Gaming Corporation
Checkers Drive-In Restaurants, Inc.
Chi-Chi's Inc.
Churchs Fried Chicken, Inc.
Coleco Industries, Inc.
Cosi, Inc.
Krispy Kreme Doughnuts, Inc.
Luby's, Inc.
Monaco Coach Corporation
Morton's Restaurant Group Inc.
Patriot American Hospitality Inc.
Rainforest Cafe, Inc.
Shoney's Inc.
Sizzler Restaurants International Inc.
TCBY Enterprises, Inc.
Trump Hotels & Casino Resorts, Inc.

Household Durables

Centex Corp.
Hovnanian Enterprises, Inc.

Household Durables (continued)

Kaufman & Broad Home Corp.
Maytag Corporation
Pillowtex Corp.
Sealy Corp.
Standard Pacific Corp.
Sunbeam Corporation
Zenith Electronics Corporation

Internet & Catalog Retail

barnesandnoble.com inc.
Buy.com Inc.
Drugstore.Com Inc.
eToys, Inc.
Home Shopping Network, Inc.
Lillian Vernon Corporation
Nutrisystem, Inc.
Spiegel Inc.
Webvan Group, Inc.

Leisure Products

Baldwin Piano & Organ Company
Callaway Golf Company
LeapFrog Enterprises, Inc.
Polaroid Corporation
Worlds of Wonder, Inc.

Media

Adelphia Communications Corporation
Cablevision Systems Corporation
Carolco Pictures Inc.
Clear Channel Outdoor Holdings Inc.
Crown Media Holdings Inc.
Emmis Communications Corporation
Gannett Co., Inc.
Harcourt Brace Jovanovich Inc.
Harte-Hanks Inc.
Idearc Inc.
Intelsat Corporation
Interpublic Group of Companies, Inc.
Loews Cineplex Entertainment Corp.
Martha Stewart Living Omnimedia, Inc.
McClatchy Company
New York Times Company
Orion Pictures Corporation
Readers Digest Association Inc.

Media (continued)

RH Donnelly Corp.
Savoy Pictures Entertainment, Inc.
Warner Music Group Corp.
Westwood One Inc.
XM Satellite Radio Holdings

Multiline Retail

Ames Department Stores Inc.
Bradlees Discount Store Inc.
Caldor Corp.
Circle K Corp.
Filene's Basement Corp.
J. C. Penney Company, Inc.

Specialty Retail

Aeropostale, Inc.
bebe stores, Inc.
Blockbuster Inc.
Boise Cascade Corporation
Borders Group Inc.
Chico's FAS, Inc.
Circuit City Stores, Inc.
Coldwater Creek Inc.
CompUSA Inc.
Design Within Reach, Inc.
Eddie Bauer Holdings Inc.
FAO Schwarz, Inc.
Heileg-Myers Furniture Co.
Jennifer Convertibles Inc.
Just For Feet, Inc.
Lechter's Inc.
Office Depot, Inc.
RadioShack Corp.
Restoration Hardware Inc.
Sharper Image Corp.
Talbots Inc.
Today's Man Inc.

Textiles Apparel & Luxury Goods

Burlington Industries Inc.
Crocs, Inc.
Fruit of the Loom Ltd.
Jones Apparel Group Inc.
L.A. Gear, Inc.
North Face, Inc.

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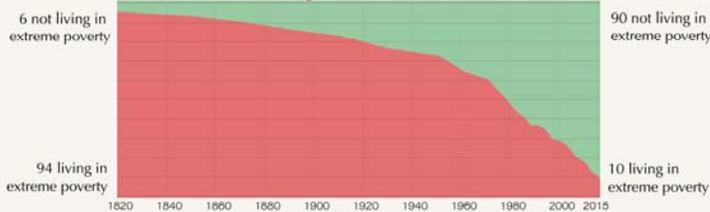
The World Keeps Improving

Note this wonderful graphic representation of how many things keep getting better in the world.

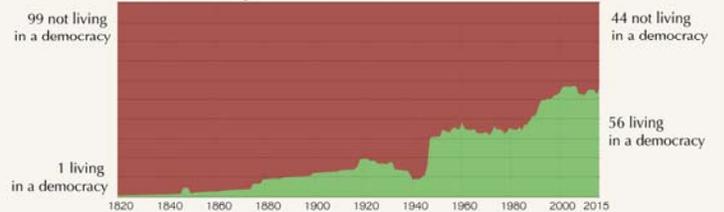
The World as 100 People over the last two centuries

Our World
in Data

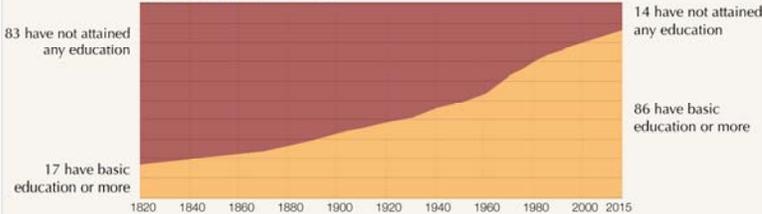
Extreme Poverty



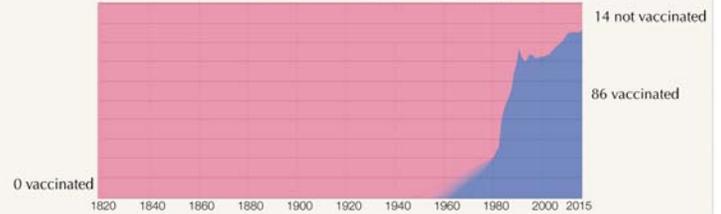
Democracy



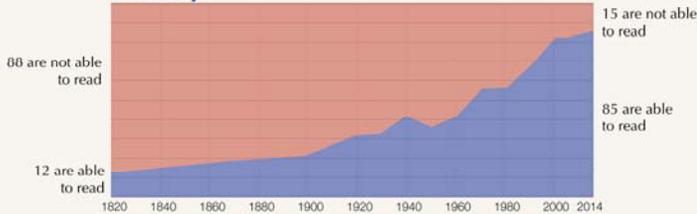
Basic Education



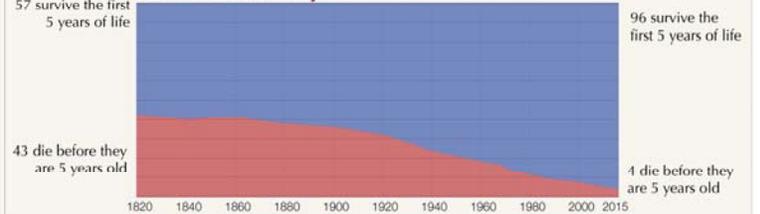
Vaccination against diphtheria, pertussis (whooping cough), and tetanus



Literacy

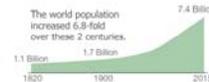


Child Mortality



Data sources:
 Extreme Poverty: Bourguignon & Morrison (2002) up to 1970 – World Bank 1981 and later (2015 is a projection).
 Vaccination: WHO (Global data are available for 1980 to 2015 – the DPT3 vaccination was licensed in 1949)
 Education: OECD for the period 1820 to 1960. IIASA for the time thereafter.
 Literacy: OECD for the period 1820 to 1990. UNESCO for 2004 and later.

Democracy: Polity IV index (own calculation of global population share)
 Colonialism: Wimmer and Min (own calculation of global population share)
 Continent: HYDE database
 Child mortality: up to 1960 own calculations based on Gapminder; World Bank thereafter



All these visualizations are from OurWorldInData.org an online publication that presents the empirical evidence on how the world is changing.

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Miscellaneous

Echo Show

Watch this video <https://www.youtube.com/watch?v=WQqxCeHhmeU>

I remember watching science fiction as a child, in which video monitors in each room of a house could listen and talk back while performing tasks. It seemed incredible, but is now here and inexpensive. I do share concerns with many others that having a device that is both listening and now watching you 24/7 is a serious privacy (and perhaps safety) concern. We live in interesting times.

Federal Tax Code

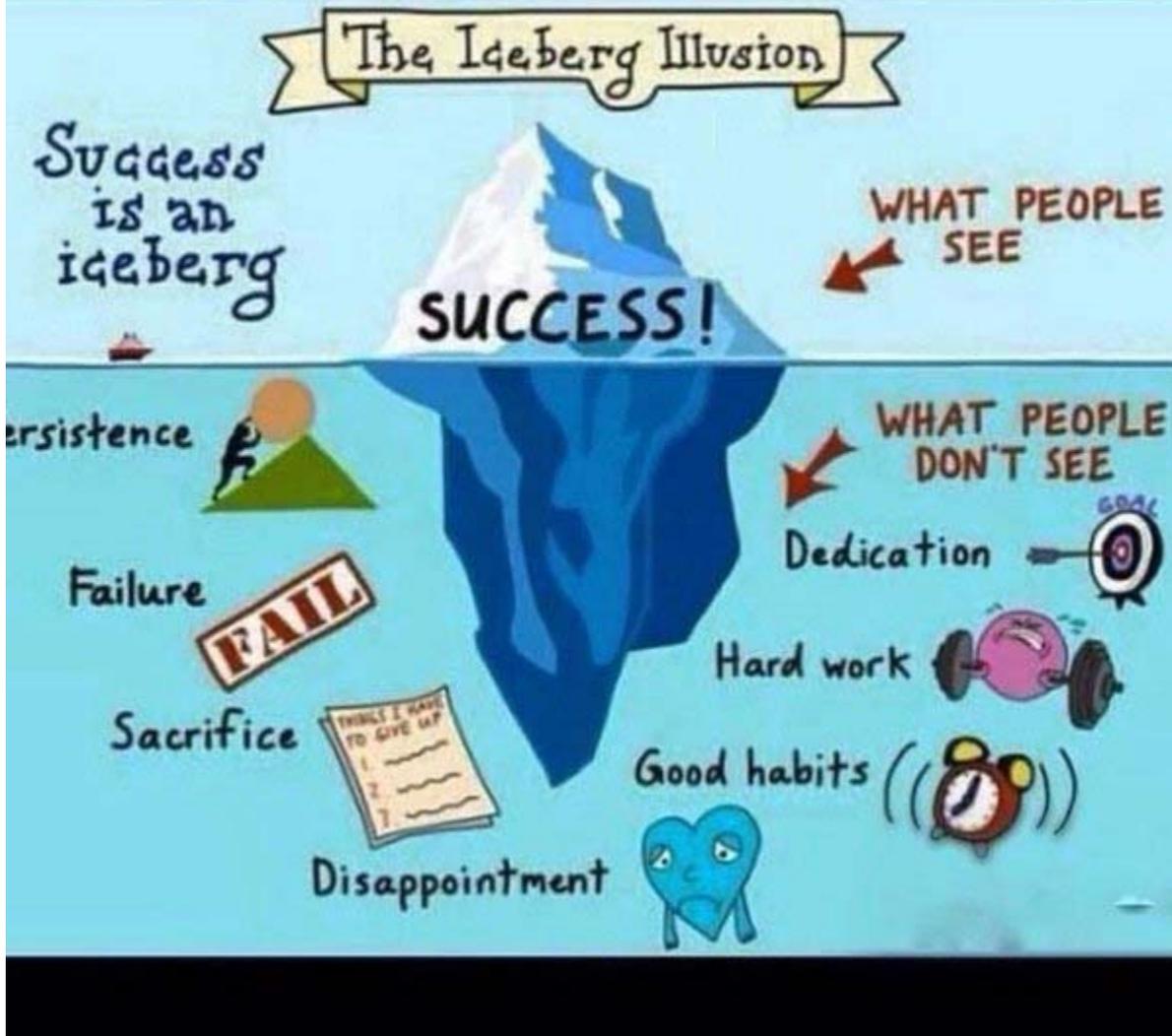
The federal tax code now totals 74,608 pages. The Constitution fits on three pages with single spaced typing or only four sheets of the original handwritten 28 3/4 inches by 23 5/8 sheets. The 27 amendments amount to only three additional typed pages.-H. Hebeler



Random Notes

Draw up a list of your greatest pleasures in life. Then ask yourself: Do you need great wealth to enjoy any of them?-Jonathan Clements

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The solution to about 90% of financial problems is "save more money." Also the one no one wants to hear. Morgan Housel

"If incompetence is the disease of the novice, overconfidence is the disease of the expert." — Malcolm Gladwell

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Steven Podnos MD CFP® for Wealth Care LLC June 1, 2017

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