



Wealth Care LLC Monthly Commentary-August 2017

Investment Thoughts

How Long Can This Bull Market Last?

You already know what I think-I don't know. How many of you and how many "pundits" would have predicted a more than 17% return in US stocks since the election???? (the answer is no one). So why would anyone know what's next.

One can easily supply information to support the view that the US market is near all time highs in valuation and that the future is bleak. Yet one can also find that returns since *before* the great recession of 2008-9 have been somewhat modest and that we could have many more positive years ahead. Flip a coin.

We are overdue for a drop in prices for stocks. It could happen today or five years from now. This should not stop anyone from being patient and disciplined with long term savings. We are here to help and advise just not watching market prices at all.

Time and Money

The Compounding of Interest over time greatly magnifies short term behavior. Here are two examples-first the cost of spending a small sum daily and what it costs over time. The second is the powerful amount of money that can be accumulated with steady savings at a modest investment return.



One cup of coffee at a time

(This is not to keep you from enjoying a cup of coffee, but a great illustration on how much time magnifies spending).



* Source: Ashley Rodriguez, 2016. The average cost of coffee in your city. Accessed May 1, 2017, at <http://www.baristamagazine.com/average-cost-coffee/>.

** Invested in a low-cost, diversified Roth IRA.

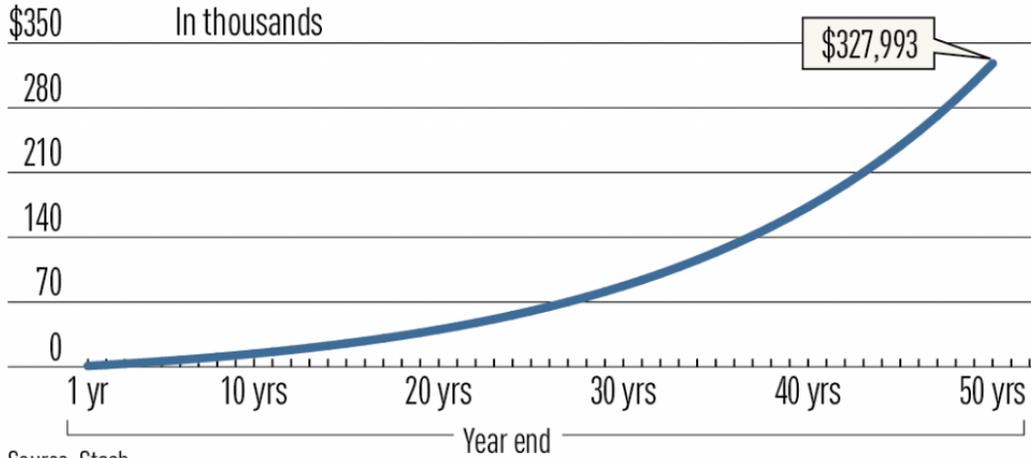
Here is another look at compounding-but with savings instead of spending

It's the same 6% tax free return (presumed in a Roth IRA)



A Little Becomes A Lot

\$20/week in savings that grows an average of 6% a year



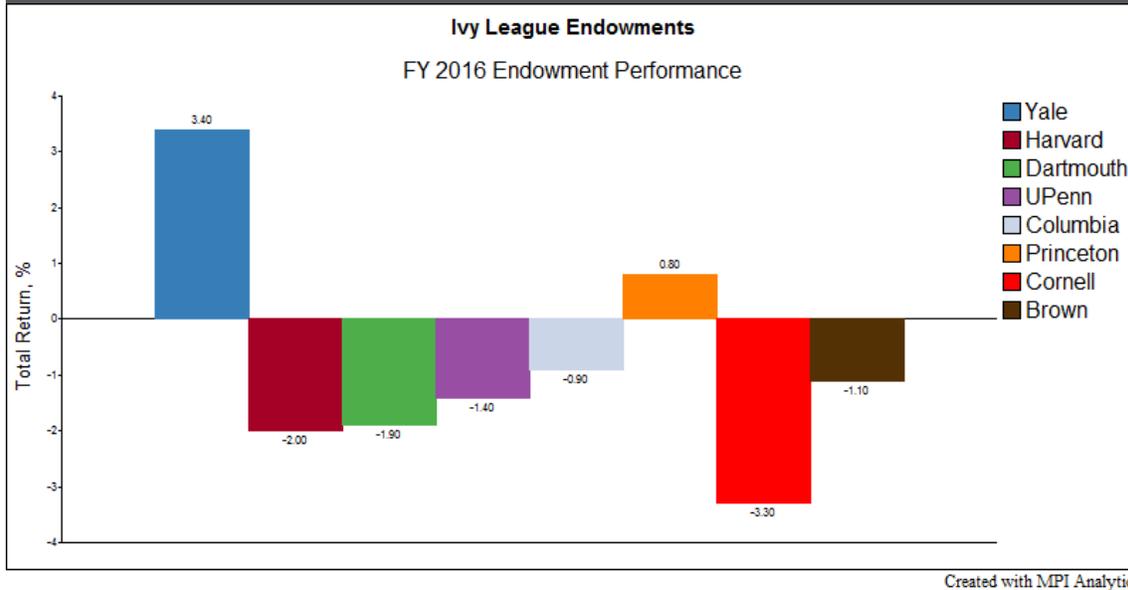
If Your Timing at Investing is Bad

If you bought the S&P 500 Index just before the great recession of 2007-9, then you still did fine. Per the chart below, you would have made 6.8% per year (averaged) through 4/30/2017 (more at this writing), and a total gain of 87%.



Incredibly Bad Performance

It was very hard not to make money in 2016. Bonds were fine and the US stock market moved up over 6%. Our largest and most prestigious universities pay expensive managers to invest in all types of asset classes (hedge funds, private equity, etc.). These “smart guys” almost all lost money (except Yale).



What's in Your Brokerage Account?

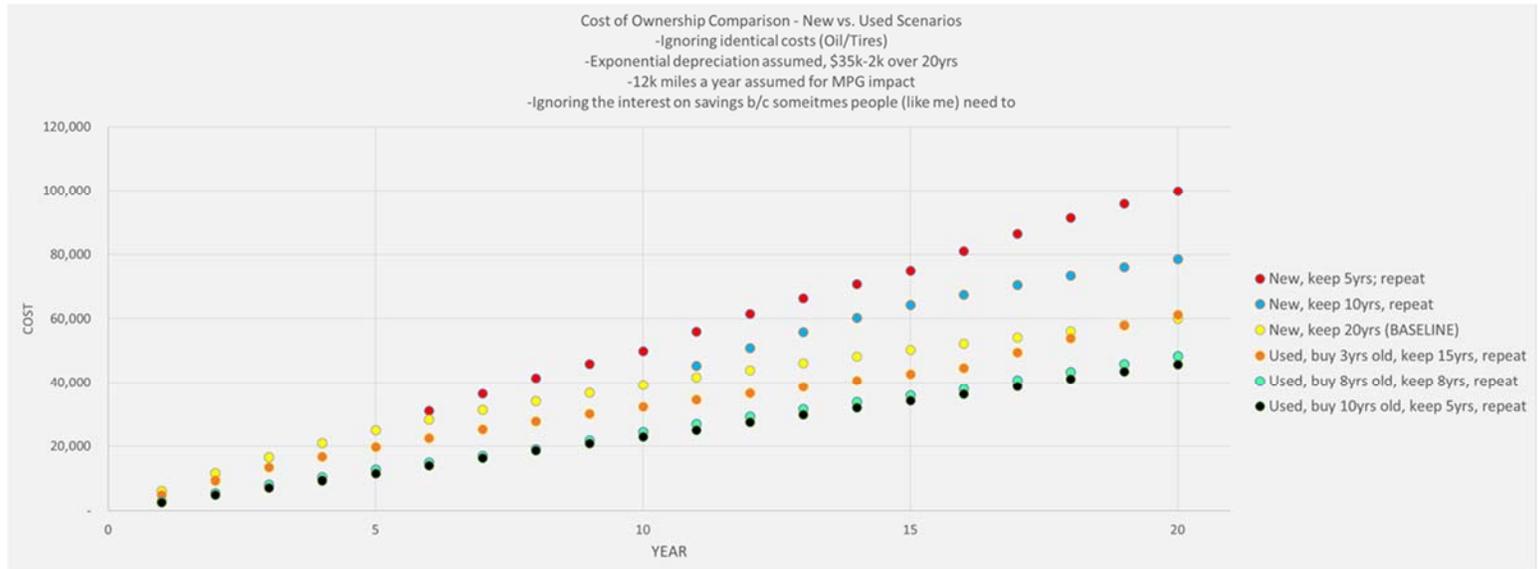
Greed has no limits. The latest trend in mutual fund investing is “passive, diversified index funds”. At Wealth Care LLC, they are always our first choice if appropriate for any given asset class. They are supposed to be inexpensive however-as computers do all the work.

Brokerage houses work on high fees (all the names you know) and are now using index funds also-but high cost funds that give them generous kickbacks. They can tell their “clients” that they are invested in index funds, but don't tell them that they are paying for caviar and getting cereal.

Take the Rydex S&P 500 index fund (RYSYX). Annual cost is 2.31%! Of this, up to 2% a year is kicked back to the broker and his company. Cost at Vanguard/Fidelity/Schwab, etc is 0.05% a year-a fifty fold difference. Astounding. If you invest with a broker (or a friend does), what's in your portfolio???



What's the Least Expensive Method to Operate a Car?



Random Notes

If the rich could hire other people to die for them, the poor could make a wonderful living.-anon

One of life's greatest mysteries is how the boy who wasn't good enough to marry your daughter can be the father of the smartest grandchild in the world.- Jewish Proverb

You can't control the wind, but you can adjust your sails.-anon

When you discover you have more money than time, you should stop pursuing money and focus on getting the most out of your time.-Jonathan Clements

Steven Podnos MD, CFP® for Wealth Care LLC 8-1-2017

WEALTH CARE
LLC



WWW.WEALTHCARELLC.COM | F. 815.301.3777

Steven Podnos MD, MBA, CFP® P. 321.543.1099 E. Steven@wealthcarellc.com • Rachel Podnos J.D., CFP® P. 321-505-7592 E. Rachel@wealthcarellc.com