

# THE \$TRATEGIST

## What Does “Volatility” Mean to You?

By Thomas M. Wargin, CFP®, CFA

Since the beginning of the New Year I have been receiving numerous emails from investment companies giving their 2016 market outlooks. Almost all of them have noted the increase in volatility of the markets and the warning that it will probably increase before it settles down. As I am writing this, the market is down almost 2.5% today and over 8% year-to-date. This is much less than the decline in energy and commodities companies, with some of them down 50-90% over the last year, much greater than what we anticipated.

The first question to consider is how do you react to volatility? In some respects personality, experience, and knowledge play their parts. For some, a drop of 5% is upsetting, but others sleep well after a drop of 10% or even more. Large one-day declines do not engender confidence and, if they occur consecutively, emotions get frayed, especially if you are watching your portfolio daily. Also, large drops usually encourage further subsequent drops caused by investors who don't have a plan and react emotionally by selling in hopes of protecting gains or controlling losses. We have worked with all levels of reaction and have found that most people listen and learn to quell their urge to “cash in and run” after a discussion about our strategy that works *over time*.

That brings us to the important relationship between *time and volatility*. If you just entered the stock market in late 2014 or 2015, the market has not been kind to you and could get worse, but for your additions or those starting to invest now, prices are much lower. This is what we intend to do and have always done. Yet human nature may cause you to reject adding more.

If you are in an accumulation phase and have more than 10 years before you will start taking income from your portfolio, a drop of 10% should not be upsetting. However, if you are close to retirement or are already retired and withdrawing, a drop of 5% seems small, but 10% or more may give you stomach trouble. The difference is the extent to which volatility will cause a significant change in your lifestyle. Ways to deal with that include reducing your expenses, avoiding debt other than your mortgage, and having an emergency fund/cash reserve to take care of the unexpected.

If you have been working with us for a while, you probably know that we have been talking about the need to be cautious since the first quarter of 2015, maybe longer. Also, we have had trouble



finding good values and therefore have been accumulating more money in cash and short-term bond funds. You also know that we use a reserve fund strategy for those of you close to or in retirement, which allows us to ride out market downturns and provide the income you need.

I came across a saying that is the basis of successful investing: “You can't invest what you don't save.” This suggests the corollary that having cash on hand is never a bad thing because investment success depends on availability and opportunity. If you have the funds available, you must also have the courage to invest when everybody around you is telling you how crazy you are. This presumes you have done your homework ahead of time and have a plan. Volatility then means *opportunity*.



## Planning Notes

By June A. Schroeder, RN, CFP®

**Credit Card Benefits Change:** If you are among the many card holders who don't pay attention to those inserts from your credit card issuers, you might think you are still getting benefits that are no longer available. Read the inserts and check the card websites. Issuers are planning ahead due to expected defaults from rising interest rates. Discontinued perks may include roadside assistance, baggage insurance, and travel assistance.

**Credit report errors** can be fixed using new rules. Credit-reporting agencies must now consider documents that you submit as possible proof of a mistake on your credit report. For example, a letter from your bank showing your mortgage payments are up to date.

**Concerned about your elderly parents' money management?** They don't usually want your help, but offering to do something they don't enjoy might

open the door for further discussion. Tax time is a good time to offer to help with pulling together information and can give you a good idea about what is going on.

**Buying a different home?** Do it at the end of the month. This will help your short term cash flow because mortgage interest is paid in arrears, after the month has ended. So the later in the month you close, the fewer days you own the house and the less accrued interest you pay for the closing month.



## Meet Breanna

Please welcome Breanna Mitchell to our part-time intern position. She's been dating Shannon's son, Jaydon, for almost three years! We think she is an excellent fit to help us keep our scans, meeting notes, and proxies in order. A graduate of Ronald Reagan High School's college prep program, she just began her first semester at MATC and appreciates the flexibility we offer.



## Featured Artist: Maureen Rosenblum

By Jessica Schenzel

*"We experience the world of phenomena and consciousness, of light and dark, playing themselves out in a dance without separation."* This quote from author Jack Kornfield speaks to the inspiration behind much of photographer Maureen Rosenblum's work, specifically her newest show "Structures and Surfaces." She is interested in the relationship between light and shadow as well as geometry found in nature. It's by way of these natural elements that her photos unite black and white with splashes of color, thus reframing the everyday as extraordinary! A licensed psychotherapist for over 35 years, Maureen's love of photography led her to train at Cardinal Stritch University and UW-Milwaukee. She then used photographs to "help people look at their lives" through the practice of phototherapy classes. See Maureen's photography in our office or at [www.the-inner-i.com](http://www.the-inner-i.com). Contact her at [leafstone@aol.com](mailto:leafstone@aol.com).



## Client Alerts

By Shannon Nook, RP®

### 2016 Office Hours & Availability

- Mon-Fri: 8:30 a.m. to 5:30 p.m., later by appointment only
- Closed: Good Friday (3/25); Memorial Day (5/30); Independence Day (7/4); Labor Day (9/5); Thanksgiving & Friday after (11/24 & 11/25); Christmas Day (12/26 observed)

### 2015 Tax Deadline is April 18, 2016!

We get a few extra days this year due to a leap year and Emancipation Day.

### Don't forget to maximize your IRA

The 2015 contributions for IRAs, including Roths, must be in by April 18, 2016. Maximum is \$5,500 per individual or earned income, whichever is more. Those over age 50 may add an additional \$1,000 catch-up. We hope to contact you in late February to see if you're interested in maximizing this contribution for your retirement!

### Tax Appointments with Keith Helm, Liberty Accounting Services

Keith Helm will once again schedule to meet with mutual clients at our office on February 16 and March 16. Give him a call directly at 262-522-3655 to schedule an appointment. Act fast, spots are filling quickly.

### Liberty Financial Tax appointments for David and Richard

Appointments for David and Richard can be scheduled in conjunction with your review meeting, if you wish. Since Richard will be working from California, your final return will not be ready the same day as in the past, but will be filed electronically and your copy mailed to you. Tax organizers containing your numbers from last year will be going out shortly to help you get ready.



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