MALLARD ADVISORS LLC

Comprehensive Financial Planning
& Wealth Management Solutions

The Quarterly Mallard Call

October 2019

Inside This Issue

Five Simple Steps to Wealth

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Most wealthy people were not born rich. In fact, 80% of wealthy people are first generation millionaires. In other words, never assume you are born into a standard of living that you can't move out of. Your circumstances may not be ideal, or you may have been dealt a poor hand. However, even if your circumstances are not your fault, it remains your responsibility to manage your financial future. Don't expect to be bailed out by family, the lottery, or the government. My goal is to empower you to take small steps towards wealth, even when you can't see the immediate results.

Building wealth may be simple (as this article title suggests), but it is not easy. It requires a steadfast desire, focus, time, and patience. Over time, implementing these five steps can result in **massive improvement** in your financial life. Most clients at Mallard have become financially secure as a result of the following five steps to wealth.

Step #1: Know What You Really Want

Perhaps your goal is to retire as soon as possible, and you understand and are willing to live in a very small home, and only ride a bike for transportation – giving up the expenses associated with a car (or multiple cars). Sounds great! Or perhaps you know that you want to maintain a lifestyle of about $200,000/year and will work as long as possible in order to save enough to ensure you can maintain that lifestyle in retirement. Also great!

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Announcements

Rachel Roach recently graduated with a Bachelor of Science degree from the University of Delaware's Financial Planning and Wealth Management program.

She joined us in 2018 on a part-time basis, but moved into a full-time position after graduation this spring. Rachel works closely with Bill as a financial paraplanner which involves preparing financial plans for client meetings, and implementing post-meeting tasks. She also provides any needed support and client service. Rachel aspires to earn a CFP® designation to help others learn about the importance of money management.

Helping clients understand the complexity of personal finance and participating in the process of creating sound and personalized financial plans is important to Rachel.

She lives in Newark, Delaware, and is an avid hiker.

Notices

Travel Plans

Bill will be away Tuesday, October 1st, through Friday, October 4th at the National Association of Personal Financial Advisors (NAPFA) Conference in Chicago, IL. NAPFA is the professional organization of fee-only, comprehensive financial advisors that work as fiduciaries for their clients.

Mallard E-Mail Update

Are you receiving our e-mail newsletters (which are different from this quarterly newsletter)? If not, let us know by sending an e-mail requesting to be added to our e-mail newsletter list.

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When sending confidential information to us, please remember to use the **secure *ShareFile* link** contained at the bottom of each of our email signatures. This link is also located at the top of every page of our website.

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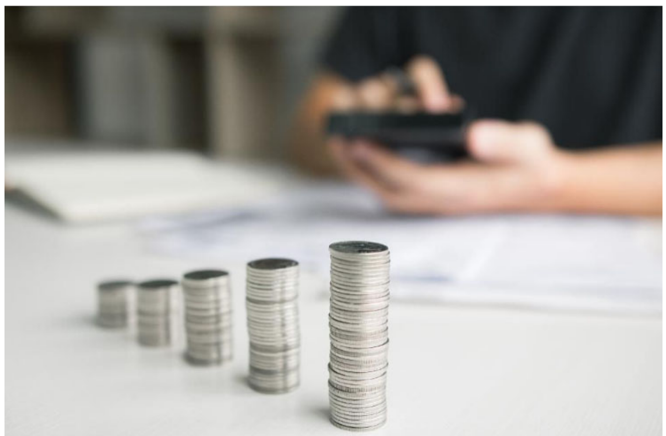
There are so many forces working hard to compel you to spend your money rather than save it. Therefore, knowing who you are, what you really want, and what you value makes it far easier to save or spend money on the things that are truly important. It also makes it easier to ignore the "bright, shiny objects" that distract you from your purpose. In fact, knowing <u>what you really want</u> and <u>what you value</u> makes all financial decisions easier. Imagine how confident and secure you would feel if you were absolutely certain about who you are, what you believe, what you want, and where you are going! You would be better able to withstand the forces that try to bully you into making poor financial decisions. As long as you make choices that are aligned with what you really want, you will propel yourself towards <u>your</u> goals.



Step #2: Get Control Over Your Spending

We should all live beneath our means by controlling our spending in a way that is less than our income. In order to live beneath our means, we must have strong control over our impulse to spend money.

I recently went mountain biking with a client and friend. The hour and a half ride nearly killed me. Then he told me about e-bikes and his intention to get one. An e-bike is a bicycle that has pedal assistance from a battery. After that exhausting ride, this was sounding like a great idea! Prior to our conversation, I didn't know about e-bikes, but after the conversation, I had a new need, and a strong desire to run right out and buy one. We all know the feeling of excitement!

One of the best solutions to curb the rush associated with a strong desire for an impulse purchase is ***TIME***. Whenever you are ready to jump into an impulse buy, make a commitment to wait 30 days prior to making the purchase. Give yourself time to reflect on your values and ensure that this purchase will not sacrifice a more important goal. You may also find that after 30 days, your desire has greatly diminished. If it hasn't, ask yourself why. Does the purchase help you accomplish your financial goals? Does it add value and significance to your life? Maybe it will. If so, the 30 days will also give you time to do proper research or even bargain hunt for the product. In the case of the e-bike, perhaps I feel it will allow me to recapture the thrill of long and fast rides in the country with friends. Perhaps, I can simply buy an electric motor and retrofit it to my existing bike. Or, perhaps the stronger financial security of tomorrow is more important to me than an e-bike. Regardless, taking time to reflect before buying helps us avoid impulse spending.

We should all live beneath our means by spending less than we earn. This is because you can't simultaneously act wealthy and become wealthy. Living beneath your means is about being true to where you are financially. This is especially important when income growth is rapid as you must restrict the tendency to allow your lifestyle to creep up and match your growing income. Keep a large gap between your income and your spending. Mind this "gap" – and keep it wide open!

Step #3: Save Like Crazy

With a wide open "gap", you will be able to save. Supporting your lifestyle over a 35-year retirement will be the most expensive goal you will have. Because of its size, one of your priorities must be your retirement savings - even in the face of college costs or other goals. Unlike these other goals, <u>retirement is not optional</u>, and it can't be financed, or paid for out of employment income since you won't have any!

Starting savings habits requires creating some momentum. While you need to save like crazy, you may need to start small, then build savings momentum, and work towards stronger saving in the future. Start by saving a minimum of 10% of your income as early as possible. Build the habits needed to buy yourself the financial freedom to pursue your passions later in life. It is ok if you start out saving small amounts (it may seem boring). Soon enough, these small habits will become ingrained in your life, and the financial impact will snowball as you continue to save a larger percentage (say 20%) of your income (this will be exciting).

Remember, what you spend today creates *today's* lifestyle, but what you save today creates *tomorrow's* opportunities. Your future-self will greatly appreciate the financial security you created by saving like crazy.

Step #4: Invest Using the Four Keys to Investment Success

I have spoken about the four keys to investment success in the past. I would write about these for every newsletter if I could, as they must become a part of who we are as investors.

Only once you have money saved can you begin to invest some of it. When you invest (in mutual funds and/or ETF's), you are investing in a diverse collection of businesses that are part of a larger economy. Taken further, you are really investing in the economic progress of the world. Therefore, you must have a resounding **faith in this future**. Having faith means you are investing in a future you believe in. Second, you must have **patience** - the ability to delay expectation - as you wait for positive returns to unfold. This is done by having realistic expectations for future returns, and avoiding investing any money you may need in the next five years. Third, you must have a strong, well-defined, and fully embraced **investment philosophy**. Your investment philosophy cannot change when the markets change. It cannot change when a new president is elected. It can't change as a result of what your brother-in-law is doing, or due to changing economic outlooks. While these things change constantly, your investment philosophy should not. A strong investment philosophy will keep you unswayed by the outside forces hell bent on getting you to "act" (i.e., trade). Our philosophy can be found in the FAQ section of our website. Finally, with faith, patience, and a philosophy, you will have the needed **discipline** to stick with your investment plan when the going gets tough. Discipline is the ability to NOT act as you wait patiently through a painful market and see the value of your portfolio drop. Discipline allows you to be committed in the face of surprising and scary events.

Step #5: Act Like You're Self Employed

If you don't work in the public sector, you should assume your job is at risk. Job security is dead. The relationship between employers and employees has changed over time. No longer do people work at the same company for 35 years and retire with a gold watch and pension at age 65. According to the Bureau of Labor Statistics, the average worker currently holds ten different jobs before age forty, and this number is projected to grow.

In this type of economy, you must think of yourself as self-employed. Those who are self-employed are constantly looking to generate income by adding value to the lives of their customers and co-workers. As an employee who is acting like a self-employed business owner, you must also try to add value to the lives of those you work for. By doing so, you become invaluable which is the key to promotions, bonuses, and new job opportunities.

A self-employed person is always looking toward their future job security and working hard to maintain relationships, monitor opportunities, adjust their business plan, and build their knowledge and skills. As an employee, you must do the same. With entire businesses being disrupted, you must do these things in order to set yourself up with your next position or company. This will strengthen your job security.

In short, acting like you are self-employed will help keep you on track to building wealth as quickly as possible.

Regardless of where you are on your financial journey, you have power over your financial future. Take the first step today (of the five) towards building wealth:

1. **Know What You Really Want**
2. **Use Time to Control Your Spending**
3. **Save Like Crazy**
4. **Invest Using the Keys to Success**
5. **Act Like You're Self Employed**

Bill Starnes is the founder and senior advisor at Mallard Advisors, LLC

Market Commentary

The latest three month stock market returns can be viewed with two very different attitudes. The first is many stock asset classes produced a loss for the quarter, and where there were gains, they tended to be very small. On the other hand, the losses, where they occurred, were too small to wipe out the gains of the previous two quarters. This means most investors still earned very good returns this year-to-date regardless of their stock/bond allocations because both stocks ***and bonds*** have done very well in 2019.

Whether that will continue is anyone's guess, but in today's uncertain political and economic environment, it's easy to feel like we all managed to dodge a bullet and are holding onto our gains with gratitude.

I know it is tempting to assume the bull market is coming to an end considering high U.S. stock valuations and the uneasiness about a global slowdown in economic activity. At the same time, we are also experiencing the strongest labor market in several decades, with the pace of layoffs and the unemployment rate near a 50-year low. Also, consumer spending has been extremely strong. Economists are hardly in consensus, but many predict that the economy will continue growing to the end of the year at least. The stock market, as leading economic indicator, will anticipate the eventual recession and decline in advance.

Regardless of how the short-term future unfolds, our mission as investors (not speculators) is to accept that we are investing in the millions of workers who get up every morning and through their hard work, ingenuity, and innovation grow the value of the companies they work for—and we own. The investment returns you will see in the long-run are driven by the underlying value that is created in the offices, cubicles, and factory floors all over the world. While prices may be volatile in the shorter-run, we are investing to capture the longer-term returns that these businesses produce.

Summary of Asset Class Total Returns (as of 09/30/2019)

		One	Three		12	*Annualized*	
Asset Class*	**Ticker**	**Month**	**Months**	**YTD**	**Months**	***3 Year***	***5 Year***
GLOBALLY DIVERSIFIED BALANCED PORTFOLIO**							
60% Equity / 40% Bond	DGSIX	1.5%	0.5%	12.0%	2.1%	6.7%	5.3%
STOCKS							
Larger-Cap	VFINX	1.9%	1.7%	20.4%	4.1%	13.2%	10.7%
Smaller-Cap	NAESX	1.4%	(1.5%)	17.7%	(3.9%)	9.5%	8.5%
International - Developed Mkts	VGTSX	2.7%	(1.6%)	11.4%	(1.6%)	6.0%	3.1%
International - Emerging Mkts	VWO	1.4%	(3.6%)	8.2%	1.4%	5.3%	2.0%
Real Estate	VGSLX	1.9%	7.4%	28.1%	19.9%	7.1%	9.9%
Inflation Hedges	*	3.1%	(5.5%)	6.3%	(12.4%)	2.6%	(1.9%)
BONDS							
U.S. Investment Grade Bonds	VBMFX	(0.6%)	2.4%	8.6%	10.3%	2.8%	3.3%
Global Bonds	VTABX	(0.5%)	3.0%	9.3%	11.3%	4.1%	4.5%

** Each asset class is represented by a relevant Vanguard Index fund except for Inflation Hedges where the Morningstar Category average for **"Natural Resources"** is used. All data is provided by Morningstar.*

** All returns are net of (i.e., after) fund fees, and include reinvested dividends.*

** Past performance is not indicative of future results.*

*** This portfolio is represented by the DFA Global Allocation Fund (60% Equity / 40% Bond) - DGSIX*