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THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management

INSIDE THIS ISSUE

The Financial Motivation of Those Providing Investment Advice

Everyone needs motivation to overcome life's obstacles and challenges; this is simply a fact of life. But how does this play into the financial advice you receive? What financially motivates the people you turn to for financial advice?

Let's start with the **financial media.** How does the financial media make money? They are paid by advertisers sponsoring their programs and publications and are motivated to catch your attention with interesting information. Are they evaluated by the results from following their investment advice? Of course not.

How about **investment brokers?** Brokers are legally required to recommend investment products that are suitable for their customers. They are financially motivated by the commissions they earn when you buy what they are selling. Brokers can be tempted to recommend products or services that provide them higher commissions.

What about **insurance companies?** Insurance agents sell guarantees offered by the insurance companies they represent. They cater to your desire to mitigate risk and obtain some sort of guarantee. They are financially motivated by the commissions they earn when you buy what they are selling.

How about **SEC-registered, fee-only investment advisors?** Investment advisors are legally required to place your interests first. Their responsibility to you does not end once you implement what they recommend. They have an ongoing responsibility to monitor your situation and your investments as long as you engage them to work for you. Fee-only advisors do not earn commissions from the sale of products. They typically earn a salary from the investment-advisory firm you hire to work for you. Fee-only advisors are not distracted or compromised by earning commissions from the sale of any financial products.

Beware—fee-based is not the same as fee-only. Fee-only means the advisor does not earn any commissions or incentives from selling you financial and investment products. Fee-based means the advisor may sometimes be offering you advice for a fee and other times may be paid a commission if they sell you a financial product.

We recommend you think about who you want to receive financial advice from, and then choose wisely.

The Jentner Report is published periodically by Jentner Wealth Management.
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JENTNER WEALTH MANAGEMENT

THE PRESIDENT'S WORD

Five Financial Mistakes

I have devoted my life to discovering how to improve the financial success of clients. Here are five common mistakes that historically have been harmful.

1. Thinking "I'll start saving tomorrow." No matter what your income, develop the habit of automatically depositing something out of every paycheck. Don't wait; do it now. Instruct your children and grandchildren to do the same as soon as they begin earning money.

2. Borrowing too much. This is true for families, businesses, and governments. It may be easy to borrow, but too much debt will hurt you tomorrow. This is particularly true for student loans. Be careful!

3. Investing in "hot tips." Don't do it! These "hot tips" may sound exciting, but more often than not, they don't work. Remember, no one ever invests in something they don't think will reward them. Just because you are offered significant returns does not mean you will earn them.

4. Letting daily news frighten you out of investments. Daily investment volatility is a fact of life. In spite of daily challenges, the global economic pie keeps growing over the long term. The biggest risk is not the daily market volatility but is instead not participating in the long-term economic growth of the global economy.

5. Voting for legislators who promote more government spending with money the government does not have. This is not economically sustainable, even if we would like it to be.

Bruce Jentner, CFP®, President

Financial success may not be rocket science, but many people find it difficult. Behavioral science indicates that many of us ignore the strategies that promote financial success.

Do not leave this to chance. Get help! Work with an experienced CFP® professional who is not trying to sell you something but who works with you to develop a sound financial and investment plan.

Investing—What Works?

When it comes to investing, what works? Here are four cornerstones that promote a successful long-term investment experience:

1. There are no ultimate safe havens.
2. Market timing is hazardous.
3. Concentrated portfolios are risky.
4. Our emotions are more powerful than our logic.

If these are true, then what works?

1. Broad investment diversification
2. Transparency
3. Low costs
4. Realistic expectations

You might be thinking, "That's easy for you to say. What if I am not comfortable being an investor?"

You may not have the temperament to be an investor. If not, diversify into high-quality short-term bonds, FDIC-insured bank savings deposits, and insurance-company guaranteed annuity income. No matter what you are comfortable with, you need realistic expectations and patience.

Historically, diversified portfolios of stock and bonds have generated long-term average annual returns of 4-8%. Historically, balanced conservative portfolios of bonds, bank deposits, and annuities have generated average long-term returns of 2-6%. Only you can determine what is right for you.

How much do you need to deposit to accumulate $1,000,000 over 30 years? An investment portfolio earning an average annual return of 6% will require monthly deposits of $996. A conservative portfolio averaging 3% annually will require monthly deposits of $1,716.

Determine if you are an investor or a saver. Then develop a plan and make a deposit out of every paycheck. If you are a conservative saver, you will need to deposit more money to reach your objective. Ultimately, it is up to you to develop a plan and stick with it. The earlier you start, the better.

In Light of Market Volatility, How Should You Invest?

With the markets down one week, then up the next, what should you do? To shed light on this question, let's revisit the Jentner ProActive Investment Strategy™, which we employ on behalf of our clients.

Our investment philosophy is based on basic historical facts:

1. Markets fluctuate. They always have, and they always will.
2. It is nearly impossible to determine when to be in or out of the markets.
3. It has been more detrimental to long-term returns to be out of the market during the unexpected upswings than to be in the market during the inevitable temporary downturns.*

Truth is truth, whether we like it or not. We may not like the historical facts above, but it is what it is. Therefore, because of these, we employ the following investment strategy:

1. We select risk-appropriate investment allocations based on discussions and feedback with each client. No one is able to stay invested if they are either too aggressive (feeling the fear of potential loss) or too conservative (feeling like they are being left behind). We continue to solicit emotional feedback from our clients throughout our relationship with them over the years.
2. We diversify globally into stocks, bonds, real estate, commodities, and cash. We typically invest in more than 13,000 securities in 42 countries on 6 continents, using diversification to provide long-term safety. We avoid concentrating investment portfolios into either perceived "safe havens" or potential "can't lose" investment opportunities.
3. We keep investment costs low and portfolios transparent, investing only in marketable investments.
4. We avoid reactions based on short-term fluctuations, staying fully invested throughout each market cycle. We coach our clients to do the same.
5. We analyze each portfolio quarterly to look for opportunities to take advantage of market volatility by rebalancing client portfolios without making market predictions.

The result? We help our clients earn competitive returns to support their goals and objectives. The future cannot be predicted. Investing is an inexact science. In spite of the challenges facing our world, because of continual innovation and growth of the world economy, it has been our experience that this strategy works.

*DALBAR's 2015 Quantitative Analysis of Investor Behavior

Daniel J. Bloom, CFP®, NSSA®
Director of Financial Planning

The First Step in Business-Exit Planning

A well-planned business-exit strategy can help entrepreneurs prepare for their own retirement, while also providing excellent opportunities for future business owners. A business-exit strategy will ideally be voluntary and intentional: perhaps a merger with another company or the sale of the business. Unfortunately, some exit strategies may be involuntary, such as the death or disability of the owner, a divorce, a bankruptcy, or a shareholder dispute.

Because life includes both pleasant successes and discouraging challenges, it is important for all business owners to plan in advance for an optimal exit strategy—both voluntary and involuntary.

We recommend that business owners assemble a trusted team of experienced professionals:

- A wealth advisor who understands the economic and investment issues
- An accountant who understands the tax issues
- An attorney who understands the legal issues
- An independent business-valuation professional to help determine the business's value
- An insurance advisor who can provide insurance solutions for liquidity
- A human resource consultant to identify and assist with the transfer of business leadership responsibilities

This business-exit planning is best developed well in advance of the target date. Typically, the better the advance planning, the better the results. Give us a call to discuss your business-succession planning. We are here to help you assemble a team that can help you develop a well-planned business-exit strategy.

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Reset Your Retirement Savings

Many of us have the opportunity to save for our retirement through an employer-sponsored retirement plan, like a 401(k), a 403(b), or a 457 plan. If you are receiving a pay increase this year, this would be an excellent time to consider resetting the amount you contribute.

Most people find it easier to make retirement contributions by budgeting something right off the top of each paycheck. If you have access to a retirement savings plan at work, instruct your employer to withhold enough through paycheck deferrals to contribute the maximum limit each year. If you are self-employed, do the same with automatic deposits into a SEP-IRA, profit-sharing plan, or independent 401(k) plan. If you do not believe you can contribute the maximum at this time, consider increasing the amount you contribute each time your income increases until you reach the maximum permitted by law. The earlier you start, the better the results. Compound investment returns over time have been called the eighth wonder of the world.

Remember, most people who are financially independent got there by contributing handsomely toward their retirement; they are not contributing handsomely to their retirement because they are financially independent. Of course, you can only save the amount you can realistically afford. You must keep some money in an emergency reserve account that is available for the unexpected.

Focus on what you can control. We cannot control the markets or the economy. But we can control how much we invest out of each paycheck. Take control of your financial future. Take responsibility for your financial independence. Don't fret what you cannot control. Focus on what you can control.

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