



Q3 2014

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Taken Your Temperature Lately?

By Mike Booker, CFP®, ChFC, CFS®

When our 28-year-old daughter, Caitlin, was just four months old, my wife and I noticed she was running a fever. We had been parents for exactly four months and began to get nervous about it. We had no parents handy to discuss what we should do...no one to calm us down.

Of course we gave her some fever-reducing medicine, but we couldn't help getting more and more worked up over her elevated temp. Panic began to set in, and off to the emergency room we went. When the doctor on duty saw us and examined Cait, I remember vividly that he soon became less concerned about her condition than about her parents' demeanor. "What the heck is going on here?" I thought. "Don't look at us, treat our fever-ridden daughter!"

In reality, this wise ER doctor recognized what newly minted, panicked parents looked like. They looked just like us! He turned away from Caitlin for a moment and asked us to please sit down. We did, and he began to explain that fevers in children were very common and that parents simply cannot (should not) run to the emergency room every time their child has a fever.

"Yes," he counseled, "when a fever is exceptionally high, go to the emergency room." But, he explained that fever is useful as a defense mechanism as the body's immune response can sometimes be strengthened at higher temperatures. A fever can be an indication that the body is fighting an infection, but normal body temperatures vary depending on many factors including activity level. It was a cold December night, and the fact that we had wrapped her up in a warm, one-piece snuggie and heavy overcoat with the heat in our car on its highest setting made things worse, not better.

We left the ER that night greatly relieved and somewhat embarrassed. We had obviously overreacted. It turns out that Caitlin's fever was actually low-grade by almost any measure, and by the time we got home it was nearly imperceptible. We were parents who had gotten way too worked up, and ultimately caused Caitlin (and ourselves) a lot of unnecessary stress.

We learned some truly valuable lessons that night:

- 1) Don't panic: A trip to the emergency room is not the first step to be taken when a child appears sick. Take a deep breath and assess the situation. Things are probably not as bad as they seem.
- 2) Fevers are normal. They are to be expected in young children. Pay attention and monitor the situation, but don't jump to the wrong conclusions.
- 3) Don't alter everything because of a temporary situation. Caitlin's fever was not really very high, but to us it seemed life threatening. It wasn't. It was temporary.

The lessons we learned that night were life lessons that I have found to apply to many other situations. For example, the stock market and your portfolio have backed up a few percent in the last month or two. Let me say this about that:

- 1) Don't panic: When Caitlin's fever showed up, we overreacted big time. When market reversals show up, investors tend to overreact. When that happens, they make bad decisions.
- 2) Downturns are normal. Markets go up and they go down. They never go straight up. It is not only normal, but it is also healthy for markets to go through periods of decline. These periods "wash out" the market timers and amateur investors who do panic.
- 3) Don't alter everything because of a temporary situation. Successful investors avoid making long-term decisions based on temporary conditions. Though downturns can seem like they'll never end, they always do. Downturns are temporary.

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TEMPERATURE, Continued....

So, we find ourselves in a temporary pullback once again. It has been awhile since we have had to deal with one, and like all market downturns, it is uncomfortable. But Q3 was a losing quarter largely because of just three asset classes:

- * Foreign markets, as measured by the MSCI EAFE Index, lost 5.88%
- * Small cap, as measured by the Russell 2000 Index, lost 7.36%
- * Commodities, as measured by the Goldman Sachs Commodity Index (GSCI), lost a whopping 12.46%. (Source: Bloomberg)

Remember this: Your account is invested in a sophisticated, diversified portfolio of many asset classes that by design will not “walk in lock-step” with one another. By not walking in lock step, we mean that in any given timeframe, some asset classes will be up and some will be down. This is the essence of our strategy, and it is the essence of diversification.

Remember this, too: We are on it...every day, all day. ■



Can an App Really Help You Beat the Market?

By Bryan Zschiesche, CFP®, MS, MBA

One of the websites which is frequented by many of our clients and is thus on my radar is Yahoo! Finance. I admit that I regularly find myself worried that people may be derailed from their long-term investment strategy by the headlines and ads used to stir up investors. An ad I recently came across (pictured) takes the cake.

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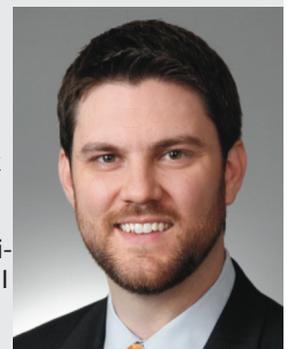
“Beat the market.” Just download the Yahoo Finance app, and you’ll be on your way to market-beating returns in no time! This is so conspicuously silly that, at first, I just shook my head and kept reading. But the more I think about it, the more I worry that investors are actually enticed by this message. Otherwise, why would Yahoo advertise this way?

Of course, our clients have been thoroughly inoculated from this sort of thinking, but for those investors who are still chasing the unicorn, let me attempt to illustrate the folly. Let’s break down what it means to “Beat the market.”

First, what do we mean when we talk about “the market?” “The market” is simply a collection of individuals and institutions who come together to buy and sell stocks. It is comprised of individuals like your neighbors, your friends, and your great-uncle Fred. It is also comprised of institutions like your company’s pension or retirement plan, endowments and charities, and professional mutual fund managers. If that is the case, why do we care about beating them? The purpose of investing isn’t to beat other investors. It isn’t a race. For most of our clients, the purpose of investing is to provide for a comfortable retirement (or some other personal goal like paying for college or saving for a down payment on a house) and to pass hard-earned wealth on to children, grandchildren or charity.

That leads us to the second problem with attempting to “Beat the market.” If investing is about achieving your own unique and personal financial goals, the best way to accomplish those goals is to build a diversified portfolio which includes investments in assets that don’t act the same way under the same economic conditions. That means that in addition to stocks we own investments in things like bonds, real estate, commodities, and alternative strategies, which don’t act like stocks most of the time. Why would an investor compare a diversified portfolio to an all-stock “market” benchmark? This is classic apples-to-oranges comparison.

I suppose human beings are hardwired to be competitive, and Yahoo’s ad appeals to that competitive nature. If you’re one of those people who are enticed by the prospect of beating the market, I ask you to think hard about the bogey you’re chasing. Does it really matter if you beat the market? Is it really worth the risk to try? ■



Are your IRA beneficiaries set up correctly?

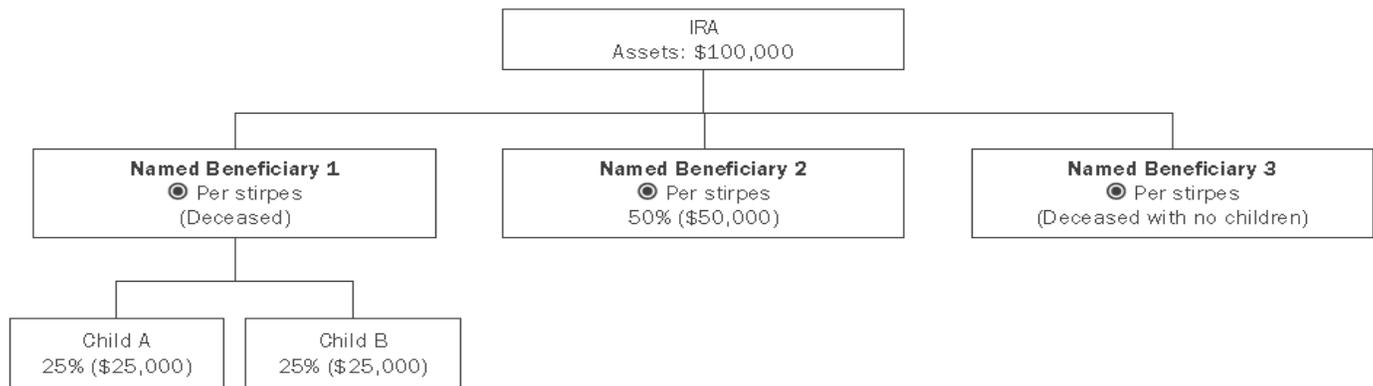
By Heath Hightower CFP®

If you haven't reviewed your IRA beneficiaries in a while, you may find that the designated beneficiaries on your IRA are not who you intended them to be, especially if you have grandchildren.

For instance, if you name your three adult children as your designated beneficiaries and one of those children predeceases you, then the share that would have gone to the deceased child will then pass, in equal portions, to the two remaining designated beneficiaries rather than to the children of the deceased beneficiary (your grandchildren). This type of IRA beneficiary is called "Per-capita" and is the default beneficiary format for all Charles Schwab IRA Beneficiary Designations. However, if you would rather the deceased beneficiary's share of the IRA pass to his/her children, then you would need to stipulate that on the Schwab IRA Beneficiary Designation form. This type of IRA beneficiary is called "per stirpes."



Per Stirpes is a Latin term for "by branch." An IRA is distributed per stirpes if the owner of the IRA intends for each branch of the family to receive an equal share of the account. When the beneficiary in the first generation of a branch predeceases the owner of the IRA, the share that would have been given to the deceased beneficiary would be distributed amongst the deceased beneficiary's heirs in equal share. Here's a basic example of how a typical per stirpes beneficiary designation would work in the event of a deceased beneficiary:



Reviewing your beneficiary designations is never a bad idea, but if any of your named beneficiaries is already deceased please call us. We can work alongside your attorney to help implement the appropriate beneficiary structure for your retirement accounts. ■

Sources used: *The Charles Schwab IRA Beneficiary form & investopedia.com*

Disclosure: This article is written for informational purposes and is not intended to be legal or financial advice. You should consult an attorney before making any decisions or changes to the beneficiary designation of an IRA. Per stirpes definitions may vary from state to state. Some states do not recognize per stirpes designations.

Interested in eDelivery or Access to our Online Portal?



Did you know that you can receive your quarterly statement electronically?

You can also see all of the accounts in your Household, your account's holdings, transactions, and respective asset allocation through our online portal.

If you're interested in enabling eDelivery or the onlineportal feature, or would like to know more about it, please call us at 713-623-6600 or email mwillard@finsyn.com.

PIMCO Total Return Out, MetWest In

By Mike Minter CFP®, CFS®

We've decided to let go of long-time holding, PIMCO Total Return fund. We've held the fund for twenty years and most of our client portfolios have exposure to it because it is a core bond fund. The decision was not an easy one, and it was well thought out, I assure you. Since its inception in 1987, the Total Return fund has been one of the top performers in the core bond category.

Just a few weeks ago Bill Gross, PIMCO's founder, left the company and went to work for Janus. Understandably, that has created some disruption at the company, and it led us to put our PIMCO holdings "under review." During this time we had a chance to consult with PIMCO representatives and conduct our own research and analysis.

We are confident in our decision to let go of the Total Return fund. Bill Gross was the lead portfolio manager and had a direct impact on the day-to-day investment decisions within the fund. We have never shied away from terminating a position if the lead manager leaves, and this is no different. It's not always a given that we'll exit a position under these circumstances, but Bill Gross was clearly the shot caller for this particular fund.

As for the remaining PIMCO funds in our portfolios, we are staying put and have no reservations about doing so. PIMCO is a very large asset management company with extremely talented portfolio managers and analysts at every level. Our other positions were not managed by Bill Gross, and we feel very comfortable with their current teams.

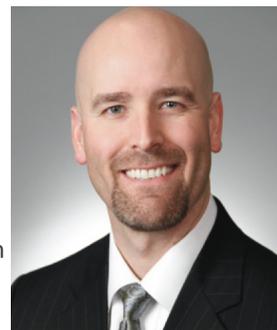
Enter Metropolitan West Total Return Bond Institutional (MWTIX)...

After conversations with MetWest fund management and our own due diligence, we selected the Metropolitan West Total Return Bond Institutional as our replacement.

We were already very familiar with this fund, as we always keep tabs on top competition for our existing positions. MetWest Total Return has been a top performer since its inception in 1997 and our clients will be in excellent hands here.

The firm was founded in 1996 and, ironically, the three founders started their careers together at PIMCO. These founders have been directly managing the MetWest Total Return fund from day one. This fund has the experienced management, longevity, quality and performance that we look for.

PIMCO has a deep bench with many experienced people, and the Total Return Fund will probably be just fine over the long-term. But the best option for our clients right now is the Metropolitan West Total Return Bond fund. ■



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Congratulations, Nikki and Jeff!

On September 25th, 2014, FSAM Office Manager Nikki Anderson and husband, Jeff, brought into the world a beautiful baby girl named Payton Grace. Please join us in congratulating them on their new addition!

