RULE #3 - YOU HAVE TO ACT NOW!

July 1, 2019

Many years ago, we developed these rules to help our new clients learn the behavior that gives them the best chance of success given the way we invest. Call it behavioral coaching, education on markets, or just plain old "rules to be our client". We found that when we set expectations up front appropriately, clients better understood our approach and more importantly, why we were doing what we did. So this is the third in a series of short blog pieces on each rule

Possibly the oldest abusive sales tactic in financial services (among other industries) is the high-pressure pitch. "You have to act now! This opportunity is here today and might not come around again." Or something to this effect. Sharing information not readily available to the public about an investment opportunity is against the law. Anyone offering you such information is either committing a crime or lying to

you. Think about this. If a rational person had highly profitable information that was time sensitive, they would either act on it themselves rather than share it and watch the opportunity vanish or pitch a UHNW (ultra-high net worth) investor to maximize their own fee or commission.

Most importantly, one must understand the difference between an investor and a speculator. Both serve useful purposes in financial markets. But we service investors who read this blog. Whether or not you make an investment today, next month, or even next year is not relevant to a long-term diversified investment strategy. The high pressure pitch is the most obvious red flag there is. NEVER succumb to this sales pitch.

Important Disclosure

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THE MISSION

This blog will attempt to strike a balance. I want to warn readers about the bad people, the bad firms and the products they peddle. I also want to recognize those who fight the good fight. My goal is to, through humor at times, educate investors based upon my experience in this industry.

LATEST POSTS

INAUGURAL POST

"Write a blog!", they said. "It'll be great!" So here it is, my inaugural post. This would be a good time to educate readers about my perspective, my biases. Our past experiences need not define us, but probably shape who we are, who we become.

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Apr 26, 2017

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RULE #2 - 10 RULES FOR BEING A SUCCESSFUL INVESTOR

June 27, 2019

Many years ago, we developed these rules to help our new clients learn the behavior that gives them the best chance of success given the way we invest. Call it behavioral coaching, education on markets, or just plain old "rules to be our client". We found that when we set expectations up front appropriately, clients better understood our approach and more importantly, why we were doing what we did. So this is the second in a series of short blog pieces on each rule.

Rule #2

Have you ever read an article about a type of person and recognize that the person is you? This is one of those articles. The second rule for being a successful investor is to get advice from a qualified professional...as opposed to your brother-in-law. It's understandable that people ask someone they know and trust for advice on a topic about which they feel uncomfortable. Additionally, how do you really know the professional is any good? And the last thing you want is to feel sales pressure from someone on such a large decision. We get it. It's perfectly appropriate to ask trusted friends, colleagues, and family members for a name of a good financial professional but do not ask for investment advice from someone wholly unqualified to give it. The advice is typically uninformed and the relationship may end up irreversibly damaged. Take control and do your homework.

We've already written on how to choose an advisor – read that blog again. The old joke amongst planners is that investors spend more time planning next year's vacation than they do planning the rest of their lives. Most planning work is tough up front and only needs to be revised periodically. Don't leave it to a friend, relative, or some web site to get the right advice. Work with someone who you can hold accountable.

Important Disclosure

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RULE #1 - 10 RULES FOR BEING A SUCCESSFUL INVESTOR

June 10, 2019

Many years ago, we developed these rules to help our new clients learn the behavior that we believe gives them the best chance of success given the way we invest. Call it behavioral coaching, education on markets, or just plain old "rules to be our client". We found that when we set expectations up front appropriately, clients better understood our approach and more importantly, why we were doing what we did. So this is the first in a series of short blog pieces on each rule.

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ACCUMULATION/DISTRIBUTION

April 22, 2019

There are two phases to your investment life span, accumulation and distribution. Accumulation is the portion of your working life where you save and presumably invest as much as possible to fund activities and a lifestyle later on in life, most commonly retirement. We discuss this phase of life most often in this blog when we examine investing and the method of planning for this part of life is called Goals-Based Planning. This column is meant to focus on the distribution phase of life or living off of your investments. We refer to this as Cash-Flow Planning.

First off, there are tax implications when considering distributions from investment accounts that differ from investor to investor. So here are some simple rules of thumb: take distributions from “taxable” accounts (bank accounts and brokerage accounts) first and from tax-deferred accounts (IRA’s, 401(k)’s, annuities) last. Let the power of tax-deferred compounding help you for as long as possible. Most investors will pay capital gains tax rates of about 20% rather than higher income tax rates (or no taxes when investing in tax free bonds) on distributions from the former. You will then pay income tax rates on gains from tax-deferred accounts as you draw down on them. Most importantly, you should get professional advice from a Certified Financial Planner and a Certified Public Accountant long before considering retirement so that you have a distribution strategy ready when that day comes.

Broadly speaking, there are a few ways to look at how to best draw down your money from various investment accounts. Again, we are simplifying that process here for illustrative purposes. Your situation is specific to you and may differ. We will make certain assumptions here are that are equally as important as the title subject but are complex enough that they deserve their own column. Risk for example is again, unique to the investor and will in large part, dictate your investment outcome so we will assume that readers are of “moderate risk” for these examples.

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RETIREMENT ISSUES FOR WOMEN

March 6, 2019

We discuss investing and investor behavior here most often, but financial planning is equally important. Unfortunately, planning is a very personal undertaking so we are limited by how much information we can dispense in this format. This brief post will visit a topic that is increasingly front and center for women, retirement planning. We will give you the questions and issues you should address to help guide you in retirement. Of course, we advise you to work with a competent and credentialed planner.

Some sobering statistics:

- Approximately three out of five working women earn less than $40,000 per year.
- Just 45% of working women participate in retirement plans.
- Across all employer retirement plans, men tend to have higher average account balances and the gap gets wider with age – women over 70 have less than half the balance of men the same age.

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ST. JACK

January 22, 2019

My partner, David Connelly and I are fans of business stories, how they were founded and whether or not they became successful. We are often asked how our company, Symmetry Partners, came to be. We met at a very large Wall Street brokerage firm in the early ‘90’s, Dean Witter. We learned certain things from each other and subsequently became

friends. One of the things I taught David was the wisdom of index investing.

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KEEP CALM & INVEST ON

December 18, 2018

A word about volatility. We've been writing about this topic periodically for nearly 25 years. Let's put that in perspective: the DJIA was at 3,800 25 years ago; we endured the Asian market meltdown; the run up and blow up of tech stocks; the Great Recession; the Greek default; Brexit; the 2016 elections; etc. Today the DJIA stands at around 24,000. Yet investors get quite frightened from time to time due largely to market volatility. Short term volatility often stems from the headlines of the day but in the long run, indices like the S&P 500 and the DJIA are reflective of the fortunes of the companies that make up those indices.

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RUNNING ON EMPTY

December 11, 2018

Attention: Retired Investors

Subject: Retirement income considerations

*We will not be discussing pension income in this blog piece – specific income and investment strategies should be discussed with your financial planner as they can be as unique as your individual circumstances. *

Last month we discussed biases or behavioral tendencies that keep investors from enjoying an excellent investment experience. A popular bias is recency effect. It's a simple concept yet powerful and it can cost you plenty. Recency: "You recall recent events more clearly than events happening longer ago." Well of course you do, but how is that dangerous? You expect the events (or in the case of financial markets, performance) of the recent past to continue into the future. The recent performance of the U.S. market, particularly the S&P 500 index which tracks the largest U.S. companies, has performed exceptionally well over the past few years. Unfortunately, future returns from markets are unknowable. From 2013 – 2017, the average annual return of the S&P was 15.8%, well above its long term historical average of 10.2% (since 1926)1. So investors start to consider if they should have all of their money invested in the S&P. So where is the danger? If this were 2010, we'd be writing that the S&P 500 just concluded a 10 year period that resulted in a -0.9% average annual loss – put another way, you lost 10% of your wealth over a 10 year period!

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BEHAVIORAL FINANCE

October 23, 2018

Sounds exciting, doesn't it? In fact, the more investors hear about this school of thought, the more they come to realize

why they make the (sometimes frustrating) decisions they do where money is concerned. A brief history: most of the work in this field is credited to three academics, Amos Tversky (deceased), Daniel Kahneman, and Richard Thaler. The last two gentleman, who both worked with Tversky at times, were recognized for their work by the Nobel committee, Kahneman in '02 and Thaler in '17 (the prize is not awarded posthumously).

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QUESTIONS TO ASK A FINANCIAL ADVISOR

September 24, 2018

We think the best chances of success for an individual investor are tied to their relationship with their advisor. Of course some may opt to do it themselves. In our experience, this takes tremendous discipline. Investors can save themselves money by taking this route, no doubt, but the majority of investors choose to work with someone. Do-it-yourselfers run some very simple but real risks, namely not identifying those biases we all share that can lead to costly mistakes. A good advisor educates investors about these biases to help them see decisions more clearly. A piece on said biases is forthcoming.

As with all professions, some advisors are better than others. How do you find the right one for you? Interestingly, many investors don't offer up referrals of their advisor to their friends willingly. Of course there are exceptions, but many choose to keep this relationship to themselves so asking friends and family for a name is a start, but only a start. You

must first decide what is important to you. Not all advisors work in the same way.

These five questions are a good place to start

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WELL, WELL, WELL, WELLS FARGO

August 14, 2018

What's in a name? In the case of big U.S. corporations, often times it's a rich history, culture, values, brand loyalty, etc. So what have the executives at Wells Fargo been smoking these past few years? Fake account scandals, improper trading of retail investments, unneeded auto insurance, and apparently more to come. They've paid enormous fines so far in just a couple of years, including $1 billion this April.

The intent of this article isn't to cast aspersions on Wells Fargo, they are just the whipping boy of the moment, and deservedly so. Financial scandals are as old as time. A few years ago, we wrote about J.P. Morgan, and Citigroup and Merrill Lynch before that. Wells is just the latest example of what's wrong in financial services for Main Street investors, retail investors. Main Street has never been well served by the finance industry. That doesn't mean that, 1) there aren't hard working ethical people within these big firms and, 2) Wall Street hasn't served retail investors well in certain respects.

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THE DARKEST OF DAYS AND NEW BEGINNINGS

July 10, 2018

This post was written by guest columnist Harvey Siegel, CPA. Harvey is a senior financial advisor based out of Apella Capital's Lenox, MA office.

On Monday, October 19, 1987, the Dow Jones Industrial Average (DJIA) closed down 508 points, or 22.6%. "Black Monday," as it was called, remains the largest one-day percentage decline in the history of the DJIA. Your writer files it as a "where were you when it happened?" moment. Less than a month later, the founding principals of the predecessor to and currently senior financial advisors of Apella Capital, Lenox, MA started their new business.

In the last thirty years notwithstanding asset bubbles, three stock market crashes and as many recessions, political turmoil, wars, natural disasters, Eurozone crises, the rise of terrorism and the worst financial meltdown and economic downturn since you know when, the S&P 500 had a total return of over 2,000%.

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FINANCIAL PLANNING (YAWN)

June 11, 2018

Financial Planning might be one of the more boring phrases people hear. For some, the thought of it is downright terrifying. And with good reason; thinking about retirement is scary and trying to organize your household budget is a daunting task for many. Some people are fortunate and born organized. But for the rest of us, we'd rather clean out the garage. As with many things now driven by software, financial planning has come a long way. In the '80's and '90's, planning was done with what we'd now call a spreadsheet. It was all manual and it was largely out of date within weeks of its completion. Most planners worked on commission and for many, the plan was the vehicle used to sell expensive (and often poorly performing) products. Well, planning has come a long way.

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THE OTHER SIDE OF IRRATIONALITY

May 15, 2018

Irrational is too strong a word but it's one we read about in (behavioral) finance quite a bit. Investors that panic sell in bad times or that expect unsustainable high returns forever in good times are not irrational. In fact, we can see how they come to their decisions. There's a difference between irrational and uninformed.

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NEVER MIND THE NOISE

April 23, 2018

Investors are all too often distracted by noise in markets. "Noise" is actually an statistical term to describe "unexplained variability in a data sample". Yet Wall Street gurus are ready and willing to offer explanations ad nauseam. Our wise colleague Harvey Seigel, offers his take...

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A HIGHER CALLING

April 10, 2018

Are you associated with a not-for-profit organization? Maybe you volunteer some of your time for a cause about which you feel strongly. If you don't do something along these lines currently, you may very well find yourself in this position in the future. Save this column for that time as it can help you understand the great responsibility that comes with stewardship.

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A COLUMN FOR A RAINY DAY

March 28, 2018

In 1997, my colleague Harvey Siegel in our Lenox, MA office, wrote about market volatility. He cited the fact that from 1990 through 1997 the US stock market (S&P 500 index) gained 300% and that investors should not expect a move like this to continue unabated. After all, market volatility is the price we pay to get the market return. Due to market gyrations last summer, Harvey and his partners, Ed Richter and Barry Wesson, revisited that column. Considering the past few week's market moves, I thought it deserved yet another look and it's re-posted here:

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THE "SMART MONEY"

March 15, 2018

Harvard has begun exiting a large investment made six years ago in natural resources. Much of these investments were made outside the U.S. as in Central American teak forests, Australian cotton farms, a eucalyptus plantation in Uruguay, and timberland in Romania. The endowment thought they could take advantage of growing demand in scarce resources around the globe, particularly in emerging markets according to former head of Harvard's endowment, Jane Mendillo, in a 2012 Bloomberg interview. In the past year the endowment has written down the value of its global natural resources portfolio by $1.1 billion. Over the past 10 years the fund has returned 4.4% on average. Contrast those

returns with a simple buy and hold 60% stock and 40% bond index portfolio (rebalanced annually) that returned about 6.5% over the same time period.

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POINTS AND PERCENTAGES

February 6, 2018

A quick note for investors concerned about recent volatility in the stock market. That's what a blog is good for (maybe), right? On January 26, the Dow Jones Industrial Average reached 26,616.71. The S&P 500 index reached 2,872.87 that same day. On February 5th, they closed at 24,345.75 and 2,648.94 respectively. On February 6th as I write this, the averages are back up. That's around an 8% drop in short order.

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TURMOIL

February 1, 2018

Turmoil. An investor asked me if I was concerned about the "turmoil in Washington" and its effect on markets. I asked him, "When hasn't there been turmoil in Washington?" Or in the

Middle East...North Korea...Russia...Venezuela...you get the picture.

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