Kenny Rogers is a musical artist not easily recognizable by today’s Millennials. In a world of here today and gone tomorrow artists, Kenny’s legacy is cemented with his many musical hits. In particular, his version of Don Schlitz’s 1978 hit “The Gambler” resonates with listeners as it speaks to the need to have discipline and mettle.

The narrator shares a train ride with a gambler who recognizes the narrator seems to have run out of luck. For the price of a glass of whiskey the gambler sings “If you’re gonna play the game boy, ya gotta learn to play it right.” At which point the gambler decrees “You got to know when to hold ‘em, know when to fold ‘em, know when to walk away and know when to run. You never count your money when you’re sittin’ at the table. There’ll be time enough for countin’ when the dealin’ is done.”

This piece of sage advice shares many parallels with market investors. Time and again, research affirms that asset allocation is one of the principal foundations for investment returns. Furthermore the adage “time in the market, not timing the market” is another central principle to successful investors. And yet, many investors still are unsure how the investment game is played.

Market timing is a skill very few investors possess. Unlike investing, trading securities shares very little with investing as traders rarely care about underlying fundamentals and are simply looking to benefit from volatility. Investing is a methodology built on sound financial principles.

“You got to know when to hold ‘em.” Professionals recognize that markets can become irrational in the short term. It’s during these periods that professionals reassess the foundation for the investment and determine the suitability for continued retention. “You got to know when to fold ‘em.” Although an investment is built on solid analysis, the landscape can change. The opportunity can change resulting from increased competition. Other hands are to be played or dealt. Reviewing the investment thesis might result in a reversal of opinion and a subsequent sale, because there are a multitude of other opportunities from which to choose.

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Research by Mike Gayed of Pension Partners covering the period from 1993 to 2010 affirms that investors who avoided the 10 worst days during the period, achieve returns that dwarf a traditional buy and hold approach by more than a factor of two.

“YOU NEVER COUNT YOUR MONEY WHEN YOU’RE SITTING AT THE TABLE.”

Although no tool is perfect in avoiding market turmoil, a rules based approach using a 10 month moving average system has proven beneficial in avoiding all of the major market declines. That in turn protects capital and takes much of the emotion out of investing. It helps investors realize that investing is a marathon and not a sprint.
POOR WARREN—AGAIN!

Warren Buffett’s remarkable 44 years of outperformance ended in 2013. Prior to 2013, over any rolling 5 year period going back to 1969 the growth in Berkshire Hathaway’s net worth exceeded the growth in the S&P 500.

He used a 5 year measuring period in order to capture performance over a full investment cycle which we think is the only fair way to judge investment performance. Warren’s short term performance did not improve in 2014 since performance shortfalls in 2010, 2012, 2013, 2014. As Buffett has often stated, there are two fundamental investing rules:

Rule 1) Don’t Lose Money.

Rule 2) Don’t forget Rule 1.

We wholeheartedly subscribe to that investment philosophy. Our Portfolio Protection Strategy served our clients well in 2008 and we expect it will prove effective in mitigating drawdowns in the future.

Generally speaking, the motivation for estate planning is two-fold — to address both the taxable and non-taxable issues. Obviously, the taxable reasons are designed to keep as much money in the family’s pocket as opposed to Uncle Sam’s. Generally speaking, the motivation for estate planning is two-fold — to address both the taxable and non-taxable issues. Obviously, the taxable reasons are designed to keep as much money in the family’s pocket as opposed to Uncle Sam’s.

As to non-taxable reasons, those are designed to provide for and/or protect someone from themselves or from others. This type of planning can cover virtually any skeleton in the family’s closet. Those skeletons might include the “spendthrift” adult child who gets paid on Friday, and is broke on Monday. Or maybe a concern that a child will have a failed marriage. Perhaps you have a family member who has special medical needs or who struggles with substance abuse. How about the dynamics from a second marriage?

The results of poor planning can lead to unintended and undesirable outcomes. When we help guide people through their estate planning journey, we think about the inspirational speaker, Stephen R. Covey, and the second habit he refers to in his book titled, “Seven Habits of Highly Effective People”. That habit is, “Begin with the end in mind”.

In our experience, when people begin the estate planning process with the end in mind, they are able to visualize the affects of their estate plan, resulting in a plan they believe will be most beneficial to their estate. The most important result they come away with is peace of mind.

We hope you see the value of creating, implementing and reviewing your estate plan on a regular basis to ensure they are parallel with your end goals. Patton Albertson & Miller would be delighted to discuss this very important issue with you, and welcome any questions or concerns you may have.

R. David Maloy, Jr., CFP® Patton Albertson & Miller

Estate Planning - Begin

With the End in Mind

Estate planning is a journey that is fraught with pitfalls, and should not be taken lightly.

Wealth management has many components designed to help people achieve both their current and future financial goals and objectives. We view the wealth management process as a giant puzzle with more pieces than you can imagine. You see the picture on the box, which is the desired end result, but how do you get there? You have various colored pieces which represent different components such as proper investment management, tax planning, risk management, estate planning, etc. Today we’re focusing on one of those components - estate planning.

When you think about the pile of puzzle pieces on the table, they represent where you are today (point A). On the flip side, that beautiful picture on the puzzle box is where you want to be (point B). When planning your estate, it’s important to spend a lot of time trying to determine where you are (point A), as well as where you are going (point B). Every time you put a piece of the puzzle together, you need to be certain that everything you do with regard to the “process” is focused on getting you from point A to point B.

While nobody likes planning for death, estate planning represents one of the most important exercises a person can perform for his survivors. It provides a blueprint that, in that person’s opinion, is the most appropriate for those concerned. Unfortunately most people devote so much time on the creation, accumulation, and preservation of wealth, that they shortchange the time spent on their estate plan.

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Estate Planning is a Journey that is Fraught with Pitfalls, and Should Not Be Taken Lightly.

The Most Important Result

They Come Away With Is Peace of Mind.

Everyone has an estate plan whether he knows it or not. Under Plan 1 a person can customize his own plan tailored to his current wishes, yet flexible enough to address future issues. Or through inaction he can select Plan 2 in which he allows his “dominical” state government to create one. Plan 2 is also called “dying intestate” in without a will. This “intestate” plan is not customized, is not flexible, and lacks strategies to avoid unnecessary taxation as well as to deal with the non-taxable issues. In essence, the state’s default plan does not allow the decedent to maintain total control over the disposition of assets.

Estate planning is a journey that is fraught with pitfalls, and should not be taken lightly. We encourage you to begin with the end in mind in order to visualize its effects. More important, be sure not to create the plan and place it on the shelf forever to collect dust. Rather, we suggest you implement the plan and review it, along with your assets, on a regular basis to ensure there is no disconnect between your intentions and the results.

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Patton Albertson & Miller

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