

tax & investment newsletter

August 2011

MONTGOMERY TAYLOR, CPA, CFP

Don't be afraid to take a big step. You can't cross a chasm in two small jumps. ~David Lloyd George

Monty's Opening Thoughts...

Often in my conversations with clients, I will hear comments about how they don't understand their kid's behavior when it comes to money. "They spend too much!" "They save too little!" "They drive a nicer car than I drive!"

This chasm is ever present also in our talks about estate planning. The more disagreement there is with their kids over money issues, the more potential there seems to be for disharmony in the planning for inheritances for the kids. Parents aren't too fond of giving more money to a child they deem to be extravagant or wasteful.



Parents very much enjoy helping out their kids—but are less than thrilled about the prospect of bailing out their child because of the child's wastefulness.

Of course this all sounds very much like what we've been bitterly watching in the news for the past three years, as the government steps in and bails-out large banks and corporations, who've been extremely extravagant and wasteful. And how do you feel about giving the government more taxes, considering how they spend it?

It's natural to point our finger at others. The harder thing to do is to look inward at how we ourselves measure up. Ultimately, we each must decide personally who we want to be: someone dependent on others for our day-to-day existence or an independent and self-reliant person?

There are undoubtedly things about your business life, your personal life, your health, this, that and the other thing, that you don't like. Me too. But, what right do we have to complain about any situation we aren't actively working to improve for ourselves?

The question that leads to successful achievement is: "What are YOU doing TODAY to improve whatever is not as you want it to be?" It deserves a 3x5" card on the wall all its own. Something very few will do.

Reflecting back on last month's 4th of July celebration and the spirit of independence in the U.S., I make this philosophical statement: **Individual independence is the uniquely American idea and ideal** – something to be lived, prized, vigilantly protected, paid for with self-reliance, and fought for when necessary. I'm certain most achievers try to live by this and I think it ought to be the foundation for our personal financial principals and our civic, business and personal lives. A whole lot of people have suffered or lost their lives (and still do) standing up for our right to pursue individual independence. We ought not to embarrass it.



Warm regards, *Monty*



What are YOU doing TODAY to improve whatever is not as you want it to be?

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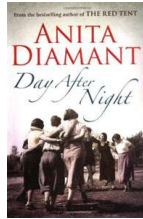
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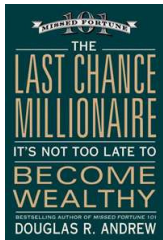
STAFF NEWS

Long summer days mean fun in the sun, family vacations, and backyard BBQ's, but summer can also be a great time to relax with a good book! Our staff recently discussed what we've been reading and thought we'd share our recommendations.

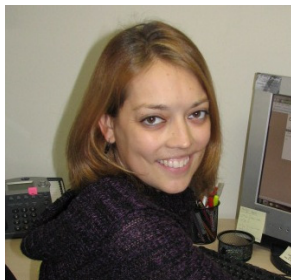
Barbara has read two great books this summer. **Day After Night** by Anita Diamant is the story of four young women who survived the Nazi regime in Europe only to find themselves in a detainment camp in Israel--a wonderful story of friendship and the struggle to start a new life in a new land. **Cutting for Stone** by Abraham Verghese involves the trials of a medical family caught up in the civil war in Ethiopia. The novel is rich in Indian and African culture, and is an epic tale of love, abandonment, betrayal and redemption.



Sandy acted on Barbara's recommendation and agrees that **Day After Night** is a great read. Earlier in the summer, Sandy (and everyone in her book group) enjoyed **Have a Little Faith: A True Story**, by Mitch Albom, in which Albom shares the stories of two very different men of faith--one an elderly Jewish rabbi in New Jersey and the other an African American pastor working among the homeless in Detroit--and how getting to know these men transformed and inspired him (and there's a good chance they'll inspire you, too!)



Monty read a couple of juicy books on his recent get-away trip up the Oregon coast. One of them was **The Last Chance Millionaire – It's Not Too Late to Become Wealthy**, by Douglas Andrew. This one is quite a thriller, sure to keep you on the edge of your chair and up late into the night--not because of the financial strategy (which is discussed in great detail) but because your curiosity will be on over-load wondering if **you** could implement what is being discussed. (Honestly, this is what Monty said about the book; the rest of us think his reading preferences are a bit nuts!) Actually, you can decide for yourself . . . we bought a few extra copies of the book and will give them to the first clients who call in and request one. Ooh--a freebie! ☺



We'd like to welcome our newest staff member, **Jackie Mosher**. Jackie is working as our part-time Office Assistant. She is a recent graduate of Empire College where she earned her Associate Degree in Accounting with a 4.0 GPA.

Monty Takes the Burden and Anxiety Out of Tax Time



Monty's the only tax professional we've been to. We used to prepare our own taxes, or had help from family members--Monty takes the burden and anxiety out of that time of year. I appreciate the fact that our taxes are always done in a timely manner; they are highly organized and passed back to us in a real professional way. I have no worries or doubts that our taxes won't be filed properly. I have a lot of confidence in the service that he provides.

We consulted Monty about a couple of different financial issues, and he's always provided sound advice; maybe it wasn't easy advice to give, but I think that it was the right advice to give. He has always been frank with us, and honest, which I appreciate. It gives one a sense of comfort and security in knowing that there's a professional giving advice and direction. And I like the fact that he's on a fee basis. I just have a high level of trust in Monty.

I enjoy reading Monty's newsletters. He explains things in layman's terms, and he touches on practical, everyday advice for living in these times.

I think the staff is very professional. The attitudes and demeanor that comes across from the staff equals what you experience in the office--a very professional, well-organized office environment.

We've been very happy with Monty's services over the years and I definitely feel comfortable recommending him.

*-Kim Eisert, Project Manager, Santa Rosa
(Testimonial from one of our CPA firm clients)*



Finally, a debt deal gets done!
Check out Monty's blog for details:
<http://blog.taxwiseadvisor.com>



"I like you, Thompson. You're smart, a hard worker, and you're full of potassium."

Tax Strategy of the Month

“Here’s an idea I think will save you money!”

TAX EFFICIENCY IN RETIREMENT

How much attention do you pay to this factor?



Could you end up paying higher taxes in retirement? Do you have a lot of money saved in a 401(k) or a traditional IRA? If so, you may be poised to receive significant retirement income. Those income distributions will be taxed. With federal and state governments hungry for revenue, you may see higher marginal tax rates in the near future. Planning is in order, so that you don’t become a distressed taxpayer (hmmm...is that redundant or what?)

Poor retirees with meager savings may rely on Social Security as their prime income source. They may end up paying less income tax in retirement, as up to half of their Social Security benefits won’t be counted as taxable income. On the other hand, those who have saved and invested well may retire to their current tax bracket or even a higher one.

Given this possibility, affluent investors would do well to study the tax efficiency of their portfolios. (Some investments are not particularly tax-efficient – REITs and small-cap funds, for example.) Both pre-tax and after-tax investments have potential advantages.

What’s a pre-tax investment? *Traditional IRAs* and *401(k)s* are classic examples of pre-tax investments. You can put off paying taxes on the contributions you make to these accounts and the earnings these accounts generate. When you take money out of these accounts come retirement, you will pay taxes on the withdrawal. **Pre-tax investments are also called *tax-deferred investments***, as the invested assets can benefit from tax-deferred growth.



What’s an after-tax investment? A *Roth IRA* is a prime after-tax investment example (Certain types of cash value life insurance contracts are also superb tax-favored planning vehicles, but I’ve written lots about them in previous articles, so we will just look at Roth’s here). When you put money into a Roth IRA during the accumulation phase, **contributions aren’t tax-deductible; as a trade-off, you don’t pay taxes on the withdrawals from that Roth IRA** (providing you have followed the IRS rules for the arrangement). These tax-free withdrawals lower your total taxable retirement income.

As everyone would like to pay less income tax in retirement, the tax-free withdrawals from Roth IRAs are very attractive. As federal tax rates appear poised to climb, after-tax investments are starting to look even more attractive. Since anyone can now convert a traditional IRA to a Roth IRA, many affluent investors are considering making the move and paying taxes on the conversion today in order to get tax-free growth tomorrow.

Certain tax years can prove optimal for a Roth conversion: If a high-income taxpayer is laid off for most of a year, closes down a business or suffers net operating losses, sells rental property at a loss or claims major deductions and exemptions associated with charitable contributions, casualty losses or medical costs ... he or she might end up in the lowest bracket, or even with a negative taxable income. In circumstances like these, a Roth conversion may be a good idea.

Should you have both a traditional IRA and a Roth IRA? It may seem redundant or superfluous, but it could actually help you manage your marginal tax rate. If you have both kinds of IRAs, you have the option to vary the amount and source of your IRA distributions in light of whether income tax rates have increased or decreased.

Your marginal tax rate might be higher than you think. Consider that about 25 different federal tax deductions and credits are phased out as your income increases. Quite a few of these have to do with education. For instance, if your children (or grandchildren) are out of school when you retire, you will no longer be claiming those deductions so your taxable income might be higher.

Smart moves can help you lower your taxable income and taxable estate. An emphasis on long-term capital gains may help, as long-term gains aren’t taxed as severely as short-term gains or ordinary income. Tax loss harvesting - selling the “losers” in your portfolio to offset the “winners” – can bring immediate tax savings and possibly help to position you for better long-term after-tax returns.

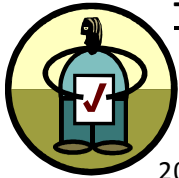


If you’re making a charitable gift, giving appreciated stock or mutual funds you have held for at least a year may be better than giving cash. In addition to a potential tax deduction for the fair market value of the asset, the charity can sell the stock later without triggering capital gains. If you’re reluctant to donate shares of your portfolio’s biggest winner, consider this: you could give the shares away, then buy more shares of that stock and get a step-up in cost basis for free.

The annual gift tax exemption gives you a way to remove assets from your taxable estate. In 2011, you can gift up to \$13,000 to as many individuals as you wish without paying federal gift tax. If you have 11 grandkids, you could give them \$13,000 each – that’s \$143,000 out of your estate. All appreciation on that amount is also out of your estate.

Are you striving for greater tax efficiency? In retirement, tax efficiency is especially important – and worth a discussion. A few financial adjustments could help you lessen your tax liabilities.

Tax News You Can Use...



Take time to check your withholding for 2011

Have you taken the time to check your income tax withholding for 2011? It's true that there were no major changes in tax rates or deductions for this year. However, there are still several reasons why you might want to adjust your withholding.

For example, if you've bought a house for the first time, the deductible mortgage interest could cut your taxable income. That means you might need less tax withheld from your paycheck every month. Or if you refinanced last year, your interest deduction could be lower and you might want more dollars withheld.

Even if your financial situation hasn't changed, your withholding could be higher than it needs to be. Many people like to have extra withheld so they receive a large tax refund each year. That's fine if you're worried about being surprised by a big tax bill, but it means you're making an interest-free loan to the government. If you've consistently received a large refund for several years, consider reducing your withholding. Don't just fritter away the extra take-home pay. Use the money wisely by paying down credit card debt or boosting your retirement contributions.

You can adjust your withholding by asking your employer for a Form W-4 and filling out the simple worksheet. If you need help figuring out the right withholding level, contact our office.

IRS increases mileage rates



The IRS has increased the standard mileage rates to be used for computing the deductible costs of operating a vehicle for business or for driving for medical or moving reasons. The revised rates will apply to driving from July 1, 2011, through December 31, 2011.

The new rates are 55.5¢ per mile for business driving and 23.5¢ for medical and moving driving. The rate for charitable driving is fixed by law and remains at 14¢ per mile.

The rates for the first half of 2011 (January 1 through June 30, 2011) are unchanged: 51¢ per mile for business driving and 19¢ per mile for driving for medical or moving reasons.

Are you keeping an eye on your company's cash?

Do you regularly monitor your company's cash accounts? You should. Even if you leave the job to your bookkeeper or accountant, you should stay aware of where the cash is going and how the spending is approved. Along with inventory "shrinkage," theft or improper expenditures of cash are among the chief sources of loss for small companies.



Periodically, you hear about a huge loss caused by an employee who's been quietly embezzling cash for years. But many smaller cases are never noticed. And it's not always employees at fault. In fact, the vast majority of employees are scrupulously honest and loyal. Outsiders can be stealing your cash too, by submitting false or inflated invoices that are paid without proper review.

What can you do to reduce the risk of losses?

The textbook answer is "internal controls." This refers to things such as standard procedures for approving and paying bills. It includes segregation of duties - having more than one person involved in preparing, signing, and reconciling checks. Unfortunately, many small companies don't implement proper controls - either because there's not enough staff or because they think it's too much trouble.

Regardless of the size of your business, here are some steps you can take:

- Maintain a strict rule that all invoices must have an approval signature before being paid. Nothing focuses a person's mind like having to sign his or her name on something.
- Have a policy that all employee expense reports must be signed off by a higher-level employee.
- Make it a rule that the person who prepares a company check can't sign that check.
- Ask your bookkeeper or accountant to give you a signed note each month affirming that the bank statement has been reviewed and balanced.
- Follow up personally to make sure that these procedures are being followed.
- Occasionally ask to see the bank statement and canceled checks for the prior month. Review them in detail. Not only will this increase your chances of spotting fraud, but it will also remind you where the company's cash is going.



Contact our office for details or for assistance in improving controls over your company's cash.

What to do with your 401(k) savings when you change jobs

If you change jobs you may have an important decision to make - what to do with your 401(k) plan. You'll have several choices. Unfortunately, the easiest choice is the worst choice: that is, to take a



distribution from the old plan and put it in the bank. It may be tempting, because who couldn't use some extra cash. But if you do, you'll owe taxes on the balance and usually a 10% penalty as well. You'll lose the benefits of future tax-deferred growth on your savings. And if you spend the money, you'll have to start from scratch in saving for retirement. Instead, consider three options:

❖ Ask your new employer whether you can roll your balance into the new company's plan. If you can, arrange a direct transfer between plans. You may have to complete a probationary period before you can join your new company's plan.

❖ Explore whether you can leave your balance in the old plan, at least for a while. That removes the pressure for an immediate decision.

❖ Roll over your balance into an individual retirement account (IRA). This avoids immediate taxes and lets your savings continue to grow tax-deferred. It also gives you maximum flexibility for future investments. You even have the flexibility to later convert into a Roth IRA. Be sure to ask for a "trustee-to-trustee" transfer to avoid any short-term tax risk.

A word of caution: If part of your account is invested in company stock, get details on the tax issues before you withdraw or roll over funds. Please call our office if you're facing this situation. We'll be happy to advise you on your options.

Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless specifically stated otherwise, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another party any tax-related transaction(s) or matter(s) addressed herein. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us. Tax preparation and consultation services are offered through the office of Montgomery Taylor, CPA, with professional memberships in the California Society of CPAs and the American Institute of CPAs.

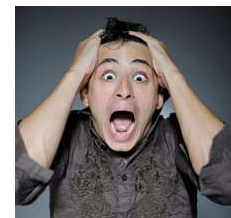
College Strategist

Paying for College Without Going Broke

California College Students Brace for Another Tuition Hike

Governor Jerry Brown and the California lawmakers are once again asking college students to help balance the California state budget with **tuition increases** throughout the UC and CSU systems.

The **University of California** regents recently approved a 9.6% increase in tuition, which comes on top of an 8% percent hike previously approved, sending the total cost for UC undergraduates to \$12,192 for the 2011-2012 school year. And these tuition figures don't include books, room, board or additional fees charged by individual campuses.



The **California State University** trustees approved a 12% tuition increase at each of the system's 23 campuses. That comes on top of a 10% tuition hike approved last year, bringing CSU undergraduate tuition up to \$5,470 starting this fall. And, again, this doesn't include living costs, books and other fees.

How will students and their families pay for these increased fees? For many students it means having to work and go to school part-time. But, statistically, the longer a student takes to complete their college education, the less likely they are to graduate.

Most students at these California universities receive some form of financial aid to help pay for their education. Students should start by filling out the **Free Application for Federal Student Aid**, known as **FAFSA**. Once the FAFSA application is complete, the federal government will calculate how much a family is expected to contribute to a student's education, or EFC. Colleges use the EFC to determine how much aid or grant money a student will receive.

Students can also apply for scholarships. Merit-based scholarships are typically based on GPA, test scores or a certain talent or skill. Look online at www.fastweb.com, a database with more than 400,000 scholarships.

If you need help escaping the growing "Tuition Monster", give our office a call at 576-8700. We can help you fund the cost of college while maintaining other financial priorities.

College planning services are offered through our College Plan Advisors, LLC, company and its affiliation with College Planning Network and the National Association of College Funding Advisors.

Financial Strategy of the Month

“Here’s an idea I think will save you money!”

THE CURRENT CD QUANDARY

Today’s yields can’t beat inflation.

CD investors are effectively losing money.

According to Market Rates Insight, a research firm tracking bank rates, annualized inflation has surpassed long-term certificate of deposit rates since February. In April, 12-month inflation hit 3.16% while the highest-yielding 5-year callable CD on the market offered a 2.4% interest rate. May’s Consumer Price Index put annualized inflation at 3.6%; as of mid-June, the highest-yielding nationally available 5-year CD was at 3.05% APY.

Still, the Federal Reserve found that almost \$9 trillion of American wealth was held in CDs, bank accounts and various FDIC-insured products as of April.



It’s a case of déjà vu. This is the second time in recent history that CD investors have been punished for assuming so little risk. During the period from January-July 2008, the negative yield on 5-year CDs was 1.8% according to MRI.

They might come out ahead ... should inflation diminish. As Bankrate.com senior financial analyst Greg McBride reminded Bloomberg, “Investing in a CD isn’t compensating you for last year’s inflation; it’s compensating you for next year’s inflation, which is unknown.” Will inflation ease in the long term? Many analysts aren’t betting on it.

The appeal of CDs remains strong. After all, not many investments are federally insured. MRI vice-president Dan Geller said it best to Bloomberg: “Right now, people are more concerned about the return **of** their deposits rather than a return **on** their deposits.”

Are CDs still worth it? There is no pat answer. Your own answer will depend on your preferred investment style, your risk tolerance and your financial objectives. Many people choose to park some of their invested assets in CDs and other savings instruments as part of a diversification approach. The inflation-adjusted return is dismal at the moment, but knowing that your principal is safe certainly has its appeal.

Personally, I think it’s prudent to maintain a cash reserve or “emergency” fund at your local bank and this could be in a savings account or CD. But, this reserve account should only have \$10,000 to \$20,000 in it. Beyond that, you could do so much better with mutual fund investing.

What do I suggest... when clients come in and ask me about moving their CD money or they are sitting on a large cash deposit which they want to keep liquid to buy a house or something? I usually talk to them about one of three different mutual funds, or a combination of the three. Their average returns for the past three years (the most conservative is first), are (1) 5.72%, (2) 7.52%, and (3) 9.11%. These are all very conservative investments, and easy to put money in and easy to get money out. Do you want help with this kind of conservative investing? Give us a call.

Do All Whole Life Policies Build Up Cash Values Equally?

Recently, while reviewing a client’s whole life policies, which had been purchased for the purpose of the death benefit and to accumulate retirement funds, I found something very interesting. The client purchased the policy six years ago and has paid about \$55,000 into it in those six years. The current cash value in the policy is about **\$38,000**, so the difference of \$17,000 is what went to the cost of insurance.

To check the cash build-up design of this policy, I ran a comparison illustration through the life insurance company we use, primarily for financial planning, when whole life policies are appropriate. I back-tested it as though the client had *this* policy for the past six years and had similarly paid \$55,000 into it. In this comparison policy, the cash value had built up to about **\$50,000** in the same time period. Only about \$5,000 went to the cost of insurance.



A \$12,000 benefit to the client in just six years! So, now you know--there are policies out there that build up cash values, and then **there are policies that REALLY build cash values.** **Do you have the right one?** Let me do a simple analysis and you’ll find out.

Montgomery Taylor, CPA

Client Benefits:

1. Expert tax-saving advice as a regular part of your income tax preparation
2. Professional Service Warranty that guarantees you the largest tax refund possible with the lowest tax liability
3. Your tax returns completed within eight business days of when you provide all necessary data
4. Your phone calls returned promptly (any time of year), always within 24 hours
5. Help with allocating your 401(k) investment funds
6. Monthly ClientAdvisor Newsletter
7. Professional online tax advice anytime ~ mtaylor@taxwiseadvisor.com

**Platinum Tax Maintenance Program
2010 Member Benefits:**

1. ALL CPA Client Benefits listed above, **AND**
2. Three phone consultations (20 minutes each or a total of 60 minutes) during the tax year scheduled through our appointment desk
3. W-4 review to be sure your withholding is correct
4. Audit assistance in the event you are subject to an audit for the 2010 year, limited to four hours of service at no additional expense
5. Answer all IRS notices and correspondence you receive for 2010 tax year
6. Answer FTB notices and correspondence including Head of Household Audit Letter for 2010
7. 1 additional copy of tax year 2010 tax return
8. \$50 discount on our fall tax planning appointments scheduled through our appointment desk

**Montgomery Taylor & Company, LLC,
Registered Investment Advisor
Client Benefits:**

1. Independent, unbiased, investment advice on a fee-only basis (no commissions)
2. Investment management for any account size (no minimums)
3. Monthly account statements directly from Fidelity Investments
4. Quarterly performance reports and consultation meetings
5. Tax-sensitive investing strategies integrated with your financial planning
6. Monthly ClientAdvisor Newsletter
7. Weekly Economic Update e-mail communication

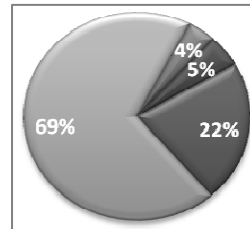
**College Plan Advisors, LLC
Client Benefits:**

1. Student Counseling and Assessment
2. Calculate Expected Family Contribution
3. College Funding Strategies & Planning
4. Complete your FAFSA Forms
5. Complete your CSS Profile Forms
6. Appeal/Negotiate Better Awards
7. Monthly Cash for College Newsletter
8. Monthly ClientAdvisor Newsletter
9. Weekly "Tip of the Week" E-Mails



Notes from Monty's private money management file...

For the month of July, the **Green Label Portfolio** was up +1.45%, while the S&P 500 Index was down -2.03%, and we moved ahead of the S&P on a year-to-date



basis. At the end of June, the markets looked set to continue their upward move. In early July excess cash was reinvested into stocks. The allocation is now at 69% Stocks, 22% Commodities, 4% Bonds and 5% Cash.

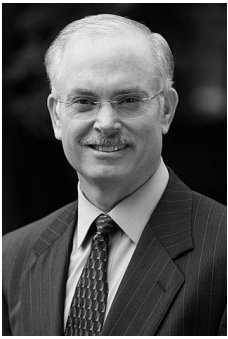
With all the market noise going on due to the debt ceiling issue, we have been busy and therefore this newsletter is going out a bit late.

On August 2nd the debt ceiling was raised, but there was so much other poor economic news hitting on that day that the market continued to sell off with strong volume. August 2nd was the first day to close below the June pivot low. This could be the tipping point where the market changes its long-term trend from up to down. I wanted to see how the market opened August 3rd before setting my plan to adjust allocations. There is still a chance this sell off could be just like the March low, which also broke two key support levels only to reverse sharply to the upside the next day and start a multi-month rally. If I didn't see strong buying August 3rd, I would be looking to adjust the portfolio allocations in order to protect against a continued market decline.

Well, August 3rd came and the markets sold off again, with the DOW down 160 early in the day. In reviewing the S&P 500 charts and comparing them to similar periods in 2000 and 2007, I see a **similar topping pattern being completed and that should lead to lower prices between now and autumn**. Therefore, I began reducing exposure to our more aggressive stock positions.



Wealth management services are offered through Montgomery Taylor & Company, LLC, a Registered Investment Advisor. Fidelity Investments is the custodian of our client accounts. While accounts are protected by the SIPC up to \$500,000, including cash claims limited to \$100,000, Fidelity provides supplemental protection that covers accounts over and above this SIPC coverage



Monty's Money Message

Monty started his career in financial services about 30 years ago as a Stockbroker. He then became a Certified Public Accountant, Certified Financial Planner, Certified IRA Distribution Specialist and Registered Investment Advisor. With all these years of experience, he has a wealth of information to share with you about money and how you can prosper. Monty recently received the "America's Top Financial Planners" award of excellence from the Consumers' Research Council of America. Monty was selected from among his peers based upon years of experience, formal education and specialized professional certifications and designations achieved. In 2010, KZST Radio named Monty "The Only CPA We Trust" and chose him to be the tax expert for KZST listeners.

Wealthy Investors Need More Discipline....

....And So Do Some Investment Firms!

Survey finds... Wealthy Investors Need More Discipline (And They Know It).

Author Scott Fitzgerald is said to have once told fellow author Ernest Hemingway, "The rich are different from you and me," to which Hemingway replied, "Yes, they have more money." Now a new study by Barclay's Wealth, based upon a survey of 2,000 wealthy people in 20 countries around the globe, suggests that Hemingway was pretty much correct.



Like ordinary investors, the study finds that a fair proportion of the wealthy let their emotions drive their investing. Also like ordinary investors, many of them trade too much, even though they know they shouldn't. And like many ordinary investors, they try - and often fail - to discipline themselves in their investing.



According to the 2011 DALBAR Quantitative Analysis of Investor Behavior, the actual return achieved by the average mutual fund investor has been only 3.83%. The DALBAR study has been conducted annually for the past 17 years, and this year's study noted that every year they find that "mutual fund investors consistently underperform the relevant index," and that "most of this loss in performance is due to psychological factors that translate into poor timing of their buys and sells."

Yes, I've seen a lot of examples of emotional involvement, lack of discipline or just plain inaccurate thinking about investments in my years of dealing with clients and their investments. And that is at least one thing I have in my favor when managing a client's investments—I keep the buy and sell decisions strictly business—not emotional.

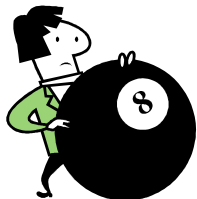
In The News... Fisher's Firm Told To Pay \$376,075 On Retiree Investment Losses!

(Bloomberg News) Fisher Investments Inc., the firm run by Forbes magazine columnist Kenneth Fisher, may have to pay damages of \$376,075 for breaching its fiduciary duty to a retired investor.



Karen Willcutts, the arbitrator for the case, wrote in a 25-page interim award letter, "Fisher failed to make reasonable inquiry into Ms. Silverstein's financial situation, investment experience, and investment objectives or ignored that information. Instead of tailoring its recommendation to Ms. Silverstein's circumstances and needs, as it promised to do and had a duty to do, Fisher simply made the same recommendation to Ms. Silverstein that it makes to the vast majority of its clients: 100 percent equities benchmarked to the MSCI World Index."

I just wrote about this fiduciary duty issue back in the June newsletter (on page 8—and by the way, you can see back issues of the newsletter on our website). The thing I find interesting is that some "financial advisors" are obligated to this fiduciary duty and some are not—and the public doesn't know the difference.



Fisher is being accused of breaching this fiduciary duty and apparently he has a BIG problem with this. Why do I say that? Well, have you seen the huge advertisements in the newspaper by law firms offering to represent clients of Fisher who have lost money?

I certainly hope you're being very careful with your investments....and I want you to know that I am accepting new investment management clients. I'd be happy to help you.

"In the book of things people more often do wrong than right, investing must certainly top the list, followed closely by wallpapering and eating artichokes." ~Robert Klein

