Argus Financial Consultants

A. Christopher Engle, LUTCF, CFP®, ChFC®, AEP®

Ryan P. Smith, ChFC®, CASL™, CFP®

Brian C. Sandberg, ChFC®, AEP®

Peter M. Smith

Geoffrey C. Sadek

Joy L. Britton

Lisa M. May

971 Spaulding SE, Suite B
Ada, MI 49301

616.949.8300

www.EyeOnArgus.com

Hello Everyone,

In the past few newsletters we have been featuring one of the four pillars of our business. This edition, in the article on this page, we are highlighting our commitment to contribute to our communities bot individually and as a firm.

If you are inspired to read more financial information, visit our Learning Center at www.EyeOn Argus.com.

To suggest topics or sign up for an electronic versions of our newsletter, send an email to Joy Britton, Client Services Manager, at joy@EyeOnArgus.com or Lisa May, Communications Manager, at lisa@EyeOnArgus.com.

Inside this issue:

- Contributing to Our Communities
- Why You Didn't Get The S&P 500's Return Last Year
- Social Security Tip

Excellence is Defined by the Success of Our Clients

Summer 2015

Contributing to Our Communities

Consistency is a key word at Argus Financial Consultants. We want to be consistent with our clients, consistent with our processes and consistent with our commitments. Our four pillars we pledge to our clients highlight this consistency. Our first three pillars were described in previous newsletters: 1) We will stay current in our financial education, 2) We will offer independent, objective advice, and 3) We will invest in people and technology to remain a state of the art firm. Our fourth pillar reads "We will contribute to our communities both individually and as a firm".

As a firm, Argus Financial Consultants is an avid supporter of Local First. Local First is a West Michigan organization that concentrates solely on supporting locally owned businesses to maximize the economic impact in our area. Our firm also strongly promotes the National Association of Insurance and Financial Advisors (NAIFA). NAIFA protect our business and our clients by helping to make our lawmakers understand the impact we have on people's financial wellbeing. In fact, all three partners have been involved with NAIFA in some form since the beginning of Argus Financial Consultants. Chris Engle currently serves as the NAIFA state president and Ryan Smith is currently the NAIFA State Membership Chair. Another community commitment we are proud of is our involvement with the Inner City Christian Federation (ICCF). The partners have taught financial literacy classes to numerous groups on a regular basis for the last 12 years. We feel this is another way to share our combined 60+ years of knowledge in the financial services industry.

The partners are also very involved in the local communities in which they live. Brian Sandberg teaches classes for Junior Achievement at a Forest Hills Elementary School, is the Forest Hills Foundation Golf Outing Chair and a Forest Hills lacrosse and soccer coach. Chris Engle is part of the Forest Hills Public Schools Business Advisory Council and the Forest Hills Public Schools Foundation Finance Committee. Ryan Smith is the Vice President of the Soccer Club of Rockford.

Each partner also contributes to a few areas of individual special interest. Brian is a Timothy Project Board Member and has served on numerous boards at his alma mater, Cornerstone University. Chris participates with Trinity Lutheran Church as a Youth Mission Trip Mentor and Member of the finance committee. Ryan is a member of the board of directors of the Grand Rapids Lions Club and founding member of the Aquinas College Young Alumni Endowment Program. Full bios with all the involvement of Argus Financial Consultants employees can be found at www.eyeonargus.com.

Sometimes it can be easy to write a check to a worthy cause and feel fulfilled. Other times it can be more rewarding to lead a committee and help design a process that can be repeated for multiple generations. At Argus Financial Consultants, we stress the importance of contributing to our communities in which ever way we feel will be most beneficial. We know we are blessed with an uncanny wealth of knowledge, absolutely wonderful clients and a consistent business. We strive to make sure we share our gifts to continue to make this world a better place.

-Ryan P Smith,
ChFC®, CASL™, CFP®

Why You Didn't Get The S&P 500's Return Last Year

It seems to have become all too distressingly commonplace, as investors received their year-end statements in early January, for them to wonder out loud to their advisors why their portfolios returned less than did the Standard & Poor's 500-Stock Index, whose total annual return with dividends reinvested was about 13.7% in 2014.

The answer is simple, and—as I will shortly suggest—even noble, with respect to what superior advisors of my acquaintance are committed to accomplishing for their clients. Before investigating this answer in detail, however, I would ask with regard to the precipitating question ("Why didn't I get etc.") two questions of my own, in no particular order. They are (a) who in the world ever said that you would, and (b) what on earth does the one-year return of any group of equities have to do with the achievement of your financial goals? (Or even the five-year or ten-year return, for that matter?)

After nearly half a century in the financial advisory profession, I personally know about three thousand of the most dedicated financial advisors in the country—they are the subscribers to my advisor newsletter—and am casually acquainted, I suppose, with as many more.

I don't know a single one of them who warrants to his or her clients that they are going to outperform (or even equal) the return of any index or other benchmark over any period of time. Indeed, I believe I can state categorically that if a prospective client ever informed one of these accomplished professionals that his or her mission was "outperformance," the advisor in question would suddenly remember a pressing appointment back on Planet Earth, and terminate the interview.

You see, not only is a diversified portfolio's performance relative to one benchmark a variable which no advisor (nor anyone else) can control. It is perfectly irrelevant to the achievement of their clients' financial goals. The great advisors are financial planners, not market prognosticators, and their objective is to help their clients make manifest the family's most sacred lifetime financial goals—an aim which has nothing whatever to do with matching or outperforming an index.

Getting (much less exceeding) the return of a particular index is simply not a financial goal. To illus trate this, let's suppose you do in fact get the index return over your investing lifetime, while I underperform it by, say, three percentage points (that is, by nearly a third of equities' historical return). Let us further suppose that, because your portfolio did so much better than mine, you don't run out of money in retirement until you're 84, while I have run clean through my retirement savings by 79. *I submit that your achievement will avail you little when we are both sitting on a park bench at 85, without two nickels to rub together between us.*

Alternatively, let us suppose that—while you are merrily compounding the index return and I am shambling along in your wake, three percentage points behind—a financial crisis strikes, and the market goes down 30%. (It has declined this much, on average, a dozen or so times since WWII. Between October 2007 and March 2009, it actually went down 57%). Convinced by catastrophists in the media that "this time it's different," you bail out of your equity portfolio, and don't get back in until the market has once again soared. I, on the other hand, fly to my wise financial planner—I, too, bleating "this time it's different"—but she offers four countervailing words of sage advice—"this too shall pass"—and convinces me to hold on. Which of us do you suppose "outperforms"?

With that general statement off my chest, let me proceed to the reasons that many investors, blessed to employ the finest financial planners in this country, may very well not have gotten the 2014 return of the S&P 500. Permit me to suggest that it was, quite simply, because their advisor was too wise, too humble, and too deeply committed to achieving his or her clients' financial goals.

Too wise, because a long-term financial planner would never bet a client's entire portfolio on one idea—one sector (out of many) in the spectrum of

Continued on next page

Continued from previous page

equity disciplines. The S&P 500 is comprised of the very largest companies—in the jargon, "big-cap." But there are many other equity sectors—small- and mid-cap, emerging markets, and REITs (real estate investment trusts), to name only four. These sectors, individually and sometimes together, will be outperforming and underperforming the big-cap index at any time, given the randomness of market performance.

In 2014, the S&P 500 outperformed just about all these other sectors, if not all of them. ***Your advisor could not possibly have known it was going to do that with a degree of certainty that would have prompted him to bet your entire year's return on that one idea.*** Besides, putting it all on red, as it were, isn't investing at all. It's ***speculating***, and no advisor worthy of the name would ever do that.

Which implies another reason your portfolio return may not have equaled that of the S&P 500: in addition to being too wise for that, I submit that your advisor had too much humility.

You see, once a decision has been made to own equities in a goal-focused, planning-driven portfolio, the superior advisor's deepest commitment is to **diversification**, which is simply the professional's acknowledgment that he or she doesn't know which equity sectors are going to outperform—and which underperform—next. (Your advisor perceives no shame in this, realizing that no one else knows it either.)

Thus, having created a portfolio blending and balancing a variety of equity sectors—most or all of which ended up lagging the S&P 500 last year—your advisor was, I believe, demonstrating an all-too-rare quality: humility in the face of uncertainty.

Finally, by diversifying across equity sectors (and rebalancing once a year in order to come back to the desired portfolio mix), your advisor was and is reaffirming his or her deep commitment to your long-term financial success. The voice of the tortoise is heard in the land: ***slow and steady wins the race***.

A financial planner, first and foremost, creates a plan for you. He or she then funds that plan with an intelligently diversified portfolio. Thereafter, the mission simply becomes: if your goals and plans don't change, then don't change the portfolio—regardless of the fads or fears of the moment, and regardless of which equity sector or discipline happens to be shooting the lights out in any given year.

It takes a financial planner of significantly above-average wisdom, humility and commitment to do that, over years and decades, for a client family. I invite you to consider the possibility that, if you received this essay from one of my newsletter sub-

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Stock investing involves risk including loss of principal.

The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

International and Emerging market investing involves special risk such as currency fluctuation and political instability and may not be suitable for all investors.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. No strategy can assure success or guarantee against loss. Investing is subject to risk and may involve loss of principal.

Securities and Advisory Services offered through LPL Financial, a Registered Investment Advisor. Member FINRA/ SIPC.

Like us

Network with us

Follow our blog

Excellence is Defined by the Success of Our Clients

Social Security Tips

Affordable Care Act: Five new tax forms were released by the IRS for the 2014 tax year. If you received a Form 1095 from any issue or agency, please provide all copies to your tax professional. If you did not receive a 1095, please be prepared to answer several additional questions about insurance coverage to help in avoiding any penalties for failure to obtain health coverage.

Charity: All deductions of any amount must have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date your return is filed. The letter needs to show the date and dollar amount of the contribution, as well as state that no goods or services were received in return for the contribution.

Rental Property: The IRS is requiring substantially more information if you own rental property. You will need to provide to your tax professional, for each property separately, the physical location, the type of property (single-family, duplex, etc), all forms 1099-K received, a record of the number of days rented, and a record of the number of days used for personal purposes.

Submitted by Troy A Ginzer, CPA
Tag Accounting & Tax Services
troy@tagcpa.net

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor. Troy Ginzer and Tag Accounting & Tax Services are not affiliated with LPL Financial

Argus Newsletter Winter 2015

Argus Financial Consultants
971 Spalding SE Suite B
Ada, MI 49301