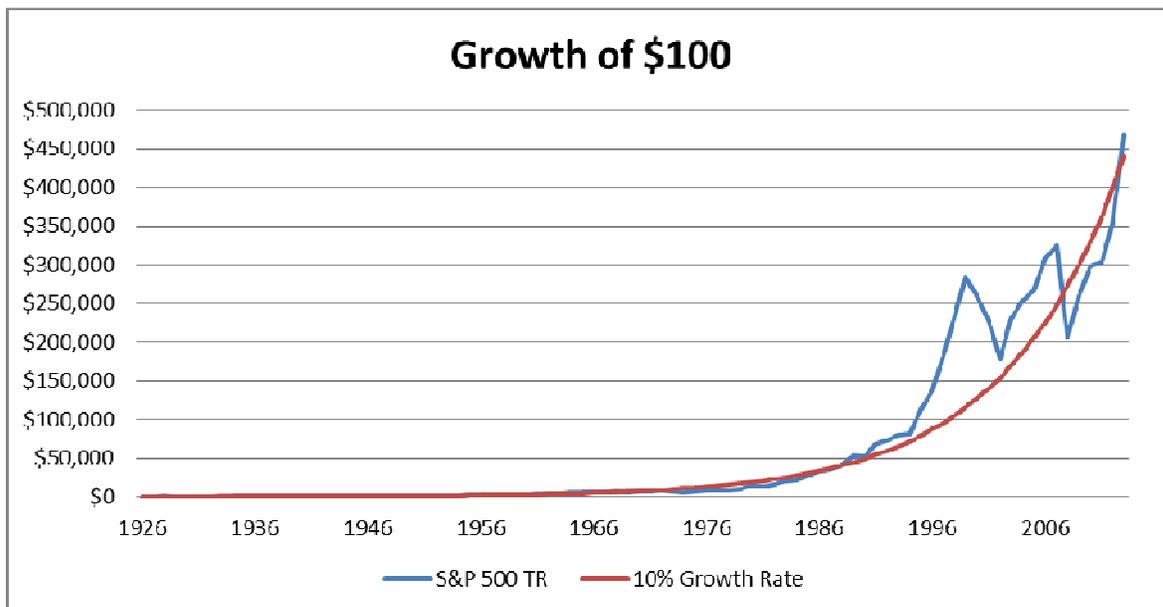


## Accumulating Wealth the Old Fashioned Way

Prior to the start of the 2014 NFL season, J.J. Watt of the Houston Texans signed a whopping six-year contract reportedly worth over \$100 million. Due to a collective bargaining agreement and rookie salary caps, his previous contract had been a mere \$11.3 million over four years. Even this would be considered sudden money for a college kid or almost anyone else for that matter. However, you can argue that he didn't get rich overnight. Although physically gifted, the two-star high school athlete, Watt, did not just simply win the genetic lottery. In addition to his strict workout schedule, his well-documented story involved him switching positions, transferring colleges and delivering pizzas to reach his goals.

In an age where everyone wants to get rich overnight or find a diet to lose 10 pounds in a week, the secret to success may not be that much of a secret. Whether dieting or investing, long-term discipline is not easy. Humans are emotional creatures, who sell on fear and buy when the market goes back up. Industry data shows that retail investors sold at the market low during the Great Recession and investors bought at the height of the Dot.com bubble. Investing requires time, patience and discipline.

Albert Einstein is widely rumored to have once said that the most powerful force in the universe is compound interest. Below is a simple illustration of the growth of \$100 assuming an actual S&P 500 growth rate (blue line) and a 10% growth rate (red) from 1926 to 2013. While the roughly \$450,000 pales in comparison to Watt's new contract, it does demonstrate that those of us without his physical talents may instead rely on more time, patience and discipline to build our nest egg.



Source: S&P 500 TR annual returns were obtained from Morningstar

We are currently in interesting times with low volatility and increasing geo-political risks. Many think the S&P 500 is overvalued, but at the same time fixed income is a scary place to be with the prospects of rising interest rates. Investors also fear the Fed's loose monetary policies impact on inflation, so cash may even be a relatively scary place to be.

# MARKET Commentary

We believe in a long-term disciplined approach to investing, sticking to one's investment objectives and not making large bets based on this week's news. Diversification remains very important in these uncertain times.

Although J.J. Watt may have reached financial security (we hope) much quicker than most, his discipline and perseverance on the football field can be carried over to investing. Reaching one's financial goals does not happen overnight. It usually takes many years, a lot of discipline and perseverance to accumulate wealth.

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*This information is compiled by Cetera Investment Management.*

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# MARKET Commentary

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