



Are you Following the Crowd?

Phillip Connors

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Recent statistics in the U.S show that for the first time indexed funds had more money invested in them than actively managed funds. Just for clarification, an Index Fund strictly invests in an entire index such as the S&P 500 or the Russel 2000, while actively managed funds pick which companies they want to buy based on their own research, and will leave out companies that do not meet their criteria.

The theory is actively managed funds will outperform index funds by removing weaker companies from their portfolios, increasing the quality of their holdings with goals of higher returns in exchange for higher fees.

Today investors seem to be content with earning what the markets are going to earn, and index funds are an easy way to participate in the markets without really doing any research or analysis.

Michael Burry, most famous for Christian Bayle's portrayal of him in 'The Big Short,' recently touched on this topic with Bloomberg magazine. He summarized that the 'rapid growth of passive investments is not a natural evolution of markets but merely the latest too-good-to-be-true speculative bubble.' This blind investing in the general market is a double-edged sword. 'The flows will reverse at some point, he said, and "it will

be ugly" when they do.'

The famous Benjamin Graham once said, 'even the intelligent investor is likely to need considerable willpower to keep from following the crowd.' It's easy to get excited and complacent when your investments are doing well, but painful when the market corrects to its true values. The upside in the market is so much smaller than the potential downside in our opinions; as value investors we will continue to remain patient for our clients instead of joining the parade.

Also noteworthy, we are currently in the longest running bull market in U.S. History. With help from the Federal Reserve, investors have not felt much pain over the last 12 years. This long run of record highs in these indexes has investors complacent about their risk levels and what their money is really invested in. This will end badly for those who haven't adjusted their risks to suitable levels for their situations.

If you are holding index funds inside your 401(k) or other investment accounts and want to discuss how to break free from the crowd or adjust your risk levels please feel free to call me. I will gladly do a free risk assessment for you and pass on our suggestions on what adjustments you may want to make in your portfolio.

What about Social Security, Medicare, etc ?

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To be clear, I'm not retiring, or planning to any time soon. But 3 years ago I entered Medicare at age 65 and started my Social Security the next year at age 66. Even to someone very experienced with personal financial issues it was complicated with lots of decisions. There's nothing quite as illuminating as actually 'doing something' compared to just reading about it. And increasingly clients and their families are asking about these important programs

After 34 years giving investing and financial advice I have thoughts about the retirement process and how U.S. Government Programs can coordinate with your individual situation. Some of the 'advice' I see being offered is nothing more than a thinly disguised 'buy what they're selling' regardless if it's suitable for you.

Since there's not enough room in this Quarterly to write down all my ideas, I decided to offer a Workshop, see details below.

WORKSHOP

How to make Government Entitlements work for your Retirement ?

Personal financial decisions work best when they coordinate with your specific situation. One size fits all is rarely the ideal. In this two-hour Workshop we'll cover a lot of important topics including, but not limited to:

Medicare Parts A, B & D, when to take your Social Security, how about your spouse, will these programs survive, current options for income from your Portfolio, how best to use home-equity if needed, Medicaid and more. Plus plenty of time for Q & A.

Value Financial Advisers Quarterly



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Our Workshops are Free, but space is limited.

Reservations are required.

November 14th 10:00 am—noon.

Call Jan @ (303) 770-3030 to RSVP

9185 E. Kenyon Ave

1st Floor Conference Room # 170

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