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ARGUS FINANCIAL CONSULTANTS

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Spring 2018

Fear of "Heights"

THE SURGE IN THE STANDARD & POOR'S 500-Stock Index in the first days of this new year made the current nine-year advance the greatest bull-market run by the Index in the post-WWII era. Its near quadrupling since the panic low of March 2009 (ignoring dividends) has surpassed even the record of the wild, tech-fueled 1990s. And that seems to be making an awful lot of people very uncomfortable. More and more, on every side, one hears cries of distress: this can't go on; the end must be near; what goes up must come down. Equities have, by many important measures, been in net liquidation by the individual investor throughout the whole nine-year run. Stock ownership is down in every major age group (with the startling exception of us old folks, who have actually seen this movie before). The Investment Company Institute reports that more than $950 billion has moved into bond mutual and exchange-traded funds just since 2012.

Speaking only for myself, I've never seen anything quite like this. I came into Wall Street a beardless boy of 24 in 1967—very near the top of the stock market mania that capped off the great postwar bull market. After the economic travails of the Somber Seventies, I watched the serial bull markets of the '80s and '90s end in the most extreme speculative mania in our (and maybe anybody's) history. Doctors and dentists quit their jobs to become day traders.

Then came what I think of as the Bookend Bear Markets—the savage implosion of the tech bubble in 2000-02 and then The Great Panic of 2007-09. At which point this third epic bull market of my career (and investing lifetime) got under way.

Up until now, that's been the usual pattern. Human nature being what it is, the more markets have advanced in the past, the less worried—and more aggressive—the investing public has tended to become. Fear has gradually fallen away, to be replaced by confidence, then by great enthusiasm, and finally by speculative frenzy.

Clearly, this one isn't at all like that, at least not yet. Even as the economic backdrop supporting the advance of equity values has tended to strengthen—global growth accelerating, U.S. unemployment falling to historic lows—investor sentiment seems a thing of deepening gloom and foreboding.

What is the reader of this little essay meant to conclude from all this regarding his/her own investment policy? Why, nothing, of course. You and your financial advisor are no doubt acting on an established plan, which in my experience is the strategy that affords the best chance of long-term financial and investment success. Conclusion: if your goals haven't

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changed, don't change your plan in response to some real or imagined economic/market event or condition.

Rather, I'm making here a small but not unimportant point. To wit: the equity market will always be subject to corrections. The average annual drawdown in the Index since 1980 has, according to J. P. Morgan Asset Management's very useful Guide to the Markets, been upwards of 14%. As recently as 2011, amid a blast of economic and political headwinds, it declined 19.4% in five months. And yet this (now) greatest of bull markets rolled on.

But the really serious market tops—the ones that are sometimes not surmounted for years—seem historically to have eventuated when the huge public consensus was that the market could only keep going up, and that the only risk was that somebody somewhere might be making more money than you were.

That is to say that the great waves of equity values seem to have been driven—at least until now—by similarly great waves in sentiment. If, as I believe, this rough relationship is continuing, I for one can't work up a lot of existential terror about the market just yet.

If my doctor and/or dentist quit to day-trade stocks, I will advise you of that in a future bulletin, and we can revisit this issue at that point. Until then—as would, I expect, your financial advisor—I'd counsel staying the course and continuing to work your plan.

All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

Don't Let Pizza Put You in the Red

Believe it or not, senior year is almost over for high school students. If they haven't made their college choice yet, they will by May 1st. For many incoming freshmen, college represents their first opportunity to live on their own with adult responsibilities. It seems like only yesterday that you were teaching them to tie their shoes. Now, they will be studying calculus and Descartes. Amid all of the preparation and emotion, there are some important financial considerations.

First, set a budget for spending money. By now, you have probably recovered from the shock of big ticket items such as, tuition, room and board, and books. Equally as important are all the little things that can quickly add up to hundreds, if not thousands, of dollars; pizza on the weekends, Starbucks every day, movies, concerts, and other social expenses can be difficult to control for a student just learning to make financial decisions on their own. Additionally, when you throw the convenience of a credit card and peer pressure into the mix, you have a recipe for overspending. Establishing a weekly budget helps students make rational decisions. Weekly, because that is about the limit of what young folks can track.

Second, put together a "banking plan" to help establish how your students keep and spend their money while at school. It is best for students not to keep too much cash on them or in their dorm rooms, somehow it tends to disappear. You want your students to be able to use ATM's frequently for cash needs. Make sure ATM's (that can be used without fees) are conveniently located. At $3.00-$5.00 per transaction, ATM fees can add up quickly. If this is a problem for your current bank, consider opening an account with a local bank that has convenient ATM's on campus. Strongly consider a checking account with a debit card instead of a credit card. Set up the account so that you can transfer funds electronically to your students' account, as needed. Also, insist that you have the ability to view the account online. They might not like it, but as long as *you* are providing the funds, it is reasonable to monitor spending. Be sure not to micromanage the account. This is a great opportunity for students to practice money management skills.

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That being said, I once had a client who saw online gambling charges on his student's account. Establishing a budget and banking plan for college students is a great way to regulate spending while helping them learn the fundamentals of money management.

Begin working on your plan now, so by the time school begins the focus is on their classes, and they've adjusted to the idea of becoming more responsible.

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

Argus Happenings

Argus has a new look! Check out our revamped website at www.eyeonargus.com. There you'll find a list of calculators to assist with your planning, meet our advisors and staff, access blog archives, and even find helpful tax information.

We've welcomed a new advisor to our team! After 18 years of helping his clients prepare and pursue their financial goals, he chose to join LPL Financial and merge his growing practice with the like-minded team at Argus Financial Consultants in order to cultivate an even stronger resource for existing and future clients.

To learn more about Tim, see his bio on our website.

Our Client Services Manager Lisa May and her husband Brad are expecting their second child, and first daughter, in August! We are so excited that the Argus family is growing this year!

Valuable Verbiage

The use of "bull" and bear" to describe markets comes from the way the animals attack their opponents. A **bull** thrusts its horns up into the air, while a **bear** swipes its paws downward. These actions are metaphors for the movement of a market. When the trend is up, it's a *bull market*, and when the trend is down, it's a *bear market*.

Social Security Tip

Supplemental Security Income (SSI) is a Federal income supplement program funded by general tax revenues, *not* Social Security taxes.

It's designed to help aged, blind, and disabled people, who have little to no income, by providing cash for basic needs like food, clothing, and shelter.

The program also assists people 65 and older without disabilities who meet financial limits.

For more information on SSI benefits and how to apply, visit: www.ssa.gov/benefits/ssi

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Argus Newsletter Spring 2018

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