

# STRATEGIC PORTFOLIO BALANCE<sup>sm</sup>

Issue 70

## Investment Discipline

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This is our client communication newsletter and it is researched, written and distributed by:

### **BellinghamFinancialPlanners.com**

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### Secular Rally Continues

Corporate profits have broken records in 2017. Rising stock prices are a testament to that fact. The actors who control DC politics are quick to claim that the current stock market rally is the direct result of their recent political coup. They want us to believe that there is an "on/off switch" that powers the economy and that the switch is located on the wall of the Oval Office. They also want us to believe that, unlike their predecessor, this Administration was smart enough to turn it on. LOL! If only it was that simple!

History shows that political machinations rarely have any direct effect on stock

prices. The only exceptions have been those times immediately following declarations of war. (Those nasty buggers have always had a chilling effect on stocks.) But if we were to assume that stocks could be directly impacted by legislation, any effect on stock prices would require several years to manifest. Therefore, if we were to assume that this current stock rally is the result of any prior legislation (again, not likely), doing some quick math pegs the imagined political drivers for this current stock market rally as having originated during the Obama years! (Doesn't fit very well on a bumper sticker, eh?) The flip side of the coin is that it is unlikely that the next bear market will have been caused by DC politicians, either.

“I have made myself very rich.”



Bloomberg puts Trump's current net worth at \$2.9 billion... if Trump had just put his father's money in a mutual fund that tracked the S&P 500 and spent his career finger-painting, he'd have \$8 billion.

—*Deborah Friedell,*  
*London Review of Books*

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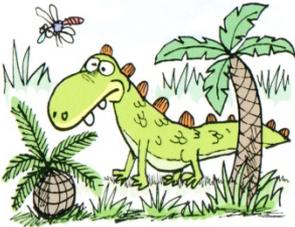
So, the moral of the story is this: It is perfectly understandable for you to be entertained, perplexed and even horrified by the clown show that is currently playing in DC. However, unless those clowns take us to war, you shouldn't waste any time worrying that their antics will bring the current bull market to an end. The current bull market will, in fact, end at some point in the future. That's a foregone conclusion! But the start of a bear market won't have had anything to do with the actors in the reality TV show that is currently playing in DC! The next bear market will be the result of when (not if) corporate profits once again begin to fall due to secular economic issues that are unrelated to political machinations.

I close this article with a quote from Jeffrey Kleintop, an executive with Charles Schwab. “The biggest risk in 2017 is being too worried about political risk!”

## The Death of Big Oil

In what can only be described as an overt act of desperation, Big Oil has been pouring money into a broad social media campaign blitz for the past few years. Their objective is to sow skepticism about the reality of human-caused climate disruption. They hope that more people will begin to doubt the clear fact that continuing to burn fossil fuels will ultimately force us to the brink of environmental disaster! News flash! Climate disruption is happening and the burning of fossil fuels is to blame!

DIDN'T EVOLVE...



DIED...



TURNED TO COAL



TURNED TO COAL...



DIDN'T EVOLVE...



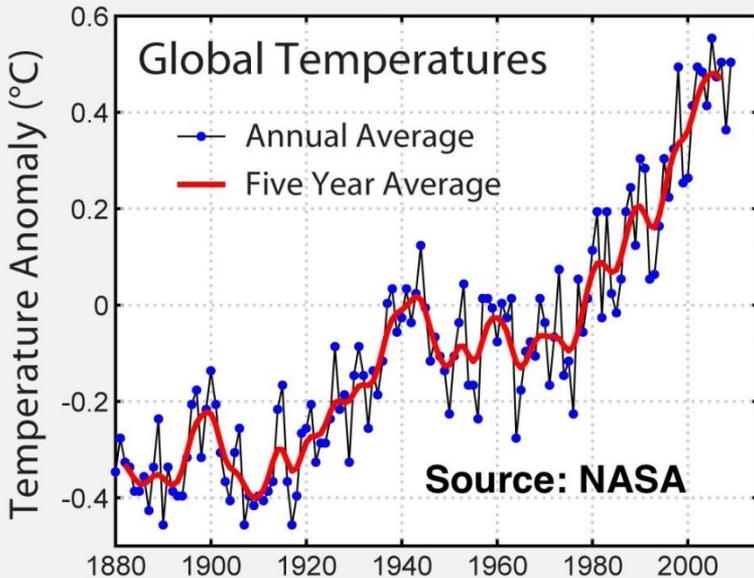
DIED



Joel Heller ©2015 HELLERFACTOON.COM

The next time you read a denier's negative comments regarding a well-documented article about the realities of climate disruption, go to the home page of that commenter. One of two types of people will emerge. The first type is often someone with relatively little education and a penchant for posting unrelated anarchist memes about imagined government threats to their "freedom and liberty." The second type is a paid troll. Trolls' home pages have little (if any) info about themselves, very few pictures (if any), or really much of anything that might indicate that they are a real person with a real life. I recently had an appointment with a prospect who works as a professional troll. He is actually paid to peruse social media and post comments that are favorable to his employers. (He's paid by how many posts he makes that are favorable to fossil fuels.) He doesn't discriminate as to which topic he will be paid to focus on or what messages his employers want him to use as standard responses. It's a job, nothing more. And I can definitely say that it is a well-paying job! (He gets to work from home, too!)

# GLOBAL WARMING Just a hoax?



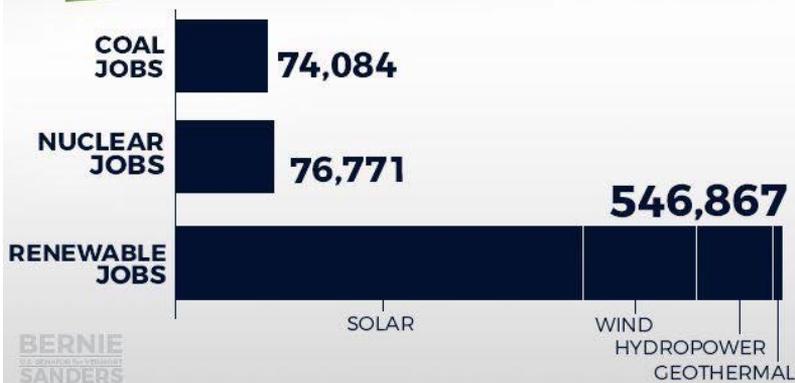
Since the demise of fossil fuels is inevitable, why would Big Oil spend so much money to bankroll trolls who spread their disinformation campaign? Simple! Big Oil executives want to squeeze as much profit as they possibly can from their antiquated business model before they have to deploy their golden parachutes and retire. The continuation of life as we know it on our little blue planet is not even considered in their calculus! Their entire game is actually quite cynical!

One might think that Big Oil executives are planning for the economy to slowly wean itself off of oil dependence over a period of several decades. But Big Oil is smart enough to realize that electric cars are quickly becoming far cheaper to own and operate than gas-powered cars. They are realistically anticipating that “technology disruption” will soon end their careers. (More on “technology disruption” in a moment.)

# WHERE ARE THE JOBS?

# CLEAN ENERGY

SOURCE: DEPARTMENT OF ENERGY, JAN. 2017



Analysts are now agreeing that Big Oil will die a rather quick death and that it will happen within a decade or less! Consider this. More than 30% of the world's demand for oil is solely to power automobiles. Electric cars do not require gasoline. What will happen to Big Oil when they lose 30% of their gross revenue? They will be bankrupt, plain and simple. But won't it take decades for electric cars to replace gas-powered ones? No, not even close! Just look at the facts. They jump off of the page.

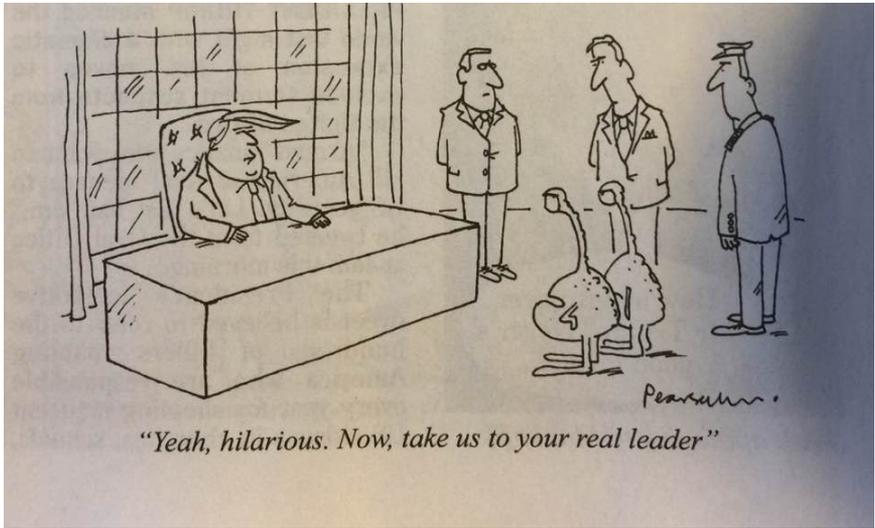
- The typical internal combustion car's drive train has about 2,000 moving parts and has an expected 150,000-mile serviceable lifespan. Expensive gasoline must be purchased throughout the vehicle's lifespan to keep it running. In addition, the following is a list of the most common gas-powered vehicle repairs and their associated costs: (Data from year 2015.)
  - Replace oxygen sensor - \$249.
  - Replace catalytic converter - \$1,153.
  - Replace ignition coils and spark plugs - \$390.
  - Tightening or replacing a fuel cap - \$15.
  - Thermostat replacement - \$210.
  - Replacing ignition coil - \$236.
  - Mass air flow sensor replacement - \$382.

- Replace spark plug wires and spark plugs - \$331.
  - Replace evaporative emissions (EVAP) purge control valve - \$168.
  - Replace EVAP purging solenoid - \$184.
- However, the typical electric car's drive train only has about 20 moving parts and has an estimated one-million-mile lifespan!
    - New tires are about the only maintenance expense that is expected for an electric car.
    - Battery replacements are as yet non-existent. But when they do happen, the costs are estimated at about \$5K. That's not even a concern at this point, though, because many older electric cars have racked-up over one million miles on the road with a battery charge degradation of less than 10%!



Back to the concept of “technology disruption.” Do you remember Kodak? They were the world’s biggest manufacturer of film for cameras. By the end of the 1990’s when affordable digital cameras were first becoming widely available to consumers, digital cameras comprised only a tiny fraction of a percent of the total market share of all cameras. Their picture quality was about 0.3

megapixels. (Film cameras had an equivalent resolution of about 6 megapixels.) But by 2005 it had become very difficult to even find film for an old-style camera or to find any place where you could have the film developed. Digital cameras were available with up to 10 megapixel resolutions and cost less to buy than conventional cameras. There was no cost to buy or develop film and pictures could be viewed easily on computers. Photoshop-type software was becoming very affordable, too. Very few people even used film cameras any longer, except for a few “purists.” Film cameras had become little more than an oddity from the previous Century to be displayed next to a manual typewriter and a dial telephone. In 2012, after draining all cash and assets from their balance sheet, Kodak finally declared bankruptcy.



Big Oil will die rather quickly, as well. Look at the numbers. Right now a barrel of oil sells for about \$50. In the U.S., crude oil costs \$10 per barrel to transport and \$28 per barrel to refine. (That’s why crude oil producers want to transport their unrefined product to India, because it only costs \$8 per barrel to refine it there.) Then add another \$10 per barrel to transport the refined products to consumers and about \$10 per barrel for product marketing and executive compensation and bonuses. So here’s how the numbers play out, right now, before the expected technology disruption from electric cars:

- $\$50 - \$10 - \$28 - \$10 - \$10 = (\$8)$ . (That’s a loss of \$8 per barrel!)

Now imagine that 30% of the total demand for oil simply vanishes. The price for crude oil could easily fall to \$35 per barrel. New drilling would cease. High-cost operations such as offshore rigs and the Alberta Oil Sands would be abandoned, leaving a toxic mess in their wake:

- $\$35 - \$10 - \$28 - \$10 - \$10 = (\$23)$ . (That’s a loss of \$23 per barrel!)

**Plot idea: 97% of the world's scientists contrive an environmental crisis, but are exposed by a plucky band of billionaires and oil companies.**

The only global oil producers that will be able to generate even marginal profits will be the few Middle Eastern countries that basically float on a sea of light, sweet crude, places where simply digging a post hole can strike oil!

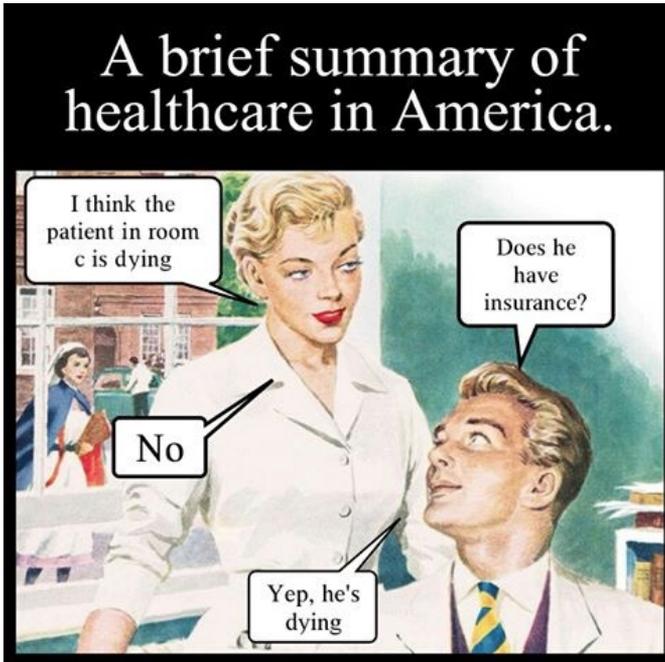
So, the next time that someone says that electric cars will never replace gas-powered cars, consider the following. A new 2018 Chevy Bolt has a claimed range of 250 miles per charge and can be purchased (after rebates) for under \$30K. The venerable Nissan Leaf has increased their range to about 200 miles per charge without any increase in price. Tesla's Model 3 will be available for not much more than that and is rated with a 300+ mile range per charge. (Tesla recently achieved a 600+ mile driving range from a single charge in a test performed in France using a slightly modified Tesla concept car.)

For most of us, today's electric car technology will provide all the range we will ever need to satisfy 95% of our daily driving. It will be much cheaper to rent a gas-powered car for those few times when we might need some extra range than it would be to actually buy and own a gas-powered car. And with the increasing range and falling prices of electric cars, only a spendthrift would be able to justify buying a gas-guzzling vehicle for their everyday commute.

So my advice is to postpone the purchase of any new gas-powered car. Lease an electric car instead while the technology is rapidly improving. Buy an electric car if you just want to encourage their R&D and you have plenty of money to do so. But realize that electric vehicles will be the norm in 5- to 10-years. Electric vehicle technology will be so good that you will rue the day when you bought that gas-guzzling SUV that is now permanently parked in your driveway. You won't want to drive it and no one else will want to buy it from you!

## Rising Cost of Healthcare

Let's be honest. Healthcare and the "free market" are incompatible with one another. Who lifts their head from their gurney to ask the surgeon how much he is going to charge and if there is a better deal down the street at a different hospital? No one! Rather than shopping around for healthcare, most people just choose not to have the procedure done in the first place, putting their own well-being at risk.



Healthcare costs in retirement are currently rising more than twice as fast as Social Security Retirement Income. Seniors are at risk of being forced to use all of their savings just to stay healthy and alive! Without government support, the system will collapse. The entire reason for launching Medicare/Medicaid in the first place was to take care of senior citizens' healthcare needs without causing their bankruptcy or death. The Republicans' idea of converting Medicare/Medicaid into a "voucher system" will only result in more unpaid medical bills down the road as healthcare costs begin to greatly exceed the vouchers. "Competition across state lines" would not lower costs, either. If an insurance company in Colorado won't insure me due to pre-existing conditions, why would one want to insure me in Mississippi? And allowing cross-state competition would require the implementation of a national health insurance watchdog, a brand new Federal regulatory agency, the size of which would dwarf the current system of State Insurance Commissioners.

**62%** OF ALL BANKRUPTCIES IN THE U.S. ARE THE RESULT OF MEDICAL BILLS

**3/4** OF THOSE BANKRUPTED HAD INSURANCE WHEN THEY GOT SICK

**FOR-PROFIT HEALTHCARE BANKRUPTS**

**HEALTHCARE IS A HUMAN RIGHT**

When people can't afford to pay their hospital and doctor bills, the providers must raise their fees on those who do pay. That's the only way they can cover the losses they incur from those who don't pay. Insurance companies must then raise their premiums to cover the higher costs. People then drop their insurance. We already went through that nightmare for years prior to Obamacare. That was a time when 62% of all personal bankruptcies were the result of unpaid medical bills. Most of those people actually did have health insurance policies. But they were "junk" policies that didn't really cover anything. That's why their premiums were so low. Now the Republicans want to allow health insurance companies to issue "junk" policies all over again? We never learn!

Health Insurance Company CEOs' Total Compensation in 2016			
	<b>David Cordani</b>		<b>\$49 Million</b>
	<b>Stephen Hemsley</b>		<b>\$66 Million</b>
	<b>Michael Neidorff</b>		<b>\$22 Million</b>
	<b>Mark Bertolini</b>		<b>\$27.9 Million</b>
	<b>Joseph Swedish</b>		<b>\$16.5 Million</b>

Source: <http://cnb.cx/2IED3WK>

So, all of this begs the question, “Why should we have insurance companies in the first place?” They add at least 30% to the total cost of healthcare without actually delivering anything that even resembles healthcare. The real answer as to why we are the only country in the world with a for-profit healthcare system is a disgrace. It is because our political system allows politicians to accept large bribes from powerful lobbyists who directly benefit from the scheme.

I hear the excuse that universal healthcare coverage will bankrupt the country and cause millions of people to die! Uh, no! Most of the rest of the western industrialized world has had universal healthcare coverage for decades. They may pay slightly more in taxes but they don’t have to pay any health insurance premiums, deductibles, copays, etc. The net effect is that countries with universal healthcare have much better outcomes at a significantly lower price.

# Four reasons to support universal health care:

	 United States	 Denmark
Number of people per year who have trouble paying medical bills	<b>56 million</b>	<b>Zero</b>
Number of people per year who will be contacted by collections agencies for unpaid medical bills	<b>35 million</b>	<b>Zero</b>
Number of people per year who will use of all their savings or take out new credit to pay medical bills	<b>26 million</b>	<b>Zero</b>
Number of people per year who will declare bankruptcy due to inability to pay medical bills	<b>1.7 million</b>	<b>Zero</b>

Even the hybrid “single payer” system used by Canada results in lower costs. Meanwhile, the paid trolls spread misinformation about “waiting lines” for

healthcare in Canada and that people are dying just waiting to see a doctor. They claim that Canadians are pouring over the border to seek medical care in the U.S. Those claims are absolutely false!

<b>DRUG PRICES</b>			
<b>CANADA VS USA</b>			
EPIPEN	FOR ANAPHYLAXIS	\$290	\$620
CRESTOR	FOR HIGH CHOLESTEROL	\$160	\$730
PREMARIN	FOR ESTROGEN THERAPY	\$84	\$421
ABILIFY	FOR DEPRESSION	\$436	\$2,626
ZETIA	FOR HIGH CHOLESTEROL	\$183	\$840
NEXIUM	FOR HEARTBURN	\$214	\$736
SYNTHROID	FOR HYPOTHYROIDISM	\$50	\$101
JANUVIA	FOR DIABETES	\$255	\$1,064
CELEBREX	FOR ARTHRITIS	\$212	\$895
ADVAIR	FOR ASTHMA & COPD	\$212	\$980

SEN. BERNIE SANDERS

So, I am advocating that we all support universal healthcare in the U.S. Since we can't get rid of greedy politicians, let's at least do away with the greedy health insurance companies. We will all be healthier and wealthier as a result!

<b>HEALTHCARE COSTS BY COUNTRY</b>			
<b>Hospital Cost/Day</b>		<b>Cure for Hep C</b>	
USA .....	<b>\$5,220</b>	USA .....	<b>\$84,000</b>
Australia .....	\$765	UK .....	\$59,000
South Africa .....	\$631	India .....	\$1,000
Spain .....	\$424	Egypt .....	\$900
<b>Bypass Surgery</b>		<b>Hip Replacement</b>	
USA .....	<b>\$78,318</b>	USA .....	<b>\$87,987</b>
Australia .....	\$28,888	UK .....	\$16,335
UK .....	\$24,059	NZ .....	\$15,465
Spain .....	\$14,579	Spain .....	\$6,757

**ALL THIS DEBATE ABOUT HEALTHCARE  
AND NOT ONE PEEP ABOUT HOW WE  
ALREADY PAY THE MOST IN THE WORLD**

## Credit Bureau Information

Identity theft is the fastest growing internet crime. Unraveling the mess it creates can be expensive and time-consuming. Buying identity theft insurance (LifeLock, etc.) is expensive and only awards you a cash settlement. It does not really help you to recover after suffering the crime. You still have to do all of the work yourself, anyway. But there is something that you can do that is free and very powerful: Fraud Alert and Credit Freeze.

You can obtain additional information from the FTC and the three nationwide credit bureaus about fraud alerts and security freezes. You can add a fraud alert to your credit report file to help protect your credit information. A fraud alert can make it more difficult for someone to get credit in your name because it tells creditors to follow certain procedures to protect you, but it also may delay your ability to obtain credit.

You may place a fraud alert in your file by calling just one of the three nationwide credit bureaus. As soon as that bureau processes your fraud alert, it will notify the other two bureaus, which then must also place fraud alerts in your file. In addition, you can visit the credit bureau links below to determine if and how you may place a security freeze on your credit report to prohibit a credit bureau from releasing information from your credit report without your prior written authorization.

**Equifax**, PO Box 740241, Atlanta, GA 30374-0241. 800.685.1111.  
[https://www.freeze.equifax.com/Freeze/jsp/SFF\\_PersonalIDInfo.jsp](https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp)

**Experian**, PO Box 9532, Allen, TX 75013. 888.397.3742.  
[http://www.experian.com/consumer/security\\_freeze.html](http://www.experian.com/consumer/security_freeze.html)

**TransUnion**, PO Box 2000, Chester, PA 19022. 800.916.8800.  
<http://www.transunion.com/personal-credit/credit-disputes/credit-freezes.page>

For more information about preventing identity theft in all states (except Maryland and North Carolina), visit the Federal Trade Commission's website:  
[www.ftc.gov](http://www.ftc.gov)

If you live in Maryland, contact the Maryland Attorney General, Consumer Protection Division, 200 St. Paul Place, Baltimore, MD 21202. 410.528.8662.  
[www.oag.state.md.us/idtheft/index.htm](http://www.oag.state.md.us/idtheft/index.htm)

If you live in North Carolina, contact the North Carolina Office of the Attorney General, 9001 Mail Service Center, Raleigh, NC 27699-9001. 919.716.6400.  
<http://www.ncdoj.gov/Crime.aspx>

Remember that you will have to unfreeze your credit before applying for a credit card, a car loan or a mortgage. Then re-freeze your credit report afterwards.

## Retirement Funding Sources

**Theory:** By utilizing non-correlated retirement income funding sources from which withdrawals are taken relative to the strength of their mutual divergence, it may be possible to extend the duration of the income stream being provided by a portfolio of securities so managed.

**English Version:** It is our recommendation that you accumulate between one- and three-years worth of basic living expenses and hold them in cash reserves. *(Even cash reserve accounts should be properly structured. We'll help!)* During periods of stock market weakness, you should avoid liquidating investments at a loss. Use cash instead. *(You must stay invested if you are to have any chance for recovery.)* During periods of relative stock market strength you should fund your retirement income needs by taking withdrawals from your investment portfolio while replenishing your cash reserves for the next time when *(not if)* the stock market suffers another significant correction. *(Of course, it is essential to skillfully structure and effectively manage your investment portfolio. We'll do that!)*

### CURRENT RECOMMENDED SOURCES FOR WITHDRAWALS TO FUND RETIREMENT INCOME



#### LEGEND

- 0 - 87: Stop all withdrawals from investment portfolio. Use cash reserves.
- 88 - 173: Blend withdrawals from investment portfolio and cash reserves.
- 174 - 260: Take withdrawals from investment portfolio. Replenish cash.

If you like the concept of maximizing the lifespan of your retirement withdrawals but you do not wish to take on the responsibility yourself, please consider enrolling in our Strategic Withdrawal Management<sup>sm</sup> (SWM<sup>sm</sup>) service. We will deal with the management logistics while you deal with your golf swing.

## Current Mortgage Rates

**HOME MORTGAGE:** The following are the national averages of mortgage rates (source: Bloomberg Business). Because mortgage interest rates change throughout each business day, these recent examples will not necessarily be applicable when you apply for your next mortgage. They are provided for illustrative purposes, only.

### RECENT CONVENTIONAL CONFORMING FIXED MORTGAGE INTEREST RATES

30 Year Fixed Rate Conventional/Conforming, 30-Day Lock		15 Year Fixed Rate Conventional/Conforming, 30-Day Lock	
Current	Previous Month	Current	Previous Month
3.80%	3.93%	2.99%	3.17%

- There are several other factors that affect the rate of your loan. Such factors include the state in which the mortgaged property is located, loan-to-value, FICO credit scores, cash-out refinance, high-balance loans, variable-rate loans, government programs (such as FHA or VA loans), non-owner occupied, self-escrow of property taxes and homeowner's insurance, etc.

You will need to provide your independent mortgage broker with the following documents when applying for a loan:

- Signed and dated loan application and mortgage documents.
- Most recent 2 month's pay stubs.
- Most recent 2 years W2's and tax returns.
- Most recent 2 months statements on all financial accounts such as checking, savings, retirement, stocks, etc.
- Property/casualty/liability insurance carrier.
- Official military, divorce, separation, child support documentation (if applicable).

## Web Links

Full disclosure of all the services we provide and all the fees we charge can be viewed at the following link to our *SEC Form ADV Part 2A*:

<http://www.colsonfinancial.com/sites/default/files/users/colsonfinancial/pdf/ADVnew.pdf>

You may view our privacy policy at the following link:

[http://www.colsonfinancial.com/sites/default/files/users/colsonfinancial/pdf/BBB\\_PrivacyPolicy.pdf](http://www.colsonfinancial.com/sites/default/files/users/colsonfinancial/pdf/BBB_PrivacyPolicy.pdf)

You may review our fee schedule at the following link:

<http://www.colsonfinancial.com/sites/default/files/users/colsonfinancial/pdf/FeeSchedule.pdf>

You may log in to view your account(s) at the following link:

<https://www.trustamerica.com/liberty/desktop/cfi>

Please contact our office if you prefer to receive these documents via snail-mail.

## PLANNING AND INVESTMENT ADVISORY SERVICES

When we work with individual clients, we focus on two areas:

- **“Fee-Only” Financial Planning:** Together we calculate what you earn and what you spend (cash flow), what you own and what you owe (net worth), and we structure a course of action for the successful achievement of your financial goals. We have no broker-dealer affiliation. We do not sell any products. We earn zero commissions and we receive zero 12b1 fees.
  - **“Fee-Based” Investment Management:** We provide affordable professional investment management with honesty, integrity and exceptional fiduciary care. Our portfolios are designed to be 99%+ fossil fuel-free. Our compensation amounts to a small fraction of a percent of the total of all of your family’s accounts. We strive to earn investment returns at a risk level that you can accept while keeping the total of all expenses at a minimum.
- A) We avoid all financial products that pay commissions. Product sponsors charge higher expenses in products that pay commissions. Higher expenses result in poorer investment performance.
- B) The cost for our investment advice is fully disclosed, in actual dollars, not buried somewhere in a prospectus as “basis points.”
- C) We dispel the myths and misconceptions of any anecdotal advice that may be dispensed by your well-intentioned friends or relatives.

We believe that your financial success will be better achieved with ongoing professional investment management driven by an unwavering discipline to remain focused on your goals. If you have neither the time nor the desire to be a “do-it-yourselfer,” please allow us to be your fiduciary. We will always place your best interests ahead of our own.

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[http://www.advisorinfo.sec.gov/IAPD/Content/Search/iapd\\_OrgSearch.aspx](http://www.advisorinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx)

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<http://www.ColsonFinancial.com>