

STRATEGIC PORTFOLIO BALANCEsm

Issue 63

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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28 years of excellence! We serve our clients with:

- *Fee-only financial planning (zero sales bias);*
- *Fee-based investment management (zero commissions);*
- *Less than 1% is invested in stocks of fossil fuel companies; and,*
- *Fiduciary services (keeping your best interests foremost).*

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Markets Swoon

Summer is often noted for low trading volume on the markets because many traders are on vacation. When fewer shares are being traded, price swings, both up and down, can be exacerbated by meaningless "white noise." Therefore, it is not possible to detect true buying or selling commitment because many traders are sitting on the beach instead of trading on the exchanges.

There are some over-arching and somewhat negative secular market drivers at the moment. China's stock market bubble has finally popped, the U.S. Federal Reserve appears to be finally ready to raise interest rates and the U.S. Dollar has gained unwarranted strength against other currencies. A strong U.S. Dollar makes American goods and services more expensive to foreign buyers who

postpone purchases. Lower order flow reduces projections of future profitability which depresses stock prices. It also temporarily increases our trade imbalance.



These factors would normally signal the potential for increased inflation. Increased inflation is usually followed by decreasing profitability and, therefore, falling stock prices. But, at least so far, inflation is a no-show while unemployment continues to fall. In fact, the forecast for future profitability of U.S. businesses looks very rosy, indeed! If I had a crystal ball, I would foresee rising stock prices at least through the end of this year and, possibly, well into next year.

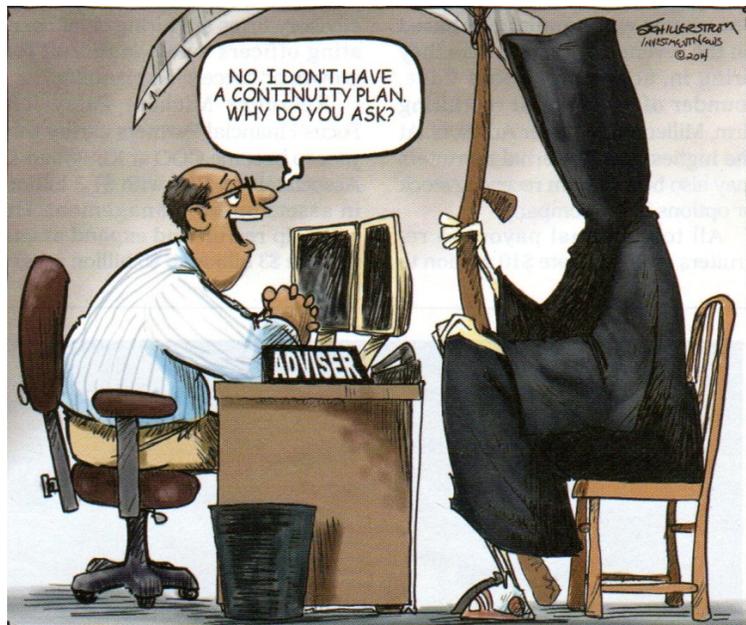


The clown show that is emblematic of the American political system at this point in time is a wild card, at least for now. We have several qualified candidates for President as well as some very entertaining goofballs! But by this time next year, the political landscape will be much more certain. Because markets hate uncertainty, when we know more about who will be running for President, stock prices should get a boost.

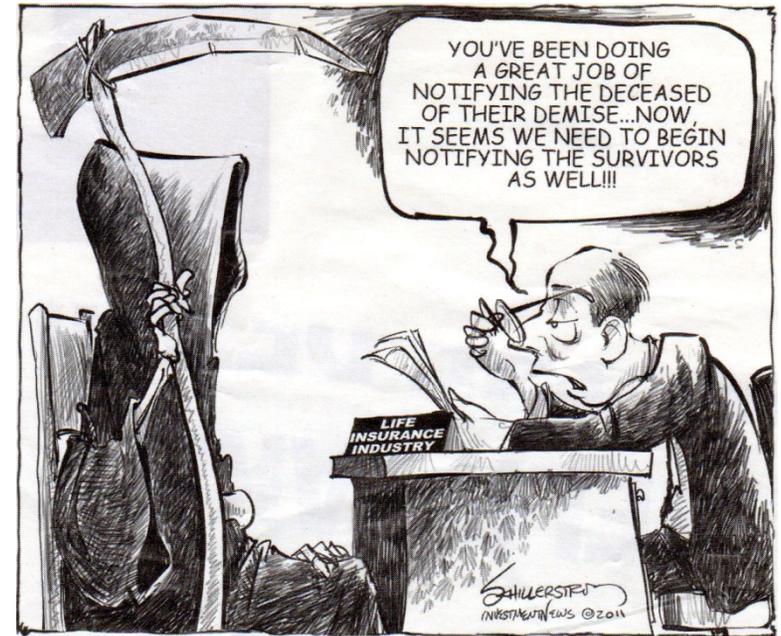
It doesn't really matter to the markets which candidate is ultimately elected. Trading strategies are easily adapted to prevailing political policies. Therefore, it is the certainty of the outcome that drives secular bull markets. But between now and then, buckle your seat belts because it looks like we are in for a rather exciting ride!

Online Estate Planning

They say that two things in life are unavoidable: Death and Taxes. Every year we accumulate and organize all of our income tax documents to prepare our IRS Forms 1040. But preparing for death seems to be a rather disorganized process. Wills might be in one place, trusts in another, powers of attorney somewhere else, bank account documents in one drawer and investment account documents in another. Passwords to access online accounts are kept in our heads! Many people have never even prepared wills, trusts or powers of attorney in the first place!



When a person dies, lack of estate organization is an hourly fee bonanza for advisors like me. Often I must devote hours to the task of simply locating estate planning documents and other account information before an estate planning attorney can even begin to do their job! At \$250/hour (or more), this has become a profit center for many advisors.



But there is no longer any excuse for such disorganization. Services such as Everplans and Capsoole are digital-archive websites where all estate planning documents and related account information can be efficiently organized and securely stored. The websites includes numerous categories such as home, medical info, passwords, funeral preferences, vehicle info, advisor info, what to do with pets, etc. Those who will ultimately be entrusted with settling the estate are given password access to the website so that the process can become relatively simple and well-organized.

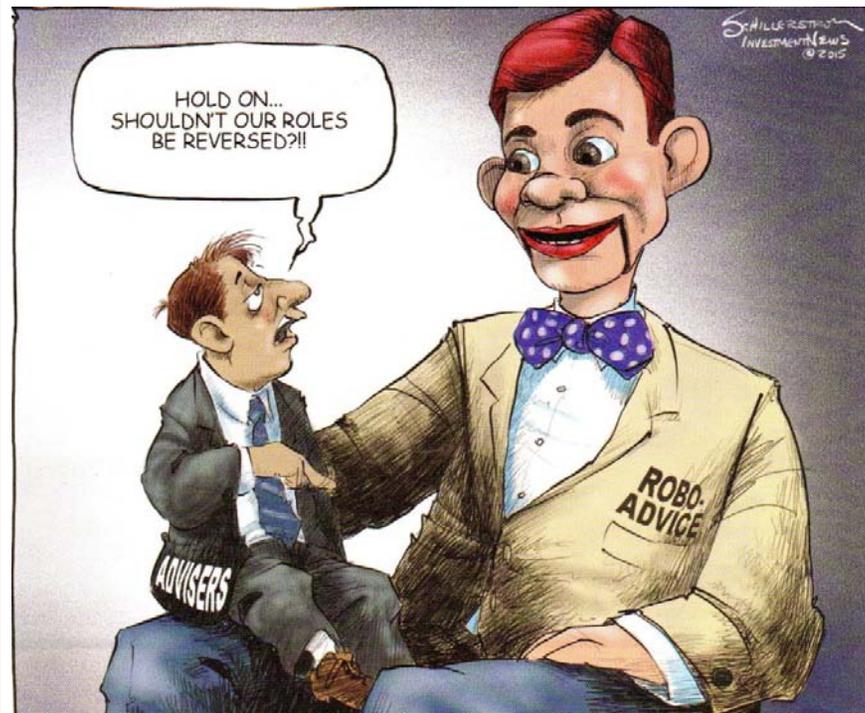
Of course, the process of organizing an estate requires an up-front investment of time to initially store the documents on the website of choice. After that, ongoing reviews are appropriate to be sure that all documents and data are current. But this is much less time-consuming than the prevailing system that requires someone like me to sort through drawers, files, safe deposit boxes, cardboard boxes in the attic, the stack of papers on the kitchen table, Post-It notes on the refrigerator, etc.

Don't let the distractions of life further complicate what is already a tangled legal web that will be created by your death. The best gift that you can give

your heirs is sufficient time to grieve about losing you without suffering the frustrations that can accompany the process of estate settlement.

Gloom-and-Doom Forecasts

Self-proclaimed financial gurus who are predicting a global economic Armageddon seem to be everywhere these days! In my last newsletter I discussed convicted felon Porter Stansberry and his current unholy marketing alliance with outspoken Libertarian Ron Paul. Their objective is to increase Stansberry's doom-and-gloom newsletter subscriber base. In this issue I will discuss another self-serving media darling, Thom Hartmann.



Most of the gloom-and-doom talking-heads hail from the regressive right-wing side of the political ledger. But we now can cast shame on Thom Hartmann, the latest self-proclaimed financial “guru” who has jumped onto the “economic collapse” bandwagon. The difference is that Thom Hartmann hails from the progressive left-wing side of the political ledger.

Thom's business history is very diverse. It includes having been a DJ on a country music radio station, where he gained his media savvy. He operated an electronics repair store for a while. He started a travel agency that became

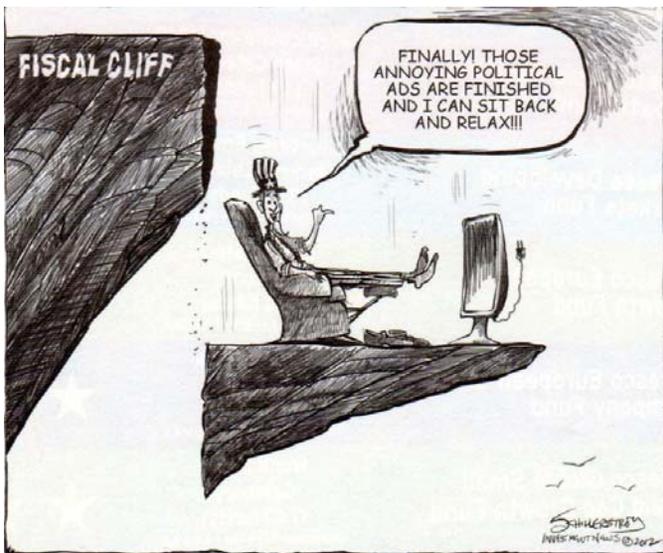
successful based on rewarding customer loyalty, a business model that is now ubiquitous in the travel industry. He became an ordained minister with Coptic Fellowship International, a religious sect based upon teachings from ancient Egypt. He pursued a less than stellar career foisting herbal products, potpourris and teas as home remedies for sickly but naïve patients. Most recently he has been the host of a relatively successful radio talk show promoting the advantages of democratic socialism over our current American political system, a system that is, unfortunately, mostly based on legislators that are for sale to the highest bidder!



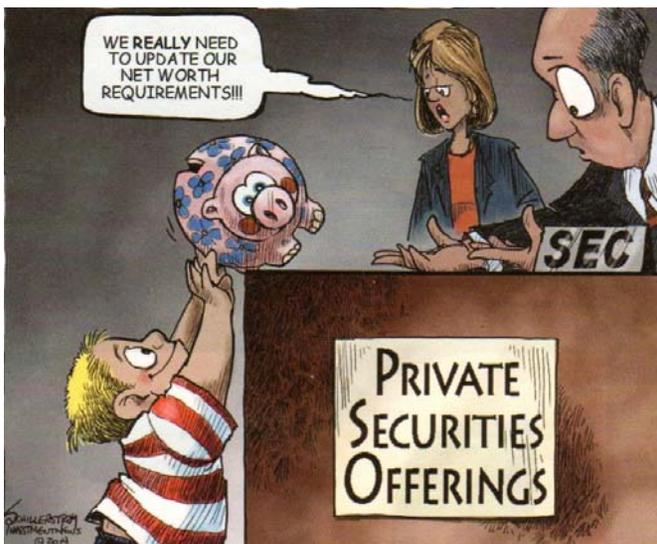
Thom's academic resume includes an undergraduate degree in electrical engineering and studies in herbology and homeopathic medicine. I want to point out that, although Thom has hands-on business experience, he has had no formal academic training in either business or economics. But that hasn't stopped him from feeling qualified to write a book about impending global economic collapse.

Thom's extensive writing career spans 40 years. It is his real claim to fame. He wrote his first book about “neuro-linguistic programming” that was titled “Healing ADD.” His next book claimed that there had been a government conspiracy to commit the assassination of JFK. Then there were several books about home remedies using herbal medicine. But most of his recent books have been written about political topics, with a particular focus on the negative

being a gloom-and-doom investment advisor, I will instead continue to be brutally honest and intellectually focused. I am an advisor who relies on the mathematics of fundamental research, the common sense of broad diversification and the ongoing (and somewhat uneventful) process of portfolio rebalancing when fair market values are exceeded.



So, the next time you hear from Chicken Little that the sky is falling, remember my advice: “Move along. There’s nothing to see here.”



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 Managementsm (SWMsm) 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
3.83%	4.19%	3.00%	3.20%

- 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

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

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