

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

Issue 72

## Investment Discipline

2018.03.22

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- *Fee-based investment management (zero commissions);*
- *Less than 1% is invested in stocks of fossil fuel companies*
- *Investment emphasis on solar, wind, clean water, etc.; and,*
- *Fiduciary services (keeping your best interests foremost).*

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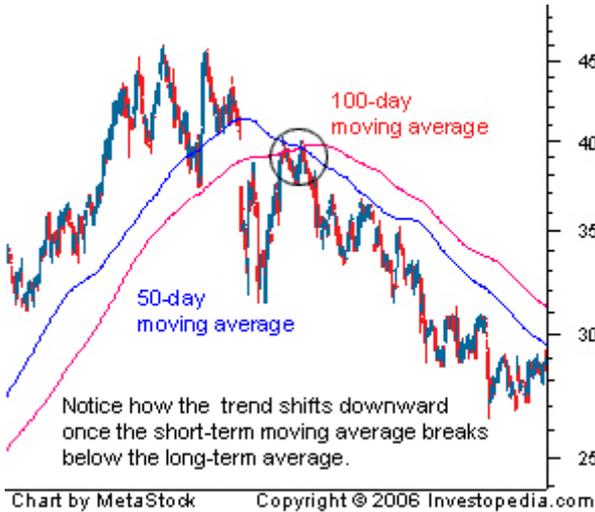
### Red Line Crossed

Markets had been enjoying historic gains due to increased global profitability, a direct result of increasing international trade. What had been little more than an amusing White House circus could not derail the global increasing earnings party. Then the "Liar-in-Chief" crossed an unwritten red line by announcing his plans to impose tariffs on imported steel and aluminum.

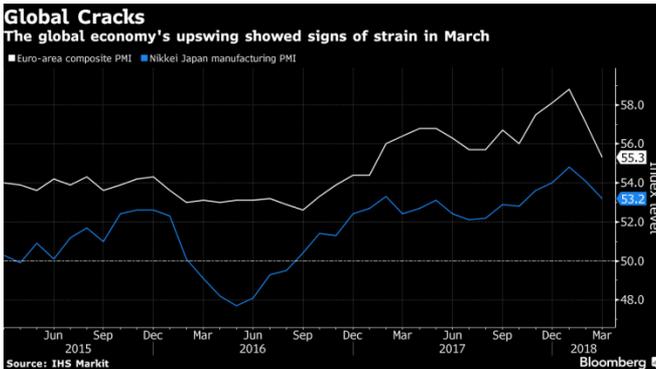
Since that display of his utter business stupidity, global markets have been reeling. Unfortunately, even if President Orange walks-back his threats to impose import tariffs, the damage has already been done. Although I do not

have a crystal ball, my best guess is that stock markets are entering what may potentially be a period of unsettling volatility and relative underperformance.

One indication of our looming recession is that we have just witnessed what is known as a “death cross.” That is when the long-term moving average price of the market crosses the short-term moving average.



Another powerful indicator of a looming global recession is that the purchasing manager indexes have fallen dramatically in Japan and Europe. These indexes typically indicate the relative confidence that major international corporations have in the future economy. The swoon in these purchasing manager indexes demonstrate that corporations are pulling way back on their usual and customary buying of materials and equipment. It is obvious that they anticipate a fairly dramatic slowdown in economic activity and do not want to tie-up their capital as commerce slows.



Ever since President “Stable-Genius” announced his intention to impose tariffs, the European economy has slowed dramatically, Japanese manufacturing has plummeted and German business confidence is at its weakest point in over a year. These are all indications that corporations are preparing for difficult times.

Meanwhile, U.S. purchasing managers have continued to buy materials and equipment, reaching a 3-year high. If we actually do enter a period of global recession (seemingly a foregone conclusion at this point), U.S. corporations will have bought way too much stuff. It will sit in their warehouses unused and unsold until the corporations are forced to discount their prices below their costs just to move the stuff out the door. That will damage their bottom line by reducing profitability which will ultimately drag their stock prices down.

The U.S. Federal Reserve Board seems to be blinded by our previous solid economic performance that has brought us to this point. (Don’t they ever read those disclosures warning that “past performance is no guarantee of future performance?”) The Fed is blindly projecting that good times will continue based solely upon past performance. But they are completely ignoring the inevitable damage that will be caused by the politically motivated tariff lunacy of President “Can’t-Keep-His-Pants-Zipped-Up.” As a result, the Fed’s march to raise interest rates continues unabated. If we do enter a recession, higher interest rates will only exacerbate what will already be a difficult situation.

Historically, tariffs have never been effective in the long run to protect jobs or even to favor specific industries for more than a very short period of time. The main effects of previously imposed rounds of tariffs have been to increase the cost of goods sold to consumers, decrease corporate profitability, depress stock prices and increase inflationary pressures. Those factors have always been a prelude to a recession.



The only variable in the past has been how long a tariff-induced recession might last. If President “Putin’s-Puppet” walks back his Twitter-spew by announcing “never mind,” the recession may last only a few months while global markets scratch their collective heads and refocus their best use of available capital. But if President “Bad-Hair-Day” proceeds, and if Congress acquiesces and signs off on those tariffs, we could suffer a recession lasting as long as it takes to rescind and recover from them. Thankfully, mid-term elections are just around the corner and, if more rational legislators are elected, that may help to return the United States to a saner mode of governance and move us back toward increasing global profitability.



As investors we should have two responses. The first response should be to reduce the amount of securities that are being liquidated at increasingly depressed prices to fund retirement income. (Now is the time to fund retirement from the 12-month cash reserve I have always recommended keeping on hand for situations just like this one.) The second response should be to recognize that this recession will be an opportunity to buy perfectly good securities at artificially depressed prices through steady dollar-cost-averaging. Don't sit on the sidelines. Invest!

Of course, everyone's situation is different. I recommend that you call me to discuss what your best course of action may be. Take heart! We will survive this unpleasant experience. I am confident that it will ultimately be little more than a perplexing footnote in future history books.

## **Social Security Fraud**

A disturbing new form of identity theft is on the rise. Fraudsters have been

triggering and then receiving the Social Security Retirement Income (SSRI) that rightfully belongs to others. Some of the more successful fraudsters have been receiving the SSRI of numerous unwitting folks all at the same time. This fraud is only discovered either when the lawful recipient receives IRS Forms 1099 for their SSRI even though they have not yet filed to begin receiving it or when they ultimately do file to begin receiving it themselves and discover that it has been given paid to someone else.



Often the fraudsters will claim the mark's account and change the address of the lawful recipient at the Social Security Administration website. Then they file to begin receiving that person's SSRI. With a changed address, the IRS Forms 1099 are then sent each year to the crook, negating the ability of the lawful recipient to be notified that the scam is already underway. That can result in years of payments being made to the crook until the lawful recipient ultimately files to receive their own SSRI!



Another twist is that the fraudsters change the address and receiving bank account information of someone who is already receiving their own SSRI. The lawful recipient only figures it out when their flow of SSRI stops. Although

missed payments ultimately will be repaid to the lawful recipient by the Social Security Administration, the resolution process can drag on for many months during which time the retiree must get by without a dime of their SSRI.

Here is my advice to avoid becoming a victim of this insidious scam. First, go to the Social Security Administration website. You will locate it at the following URL: <https://www.ssa.gov/myaccount/>. Then complete all of the enrollment questions. Utilize a complicated User Name and Password. (This will NOT trigger the start of your SSRI, unless you want to do so.) Claiming your online account will effectively lock-out any potential fraudster. After your online account has been set up you should check your account once each month. By adding that monthly checkup to your routine you will be able to stop a fraudster dead in their tracks before they have been able to receive even one payment of your money!



Unfortunately, if you discover that a fraud has already been committed, slogging through the telephone tree and the administrative tangle that is the Social Security Administration can be rather time consuming. But protecting your identity has unfortunately become a necessary part of our 21<sup>st</sup> Century online routine. Hopefully you will never have to fight back. But at least you now have this powerful tool to deploy for your own protection.

### **Phishing is #1 Cyber Threat**

Have you ever received an unsolicited email or a telephone call where you are instructed to provide your personal information? Don't do it! If the caller identifies themselves as representing some company with whom you are familiar (your bank, credit card company, doctor's office, etc.), hang up and call that company directly. If the email looks legitimate and displays the logo and other identifying information of some company with whom you are familiar, don't respond. Instead, compose a new email addressed to the actual email address of that company. Or, better yet, call them directly.

Crooks only need your full legal name, address, date of birth and Social Security Number to steal your identity. The first two are public record. Your date of birth may also be easily obtained from your Facebook profile or other social media sites. But your Social Security Number is a little bit harder to obtain. It is the key to your identity, so much so that even Medicare is issuing all new identification cards that will display an identification number that has nothing to do with your Social Security Number. Doctor's offices are the worst! Ask your doctor's office to delete your Social Security Number from their files and to organize your records in their system using some other internally-generated identifier.



Writing paper checks is also a way that you can get into trouble. Avoid them if at all possible. For as little as \$30 anyone can buy a software program that allows bank checks to be printed from their own computer. When you write a paper check, the crook will have your name, address, your bank's routing number and your checking account number. Although fake checks are often caught by your bank before being processed, some will inevitably slip through. Your account could be drained! At the very least, do not have your full name printed on your checks. Take my own checks, for example. Although I sign my checks with "Ronald S. Colson," the name that I have listed at the top of my

checks is “R. C.” If a crook gets hold of one of mine, they won’t know whether to sign as “Ricky Carter” or “Randy Case” or “Robin Culpepper” or whatever.



If you suspect that your identity has been compromised, call us. We will help you to navigate the tangled web to regain your privacy.



## 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 4.36%	12 Months Ago 4.05%	Current 3.79%	12 Months Ago 3.23%

- 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%<sup>+</sup> 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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