

STRATEGIC PORTFOLIO BALANCEsm

Issue 71

Investment Discipline

2018.01.16

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

BellinghamFinancialPlanners.com

Ronald Scott Colson, CFP[®], MBA, President

Colson Financial Group, Inc., Registered Investment Advisor

31 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*
- *Investment emphasis on solar, wind, clean water, etc.; and,*
- *Fiduciary services (keeping your best interests foremost).*

4740 Austin Court, Bellingham WA 98229-2659

Office Telephone: 303.986.9977

Web Site: <http://www.ColsonFinancial.com/>

eMail: Ronald@ColsonFinancial.com

IN THIS ISSUE

PAGE

It's Mueller Time	(The political train wreck keeps getting worse!)	1
New Securities	(Out with the offenders, in with the contenders.)	4
Bitcoin	(Cryptocurrencies gain popularity.)	8
Credit Bureau Information	(Freeze credit report, avoid I.D. theft.)	13
Retirement Funding Sources	(Where to take current withdrawals.)	14
Current Mortgage Rates	(US national averages.)	15
Web Links	(Check advisor's web site for updates.)	15
Planning and Investment Advisory Services	(What we do.)	16
The Fine Print	(To satisfy the lawyers.)	16

It's Mueller Time

The performance of our portfolios has been stellar! Every month seems stronger than the last one. Supporters of the orange man in the White House love to point to that tangential statistic while claiming that it is all thanks to the business acumen of their reality-show cult leader. When asked specifically what 45 has done to accomplish this, none of his supporters can give any reason other than some vague references to "negotiating good deals" and "elimination of burdensome regulations." When I have tracked his actual schedule, all I see is golf! If that's all it takes, maybe we should have elected Tiger Woods instead. He plays a far better game of golf and he can't keep his pants zipped up, either!



The reality is that the world's economy is leaving the U.S. behind. Forty years ago, most major corporations were at least domiciled in the U.S. and many of those corporations had few, if any, business operations outside of our borders. However, most major corporations today are domiciled in offshore tax havens while deriving the largest portion of their income from foreign operations. Nimble international corporations have the ability to electronically move capital in the blink of an eye to wherever it will produce the highest returns on investment. The ongoing appreciation of stock prices continues because of improvements in the international bottom lines of corporations.

Medieval conservatives



Merritt Burton @chaotichamster

And it is that last fact that renders Trump's impact on the value of our stocks irrelevant. His biggest contribution to the U.S. economy thus far has been to empower multi-national corporations to offshore their operations as well as their investment capital. (Bye-bye jobs!) So there really isn't any quantifiable reason to try to shelter the stock portions of our portfolios from the current fleeing of the U.S. Treasury. The only hedging that has been prudent pertains to U.S. government bonds, an asset class that will be hurt due to excessive domestic debt and sharply rising interest rates. Both of those macroeconomic trends will inevitably be the result of the biggest political con job in my lifetime!



I do not provide income tax advice. You should always consult your CPA for such advice. With that being said, your best strategy for capitalizing on our brand new income tax plan is to be filthy rich! The next best strategy is to run your gross income through a “pass through” entity, such as an S-Corp, LLC, etc.

I'll use my own business as an example. Colson Financial Group, Inc. is a domestic S-Corp. Up until this year, I have had to pay myself a salary that is high enough to be deemed “reasonable” by the IRS. My salary is subject to FICA tax at 15.2%. (The IRS wouldn't allow me to salary myself \$1.00 per year just to avoid paying FICA tax.) My salary is also subject to my highest marginal personal income tax rate at 39.6%. All other corporate income above and beyond my salary “passed through” to me without being subject to FICA tax but it was still subject to my highest marginal income tax rate.

But thanks to the new tax plan, I no longer have to salary myself a reasonable amount that will be subject to both FICA tax and income tax. I can now “pass

through” virtually all of my gross income without paying FICA tax while subjecting my income to zero corporate tax and a 21% personal income tax. So, my income tax bracket just dropped from 54.8% to 21%! I cringe to admit that I’ll be making out like a bandit!

But how about the working Joe or the retired Jane? They will get a few additional bucks thrown at them for a couple of years followed by dramatically increasing taxes in 3+ years. Couple those future tax increases to a vanishing cost of living adjustment to Social Security Retirement Income as well as increasing premiums and higher copays for Medicare and it becomes painfully obvious that America’s Middle Class is in big, big trouble! Yuge trouble!



So, at this point, we need two things to happen if the U.S. is to return to our former greatness as the foremost economic powerhouse of the world. First, we need Mueller’s thorough investigation to result in numerous criminal indictments. Second, we need a Blue Wave to sweep the country during the 2018 mid-term elections. Here’s hoping that America is finally “woke!”

New Securities

January is when Colson Financial Group, Inc. (the “Advisor”) conducts our full review of all model portfolios as well as the securities purchased to fund them. This year the Advisor has jettisoned four securities that no longer meet our investment criteria. They have been replaced with four new securities that are much better aligned with our investment strategies.

Gone is “VEGI – iShares MSCI Global Agriculture Producers ETF.” Their total investment in Monsanto had risen above acceptable levels. Further, they

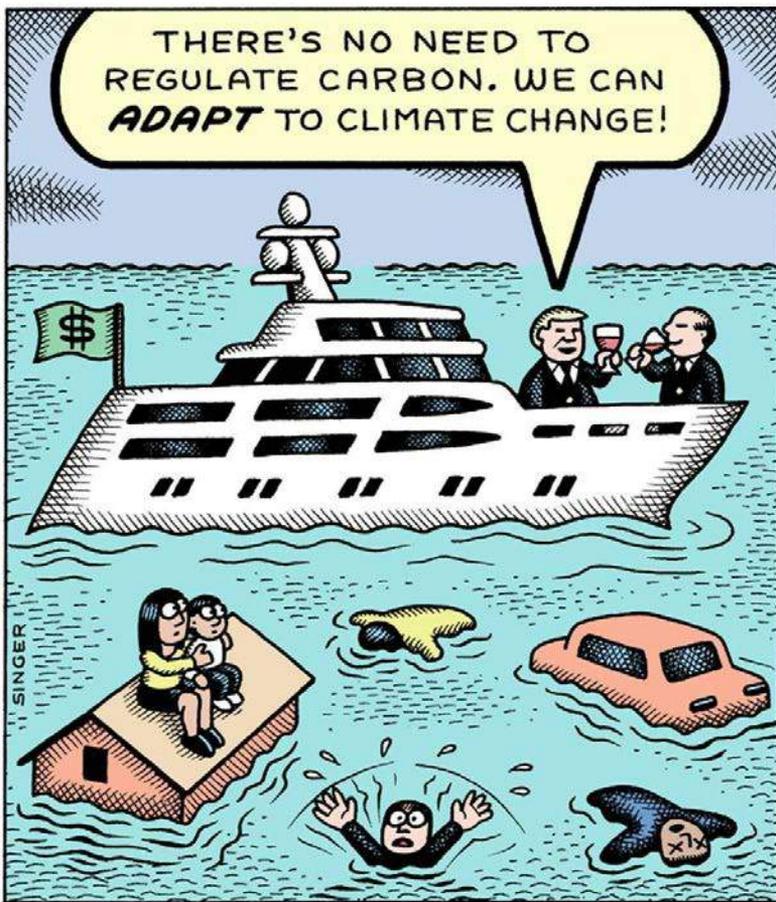
recently added two positions in palm oil producers. This security has been replaced by “FHLC – Fidelity MSCI Health Care Index.” The delivery of health care is a global growth industry with very favorable current and future profit potential.



Gone is “FEMS – First Trust Emerging Markets Small Cap AlphaDEX.” Their portfolio has been adding investments in petrochemical companies that are located in third world countries with few environmental regulations. (Toss that thing onto the scrap heap!) It has been replaced by “EMQQ – Emerging Markets Internet & eCommerce ETF.” The use of and reliance upon internet connectivity for commerce is exploding in third world countries. Early investors stand to profit handsomely for many years to come.

Gone is “WBII – WBI Tactical Income Shares.” This security served us well with a diverse and balanced portfolio of both debt and equity securities. But sometime during Q4 2017 they went from having a 0% position in oil and gas to almost a 75% position in oil and gas. The Advisor believes that this was done to capitalize on the recent increase in the price of crude oil. However, oil and gas is absolutely unacceptable within our portfolios. Further, such a concentrated position in any industry is completely contrary to the tenets of prudent

diversification. It has been replaced with “XLP – Consumer Staples Select Sector SPDR.” New household formation is increasing throughout the world. (Not so much in the U.S.) The global economy continues to improve and more people are buying bedsheets, curtains, toilet paper, etc., a trend that will almost certainly continue for at least three to five years into the future, if not much, much longer.



F

forbes.com/cartoons

“LWC – SPDR Portfolio Long Term Corporate Bond” has been pursuing a lengthening of bond durations, exactly opposite to the strategy that should be being pursued in advance of what the Advisor believes will be an inevitable rise in interest rates. Further, in an attempt to increase returns, their bonds’ relative quality has been decreasing. Many of those bonds have drifted into “junk”

status. When both of those style drifts coincide and are coupled with a sharp upward spike in interest rates, investors could be hit with a “double-whammy.” To hopefully avoid that risk, this security has been replaced with “VWOV – Vanguard Emerging Markets Government Bond Index.” Durations in this security are shortening, quality is increasing and foreign inflationary prospects remain relatively benign.



An explanation of another overarching reason for executing all of the above-listed changes is as follows. Due to the most recent “income tax cut” the U.S. taxpayer is being forced to walk out on a gangplank that is being sawed off behind us! Unfortunately, shark infested waters await our “swim!” This is a very foolish move by myopic politicians, one that appears to have been driven by their illogical “Tea Party” ideology. It also appears to have been motivated, at least in part, by their obligation to reward large corporate campaign donors.

This ill-advised tax cut can only result in much higher inflation. While the rest of the world will be financing their critical infrastructure at very low interest rates, U.S. taxpayers will be paying through the nose to finance our own government services, infrastructure and the “yuge” interest payments that will result. America is taking on \$1.2 trillion of new debt just to fund tax cuts for corporations and a handful of ultra-wealthy oligarchs! Paying the interest on that debt will gobble up most of the tax revenue that ordinarily would have been used to build and maintain critical domestic infrastructure. We’re toast!

“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

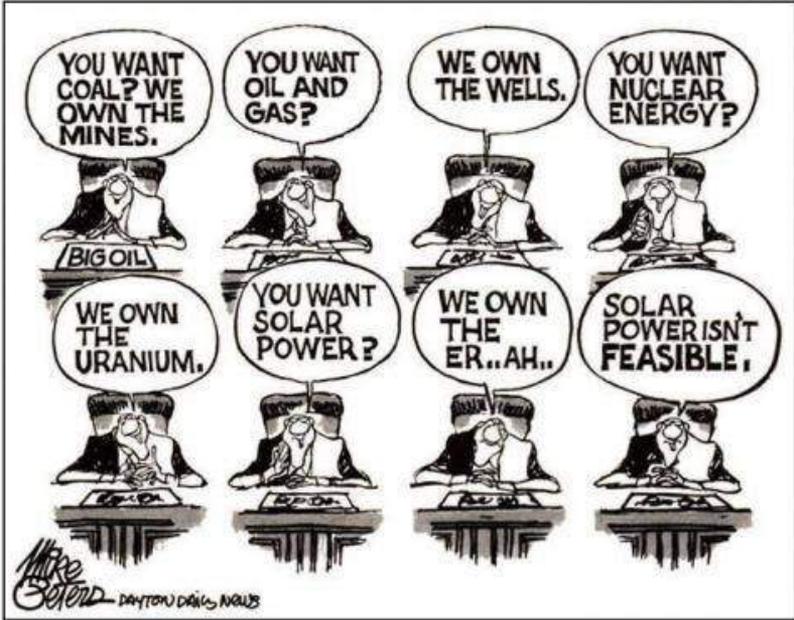
©2015 Santa Pegatina

After all is said and done, the Advisor believes that our readjusted portfolios are now better positioned to capitalize on future opportunities while hopefully avoiding potential pitfalls. Of course, no one has a crystal ball. The future is never certain. But the Advisor believes that our portfolios should be able to rise above much of the damage yet to be caused by “Trumponomics.” Meanwhile, the Advisor will continue to employ a global perspective driven by the rest of the world’s embrace of 21st Century technology.

Bitcoin

We accept that all sovereign currencies are a fiat, devoid of any intrinsic value. We use them as a way to exchange our labors for the labors of others without

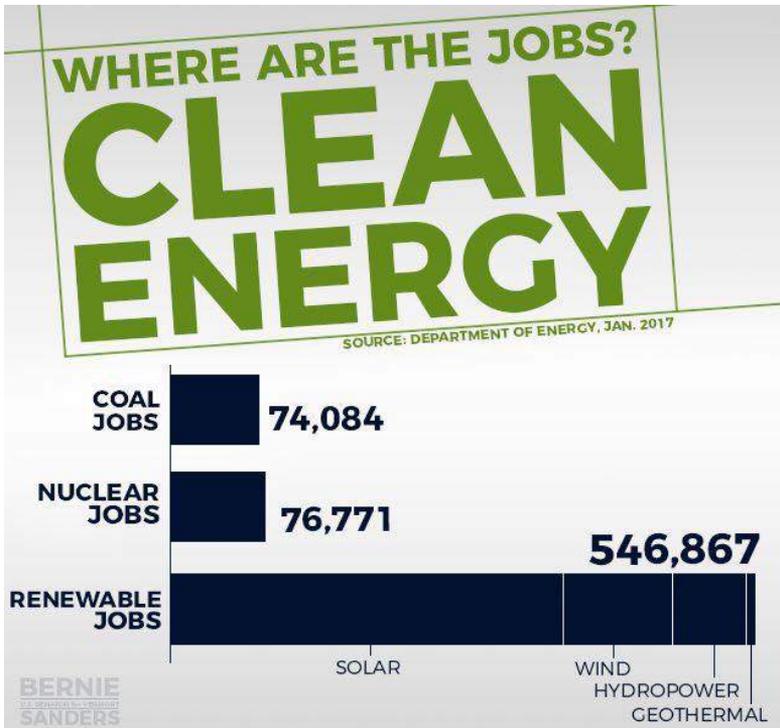
having to resort to bartering. Sovereign currencies are backed by the full faith and credit of the issuing country. Each sovereign currency relies on the power of the issuing country to tax their citizens so that any government bonds issued will have a future funding source for repayment.



There have been several attempts in history to imbue sovereign currencies with intrinsic value, usually relying on commodities such as gold or silver. All attempts have been catastrophic failures! This was because, once the gold was fully pledged, no additional currency could be printed. Without a new supply of gold that would allow the issuance of additional currency, commerce ground to a halt because the medium of exchange devolved into something along the lines of “fifty goats in trade for a train car load of lumber!” Those impracticalities of exchange in the absence of currency have always resulted in such severe deflation that no one could do business. Even when those few attempts at commodity-backed currencies were temporarily working reasonably well, the volatility in the price of the underlying commodity has acted to entirely undermine the currency’s value. Basically, no country has tried to resurrect that failed experiment. The few political ideologues who call for a return to a commodity-based currency are hopelessly deluded by the fanciful Libertarian novels that were written by Ayn Rand, a lady who died penniless while receiving welfare! (Didn’t work very well for her, either!)

The flip side is when too much sovereign currency is printed. Too much currency triggers nasty inflation that also grinds commerce to a halt. So, the

Federal Reserve must maintain a rather delicate balancing act between not enough currency in the system and too much currency. Of course, the sovereign currency must always be backed by the full faith and credit of the taxing authority issuing the currency.



So now we have Bitcoin and several other “cryptocurrencies” being exchanged without the benefit of being backed by any taxing authority. Promoters insist that the computer algorithm called “blockchain” is all that is necessary to imbue value to these cryptocurrencies. Hahahaha! Sounds a lot like Pokemon Trading Cards! I shouldn’t have to remind anyone that, after the popularity of Pokemon subsided, the trading cards wound up in the trash!

Yet even the exchanges are now recognizing Bitcoin. The trading of futures in the cryptocurrency began on December 10th on the CBOE Options Exchange followed shortly thereafter by the CME Group, Inc., the world’s largest exchange owner. Hours before trading of Bitcoin debuted, the cryptocurrency enjoyed a 26% rally. However, shortly after the actual opening, it fell 93%! Its volatility has been spectacular ever since.

Jay Clayton, Chairman of the Securities Exchange Commission, has said that his office is keeping a close watch on cryptocurrencies. But the problem is that cryptocurrencies are not considered “securities.” Therefore, the SEC has

absolutely zero regulatory authority over them! No regulator does. That is why drug cartels are embracing cryptocurrencies as an anonymous and unregulated way to launder money. At this point, cryptocurrencies are literally the “Wild, Wild West” of investment products and appear ripe for fraud.



If you fancy buying cryptocurrencies, please only do so with money you could afford to drop in the toilet, flush and enjoy watching it swirl! I would never invest in these currencies! You shouldn't either.

In closing, I would like to point out that the character of a person has very little to do with what they say. Their character is best reflected by what they do!

Just a few of Trump's Failures, Bankruptcies, Frauds & Scams

The Trump Network - MLM Scam
Trump University - Fraud
Trump Tampa - Failure & Fraud
Trump Soho - Bankrupt & death of worker
Trump Golf Aberdeen - Job promise scam
Vera Coking - attempted to take her home
Molly Forbes - attempt to take her home
Trump Golf Puerto Rico - Bankrupt
Trump Chicago - default on 40 mil loan payment
Trump Panama - lawsuit for management corruption
Trump Baja Mexico - Fraud & Failure
Trump Fort Lauderdale - Scam & failure
Trump Vodka - business failure
Trump Steaks - business failure
Trump Shuttle - loan default biz failure
Trump Air & Trump Pak - business failure
Trump Taj Mahal - bankrupt four times
Trump Marina/Trump Castle - bankrupt
Trump Plaza - bankrupt
Trump Indiana Riverboat Casino - bankrupt
Trump IPO - ticker DJT - DJTCQ - TRMP - TER - Fail
Trump Atlanta - failure
Trump Charlotte - failure
Trump Jupiter - lawsuit
Trump Waikiki Hotel - scam lawsuit

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

Experian, PO Box 9532, Allen, TX 75013. 888.397.3742.
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

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

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 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
3.96%	3.83%	3.30%	3.16%

- 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.

THE FINE PRINT: Subscriptions to this newsletter are available for \$120.00 (US funds) per year. This newsletter does not accept advertising. No compensation of any kind is accepted from any source for the topics that are presented. Although all information is obtained from sources deemed to be reliable, there are no guarantees as to the accuracy. The opinions expressed by the author are not guaranteed. You are strongly urged to consult Colson Financial Group, Inc. prior to your implementation of any of the strategies or recommendations that are presented. Always consult a CPA for income tax advice. Always consult an attorney for legal advice. There are no guarantees, either expressed or implied, as to the performance of any investments or strategies presented. All investments involve risk. Capital losses can and do occur. Read a current prospectus for each investment before investing money. The Advisor is directly registered with the divisions of securities in the states of Colorado, Oregon, Texas and Washington. The Advisor also does business in numerous other states where registration is not required. You may find more information by referring to Firm IARD/CRD number 109704 at the following link:

http://www.advisorinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx

Ronald Scott Colson, CFP®, MBA, President, is registered as an Investment Advisor Representative. (Refer to IARD/CRD U-4 number 1715364.) Ronald Scott Colson, CFP®, MBA, President maintains CFP® license number 046350 that was issued 1993.03.15 by the Certified Financial Planner Board of Standards. For complete details about all services and fees, please refer to the Advisor’s “SEC Form ADV Part 2A” and other disclosures available on the Advisor’s web site:

<http://www.ColsonFinancial.com>