STRATEGIC PORTFOLIO BALANCE[sm]

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

BellinghamFinancialPlanners.com

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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).*

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Shell-Shocked!

If you support the current administration in D.C., you will not like this first article. The subject is very political and includes some "colorful metaphors." But you can always skip ahead to relatively non-political topics. Basically, I am shell-shocked by what is going on and I feel the need to vent my frustrations. So, if you can tolerate my vitriol, read on.

We are well into the second year of the most scandal-ridden Presidency in my lifetime, maybe in history! Even the Teapot Dome scandal of the Warren G. Harding administration seems like amateur hour by comparison to what we are suffering through right now. But I suspect that this is "business as usual" for

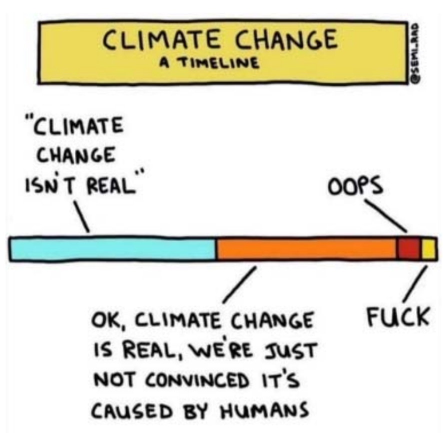
the Trump Crime Family. We can only hope that the Mueller Investigation will uncover the criminal activities that swept this liar and his cabal of crooks into office.

But I doubt it will make much of a difference to uncover the facts. Republicans who control the Senate and many in the House are not only accepting of Trump, I suspect that many are complicit. Their hands are just as deep in the cookie jar. (Trump's tiny little hands leave plenty of room in the cookie jar for other greedy grabbers!) The Republicans and the fossil fuel industry are in the process of literally looting the U.S. Treasury as fast as they can, probably aware that Progressives will eventually retake the reins of power when we will reverse most of their self-aggrandizing legislation. Unfortunately, the damage that they are doing will haunt us for years, possibly decades!

Recently I spoke at the Bellingham City Council meeting in favor of Initiative 1631, Washington State legislation that we hoped would have been the first fee on carbon polluters in the nation. Money raised would have been used to incentivize property owners to install solar, upgrade inefficient furnaces, replace leaky windows, add insulation, modernize our electrical grid, and finish closing the last coal-fired power plant operated by our local power company. After that plant closing in 2025, our electrical grid will be powered entirely by a combination of hydroelectric, wind turbines and solar arrays.

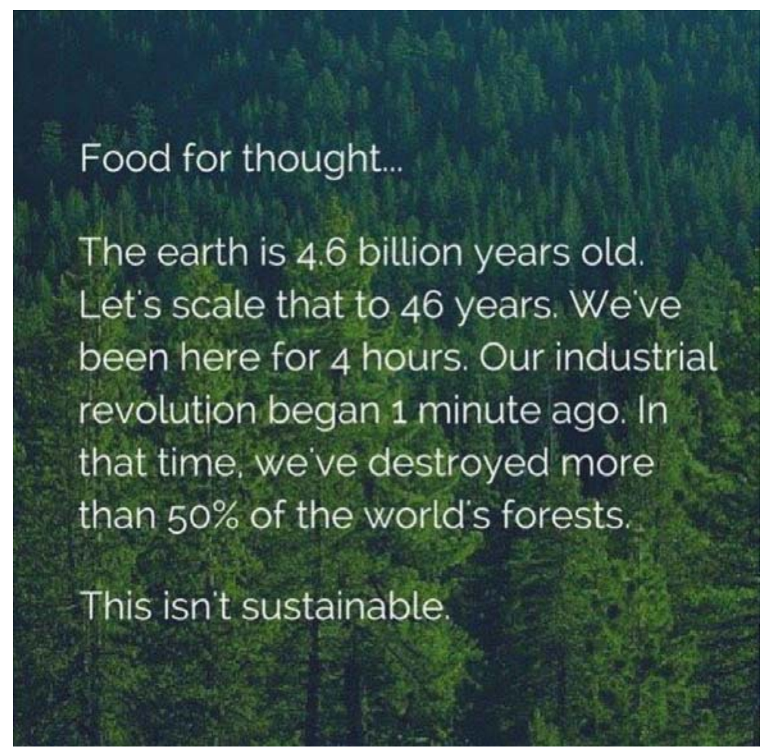
All in all, my presentation to the Bellingham City Council was well received. However, tens of millions of dollars were spent by the fossil fuel industry to defeat the legislation. They succeeded!

But I guess my biggest disappointment is the realization that so many of my fellow Americans are in full support of xenophobia and white nationalism while claiming that anthropogenic climate disruption is a hoax! The redneck rally that was held in front of City Hall the night before the start of the City Council meeting was replete with Confederate flags, MAGA hats and monster trucks. While making my way through the gauntlet, I was called a "Libtard," a "Democrap," and several other names that I will not honor by listing them here in my newsletter.



The heck of it all is that what I-1631 would have cost would have been to add maybe an extra $100 per year to a family's fuel costs. You would think that anybody who can afford an $80,000 monster truck could also afford to pay an extra hundred bucks. But this fight wasn't about $100. It was about the ideological furor that was whipped up by the more than $28 million (yes that's "million") spent by oil companies to defeat this legislation. What's a few million to companies that make hundreds of billions of dollars each year? Pocket change!

My presentation to the Bellingham City Council contributed to their passing a resolution to endorse I-1631. But a majority of voters in Washington State chose to stop the initiative. Keep in mind that Bellingham is a very progressive city. If the same vote had been taken by the Whatcom County Council instead of the Bellingham City Council, the results could have been very different due to the influence of right-wing rural voters. I suspect that this stark division between urban and rural voters will continue well into the future, at least until Midwesterners have their homes and businesses destroyed by violent storms regardless of how much they pray for divine intervention. When they finally realize that this is a problem created by humans that can only be solved by humans, I hope we have enough time to switch to renewable energy sources.

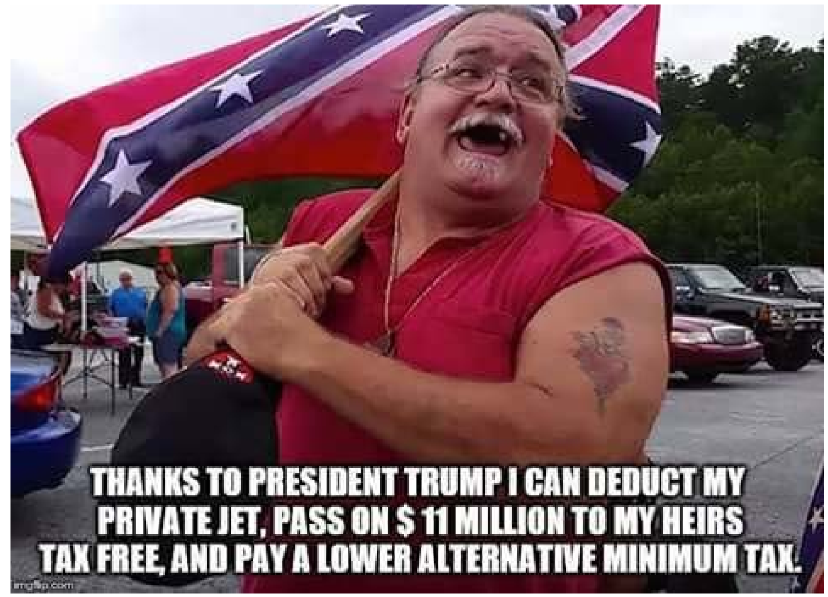


Our next door neighbor, British Columbia, passed similar legislation in 2008. Since then BC's fossil fuel consumption has fallen by almost 18% while they have enjoyed significantly higher economic performance than every other Canadian province every year since that carbon fee legislation was enacted. So it isn't like Washington State was trying to reinvent the wheel. In fact, Oregon and California are considering similar legislation. It's no surprise that many residents of Cascadia (west of the Sierra Mountains and the Cascade Mountains in CA, OR, WA and BC) have expressed the desire to secede after Trump was elected so that we could form our own sovereign nation! What a pipe dream! I wonder if the fact that pot is now legal throughout Cascadia contributes to our sense of Progressive independence or if legalization was just one of the results of our Left Coast ideology?

But we are stuck with this train-wreck President, at least for now. So rather than whining about the current State of the Union, I will vote like my life depends upon it. That may not be an exaggeration!

Market Volatility Increases

What a ride! But the current volatility has precedents. This isn't unique in history and previous drops of this type have most often been followed by equally dramatic rallies. Anyone choosing to sit on the sidelines by liquidating the securities in their accounts will certainly miss the inevitable recovery. We just don't know when that recovery might happen: Next week, next month, next year, ..., but it will recover!



I'd like to remind my readers that there are basically two drivers of the market: Reasonably predictable long-term fundamental drivers and mostly unpredictable short-term emotional drivers. The underlying fundamental drivers of this market are still strong. The recent price weakness is specifically due to emotional drivers, not fundamental ones. The stoking of those fearful emotions can be laid at the feet of Trump. Best case scenario? Trump resigns and the market rallies. Worst case? Trump keeps dragging us through the mud, even into the next Presidential election season.

But I suspect that legal pressure on Trump's private businesses coupled with an increasingly less cooperative Republican Senate, formal investigations by a Democratic House and a shrinking base of public support will result in Trump's withdrawal from public appearances. After having his autocratic pronouncements slapped down a few more times by Congress, probably he will no longer participate in running the country, preferring instead to withdraw to Mar-a-Lago to play golf.

I am reasonably sure that it will become clear to everyone that he cannot win the nomination for the next Presidential race. That realization could be the catalyst for a strong market rally. I suspect that will happen within the next 12 months. (Unfortunately, my own "crystal ball" didn't warn me that Trump was going to win the Presidency in the first place! So my forecasts should be viewed with some skepticism.)

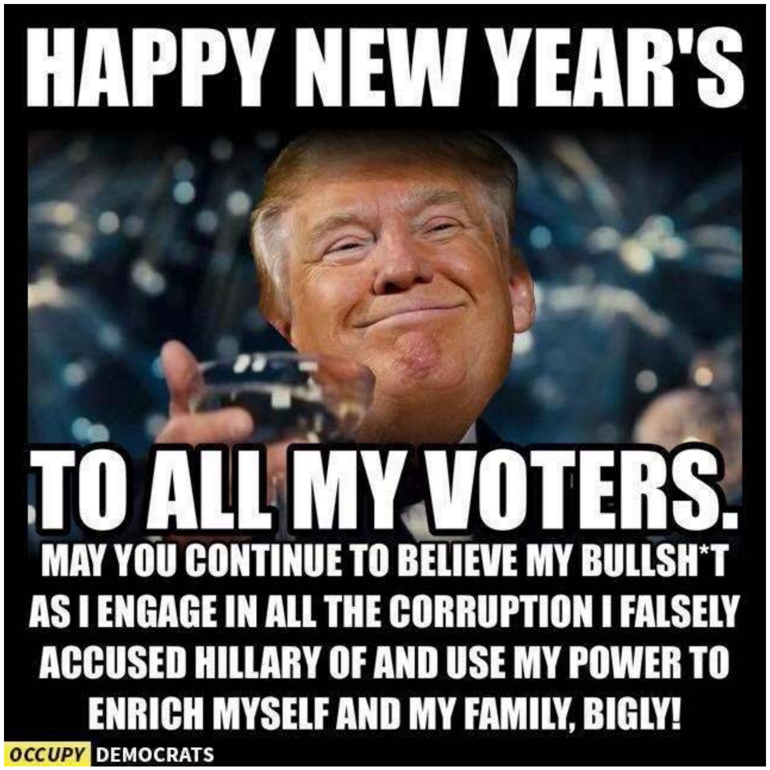
My advice is to view this unpleasant investment period as a good example of why holding a year's worth of bills in the bank during retirement is a prudent strategy. I am alerting my currently retired clients via this newsletter to stop liquidating securities to create their income. They should shift to use their cash instead. (For those who do not currently have the suggested cash from which to draw, your portfolios have been designed to at least soften the blow by including securities that typically do not participate in a general market drop.) When (not if) the markets recover, retired clients can once again start deriving income from the liquidation of securities in their accounts as well as replenishing their cash for the next time when (not if) the market swoons.

For those who are still working, the opportunities for making additional investments practically jump off of the page. There are many quality companies right now whose stock prices are significantly below their fair market values (FMV). Additional cash invested now should provide handsome returns and, in the future, will be viewed as having been very "smart money!"

So my advice is to hang in there. Enjoy the show! Future students of history will find this period fascinating! But as unsettling as everything seems to be right now, this too shall pass.

Investment managers like predictability. We like to run our calculations and project mathematical probabilities. Previously unforeseen data inputs cause us to recalculate those probabilities when they arise. The entire process is rather mundane and methodical. (I suspect that most people would view the process as a cure for insomnia!)

But we have been unwillingly thrust into uncharted territory since the last Presidential election. Many of the traditional mathematical algorithms typically used for investment analysis provide somewhat dubious results. Throw in the tariff wildcard, the rising Fed Funds rate and the looming government shutdown and things become as clear as mud! The entire process has become based as much on guesswork as on the laws of mathematical probability.



But an interesting shift is occurring. It used to be that domestic U.S. stock markets provided most of the reliable analytical data while foreign markets were more of a crap shoot. But those roles are reversing. Many domestic corporations are shifting more and more of their operations overseas. This trend has allowed analysts to substitute foreign data for previously reliable domestic data. Running the numbers is more complicated, however, because there are many foreign markets and they are much smaller than domestic ones. So calculations must include an analysis of each individual foreign market and a subsequent calculation of the blended composite of all of them. (As if I didn't already have enough to do!)

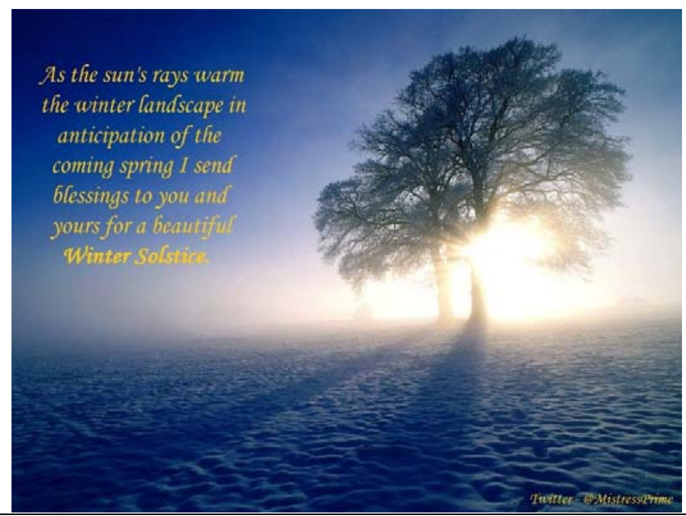
After these new variables are accounted for, an interesting phenomenon can be seen: When taken as a whole, foreign markets have become much more predictable while domestic markets have become less so. Also, because so many previously domestic corporations are now domiciled overseas, the beta (risk) of foreign markets has dropped. It is a little bit like a grand role reversal.

But the bottom line is that investing is still the best way to beat inflation and the bank. It's just that we must now account for more volatility and variations between the stock exchanges in different countries. No problem, though. We can adapt by slightly extending our investment horizons and by keeping more cash reserves in the bank to provide income through times of increased volatility. Simple! (Well, maybe not "simple." But very achievable.)

Holiday Greetings

It is important to celebrate the season and to not be bogged down by the wild fluctuations in the markets. Markets will rise and they will fall. But they have always risen more than they have fallen over every rolling 10-year period. No matter which way they go over the next few months, we must remember that our families and friends are the most important things in our lives, not money. You should pay attention to your family while I pay attention to our money!

So I am wishing you and yours the happiest of holidays. Tis the season to gather together, be thankful for all that we do have and not fret about what we don't. My life is so much richer to be able to consider all of you as family, as dear friends not just clients.

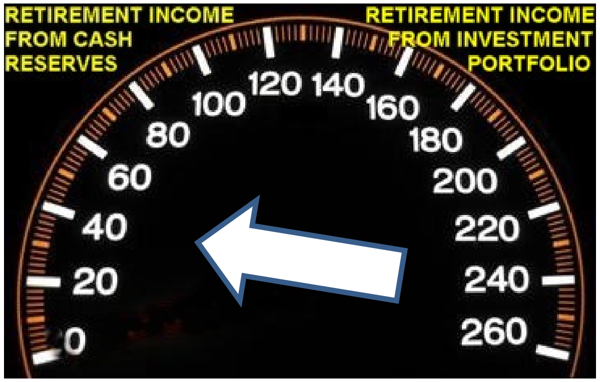


Retirement Funding Sources

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[sm] (SWM[sm]) 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	
Current 4.61%	12 Months Ago 3.87%

15 Year Fixed Rate Conventional/Conforming, 30-Day Lock	
Current 3.78%	12 Months Ago 3.22%

- 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.