

The Loop

An Insight Financial Advisor Newsletter

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In this issue...

Envy is the Thief of Happiness

It is no secret that in our office we believe you receive the best possible outcome in investing if you use a diversified portfolio with a long-term timeframe. But if this is the “best” way to invest, why does it sometimes feel like you’re not getting the best result?

... Continue reading on page 2



You’re not required to set yourself on fire ...

Who will end up with the bigger financial emergency on their hands, your family member or you?



(Spoiler: It’s you. I’m so sorry, but it’s you.)

...continue reading on page 4

What to Expect When You’re Expecting... Money

To help you understand exactly what to expect when you request money, I thought I would review the process.

...continue reading on page 7



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Envy is the Thief of Happiness

Written by: Heather Calmes (252921)

It is no secret that in our office we believe you receive the best possible outcome in investing if you use a diversified portfolio with a long term timeframe. But if this is the “best” way to invest, why does it sometimes feel like you’re not getting the best result?

Because envy is the thief of happiness



The idea behind a diversified portfolio is that you spread your money between several types of investments. The goal is to have a built in safety net – the theory is when one investment struggles the other investments which are not struggling can keep you from crashing to the ground.

This means, hypothetically, when “the market” is down by 37% your portfolio will only be down by 20% (like in 2008). Great right! YAY!!! But there’s a tradeoff...

You won’t get killed, but you won’t make a killing

On the flip side you will likely see “the market” outperform your portfolio when times are good. For example, between 2009 and 2017 “the market” was up by 258% while a sample diversified portfolio was up by 152%.

So, why on Earth would you accept that level of “under performance”?

Why are you ONLY getting 4% returns when “everybody else” is getting 7% returns?

So you don’t get killed

If you were invested solely in tech start-ups in 2000 you had a bad time. If you were invested solely in real estate in 2008 you had a bad time. If you’re invested solely in high-rise real estate when Godzilla hits you’re going to have a bad time!



(You never know, it could happen.)

The Loop

What many people don't realize when they are "in their feelings" is a diversified portfolio, over the long term, can outperform "the market" despite not hitting the same highs as "the market". In fact it has outperformed since 2000.

The folks at BlackRock Investments have done some good research. Let's compare the returns for each time period and how those returns might make an investor FEEL...

Years	S&P 500 Index	Diversified portfolio	Feeling
2000-2002	-37.6%	-13.3%	"I lost money"
2003-2007	+82.9%	+57.8%	"I didn't make as much"
2008	-37.0%	-20.1%	"I lost money"
2009-2017	+258.8%	+152.1%	"I didn't make as much"



Now that's what I call an emotional rollercoaster! No matter what happens it seems like you're losing compared to "the market"... or worse, *other investors*. 😱

NOW let's look at the big picture, the long term, the total return from 2000 - 2017...

Years	S&P 500 Index	Diversified portfolio	Feeling
Total Return	+157.9%	+175.5%	"Diversification wins even when it feels like it's losing"
Growth of \$100,000	\$257,880	\$275,535	

As you can see, once we broaden our view a bit the diversified portfolio outperformed “the market” by 17%. So despite all the feelings of envy the diversified investor might have had while watching “the market” hit its highs, they actually ended up making more money. (And let’s not forget they didn’t have to suffer as much during the market lows.)

At the end of the day it is important to remember that investing is not a game; it’s not about beating “the market” or Scott

from accounting. By the way, Scott is NOT getting the 30% returns he’s bragging about on the golf course. And even if he is – good for him; who cares? You’re not competing with Scott. So sit back and enjoy the smooth(er than “the market”) ride.

You will “win” simply by having enough money to live your best life in retirement.

This article was written by
Heather N Calmes
Marketing Director



Insight Financial Advisors source: BlackRock “Diversification can feel disappointing”. Blackrock research source: Morningstar as of 12/31/17. Past performance does not guarantee or indicate future results. Diversification does not guarantee a profit or protect against a loss in a declining market. Diversified Portfolio is represented by 60% S&P 500 Index and 40% in the Bloomberg Barclays U.S. Aggregate Bond Index. Index performance is for illustrative purposes only. You can not invest directly in the index.

You’re not required to set yourself on fire to keep others warm

Written by: Heather Calmes (252673)

There’s a well-known talking head on TV that likes to say something like, “Family first, then money, then stuff,” which is sound advice. But what if a family member asks you for money? Some think you should help them, because they’re family... and, you know, they’re first. But what if you need that money to take care of yourself!

Perhaps the saying should go...

YOU FIRST
THEN FAMILY
THEN MONEY
THEN STUFF

But it doesn’t have the same ring to it, does it?

We see clients helping their family members out from time to time, and generally it is a wonderful thing. How great that some of our clients are able to gift excess money to their loved ones. However, the coin has two sides.

What happens when the gifts are not coming from excess funds? What happens if the family member you love so much is taking advantage of your generosity?

*What if you are setting
yourself on fire to keep
others warm?*

It can be very easy to agree to gift money when you look into your account and see \$300,000 or \$500,000 or whatever the amount is sitting there, waiting, seemingly doing nothing. However that money needs to last you – it's literally your LIFE SAVINGS!

So I'll tell you what, decide when you're going to die, we'll do the math and let you know if you can afford to give your grandchild, James, \$60,000 to pay off his credit card debt even though he isn't working.

(Side note: James needs to get it together!)



Just to help illustrate the point, here is a little basic (and not to be relied upon for actual planning purposes) math.

If you are 70 now, and the average life expectancy is 82, it means you likely have 12 years of spending ahead of you. If you have \$300,000 in your IRA account(s)...

$$\text{\$300,000} \div \text{12 years} =$$

\\$25,000/year

When we include hypothetical taxes and investment returns into our calculation we end up with

\\$23,700/year

What if life surprises you and you live until age 90, with 20 years of spending ahead of you?

\\$16,850/year

BEST case scenario you have \$25,000 to spend per year, so ...

... Can you really afford to give James a gift of \$60,000?

... Can you help your niece with her rent to the tune of \$20,000 a year?

Who will end up with the bigger financial emergency on their hands, your family member or you?

(Hint: It's you. I'm so sorry, but it's you.)

When it comes to calculating how much money you will need to be secure do you want to err on the side of caution, or hope for good returns? I vote erring on the side of caution, but I'm also not a CFP® so ask your Financial Planner what they think.

I'm just here to help you with one thing – saying no.

Go ahead, say it out loud – **NO**

Let's practice this – ***"I'm not loaning you the money. Can I help you in any other way?"***

And now this – ***"I can't set myself on fire to keep you warm."***

And finally – **NO!**

(That was a bit rude, but hopefully you get my point.)

What to Expect When You're Expecting... Money

Requesting Distributions from your Investment Account

Written by: Heather Calmes (253009)

Requesting money from your investment account is a fairly simple process; however, there is a lot that goes into getting you your money quickly and securely.

To help you understand exactly what to expect when you request money, I thought I would review the process. So, without further ado, here's what to expect when you're expecting... money.

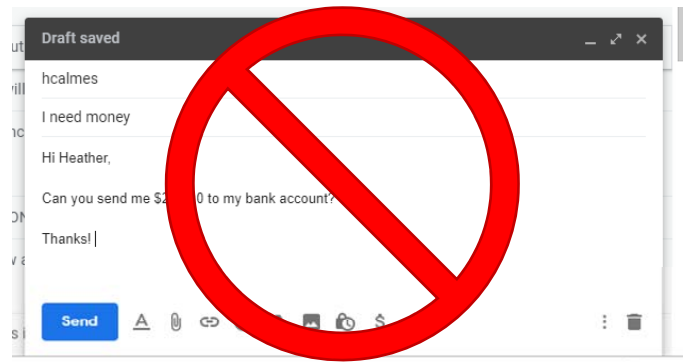
Making your request



In order to request money from your investment account you should call our office! We will need either verbal contact or a verifiable signature in order to consider your request "active". It is important that you speak with either Wanda Delgado or

John Calmes of our office as they are Certified Financial Planners (CFP®) and are licensed to take your request. (Despite Terèse Chanel and my desire to be helpful, we simply do not have enough acronyms after our names to help in this case.)

Text message, email, and voicemail distribution requests will not be acted upon for your protection.



It is also important to remember to clearly ask Wanda or John to send you money. Simply discussing an upcoming home repair, the RMD for the year, or the possibility of wanting to take some money isn't enough. Whenever there is ambiguity we will err on the side of caution and confirm your explicit instruction.

Verifying your information



Many clients have linked their investment accounts with their bank accounts via an ACH link and standing tax withholding instructions. If you have an ACH link and tax instructions on file, we are able to process your request completely electronically!

When you call to make your request, we will ask you to verbally verify your bank account information to ensure nothing has changed.

✓	BANK NAME:	Pretend Bank
✓	ACCOUNT #:	XXXXXX1234

If you have not set up an ACH link or standing tax instructions, or if the instructions on file need to be refreshed*, we will help you complete a form.

*Your standing ACH link and tax instructions will need to be “refreshed” with a newly signed form from time-to-time for your protection.

The time of day matters



Distribution requests need to be received – you speak with Wanda or John, or we see your signature – before 11:00 a.m. PT.

Why by 11:00 a.m. PT?

Both the New York Stock Exchange and the Nasdaq Stock Market normally close at 1:00 p.m. PT (4:00 p.m. ET). But just like at a restaurant, you can't walk in at closing time and expect a meal. People, both our office and the processors and the traders and... and... and..., have to work on your request before the market closes for the day.

So, for your request to be considered “active” it is important to make it before 11:00 a.m. PT. If you make your request after the cut off your request will go “active” the following day.

The Delivery



As I mentioned before, there are quite a few things that go on “behind the scenes” to ensure your distribution request is processed, and each of those steps takes time.

When you make your request by phone or when we receive your signed form, we will get the necessary trades placed to generate your distribution. Trades need up to 3 days to “settle” (complete). After the trades settle the cash must be made available, the request administered, and the delivery set up/check written. Each of these steps can take up to a half day to process. Finally the money is sent for delivery, which may take up to 10 business days for a mailed check or 2 business days for an ACH link.

Moral of the story is – it can take up to a week or more to receive your distribution. If the wrong box gets checked somewhere along the way, or a well-meaning processor

forgets to hit submit it can take up to two weeks.

If you are in a rush to receive your distribution it is important to let us know. What is a rush? You need to *spend* the money in less than 14 days. Not all rush requests can be accommodated – for example, if a trade needs three days to settle there is no way for us to speed it up; however, we always do our best to get you your money as soon as possible.

When to call

Mistakes, errors and miscommunications do happen, and it’s important to us that you call our office any time you have questions or concerns. A few key times you should give us a call are



- You sent/left a message, but have not received a call from Wanda or John.
- For ACH delivery – The money has not been received in more than 5 days.
- For mail delivery – The check has not been received in more than 10 days

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