Noland's Notes

A Publication of LBWM

Noland's Notes 2014 Re-cap / 2015 View

For those of you who are new clients, or those who are reading this note for the first time, I should explain. Each year I sit and write you a note. In it, I try to analyze the prior year in my own words so that you have an idea of what environment your accounts with me were active in. I also try to give you an idea of how I see the investment landscape as we enter the New Year. In our brief discussions throughout the year time does not permit me to extol all of my thoughts and analysis with you. My hope is that the 20 minutes or so it takes you to read it, my note helps you gain a better feel for how we here at Left Brain Wealth Management view the investment climate, and how we think about Investment Markets, in general ***Welcome aboard, or welcome back and I welcome your feedback!!!!***

Left Brain WEALTH MANAGEMENT

Actually, I should start this years' note with an explanation. Though I have written this annual note for many years, this is my first since the launch of Left Brain Wealth Management, LLC. I would like to thank all of our clients for your support, patience and most of all, for your business during our inaugural year. You will find the content, tone and reasoning familiar, but expanded. I apologize, in advance, for the increased length of this years' note. Now that we are truly independent, we've been "Set-Free". We have more ground to cover. My hope is that the increased length is accompanied by your increased enjoyment of the read. Before I forget, feel free to send our note to your inner circle of family, relatives or friends should you think it appropriate. Though we write this note for you, should you think of introducing us to your circle, this will be a good way for them to get a "feel" for our work. Let's get started:

Here are the official returns from 2014:

Dow Jones Ind. Average (U.S. Stocks)	+10.04%
S&P 500® (US. Stocks)	+13.7%
Russell 2000 (Small Companies)	+4.9%
MSCI EAFE® (Intl Stocks)	-4.5%
MSCI Emerging Markets	-3.4%
MSCI REIT (Real Estate)	+28%
Aggregate U.S. Bond Index	+6.0%
Gold	-.58%

(Source: J.P. Morgan Asset Management)

(For those of you wishing for the abridged version of this note, feel free to jump straight to the summary which starts on page 10. For everyone else, we have lots to discuss—it has been a whole year. So, let's jump right in!!!)

What Happened in 2014??

Though the headlines sounded the trumpets, it wasn't a great year for us active, growth managers. You'll notice the U.S. was once again the top performing developed market in the world. What's more, is it certainly felt a lot like 2011 all over again. What I mean is that the world went in search of safety and income wherever it may be. In a never before occurrence, interest rates fell around the world in unison. This drove most developed markets government bond prices skyward the world over. Some countries' bonds now sport negative interest rates!!! Long Term U.S. Government bonds turned in a record performance in 2014 (up over 30%!!). Lest you think that is a good thing, you should think again. Investors run to the safety of government bonds when they are fearful. Fearful of what you might ask? Well, for one there has been a pervasive fear of deflation, there has been a fear of declining growth rates around the world and lastly there has been a fear that maybe, just maybe, Central banks have exhausted their tools to stimulate the global economy. So, U.S. government bonds were the beneficiary. Not only did government bonds have a great year, it was also a great year for other categories of investments that are interest rate sensitive with perceived safety (Defensives). 2014 was not a Raging Bull market year!!

Here is a breakdown of those defensive groups by category:

REITS (Real Estate Investment Trusts) ....+27.24%
Utility Stocks...+28.09%
Consumer Staples ....+16.10%

Other areas traditionally associated with growth turned in less impressive results:

Small caps, Industrials, Cyclicals and Emerging Markets all sported middling returns. Not only that, the U.S. grossly outperformed other markets around the world, most of which had negative returns for 2014. The Global Dow (Ex-US) returned -5.5%.

So 2014 was definitely a mixed bag. I refer to years like 2014 with the acronym A-W-A-Y. Anything with a yield.

Sometimes the markets move in mysterious ways. Sometimes prices move in ways that make no sense to us. Like Housing in 2006, like tech stocks in 1999, like Treasuries, REIT's and Utilities in 2014. I suspect this cycle will end like the others. That is, prices will return to normal. What we won't do is play follow the leader. Not when the leader is moving in ways we don't understand. We really have no interest in paying 18-20 times earnings for companies that have no sales growth or middling earnings growth simply because they pay a 3% dividend. Fortunately, the markets are acting more rationally to start the year.

The other thing that drove U.S. government bond prices were the scant interest rates in other parts of the world. Think about it, if you were a German citizen and investor would you rather buy German government 10 year bonds at a -.10% rate or put your money in the good old U.S. of A in 10 year U.S. Treasury bonds with a 1.9% yield? As I write, the following headline just crossed the news ticker "Sweden Cuts Main Rate Into Negative Territory" (WSJ 2/12/2015).

Take a look at a sampling of Interest rates around the world at year end 2014:

Canada	**0.75%**
United States	**0**
United kingdom (UK)	**0.50%**
Switzerland	**-1.25%**
Australia	**2.25%**
Japan	**0**
Euro Zone	**0.5%**
China	**5.4%**

(Source: Global-Rates.com)

But alas, 2014 is a distant memory and we are now in 2015. With the New Year brings fresh eyes and minds. This year has already started much more to my liking. Don't look now but Treasury bonds and the Defensives (Utilities, REITS, Dividend stocks) are already in retreat.

Sizing Up the Investment Climate

I am often asked what I think of the current investment climate. I think it is important for you to understand how we size up the investing landscape at any given time. Here is the lens that we view the investment climate through. The lens never changes, but quite often, the view does:

1.) Interest Rates—It's not only the current level of interest rates, but also the direction that they are headed that's important. Since our country's founding the average interest rate has been about **5%**. There have been periods when the rates were above 15% and periods when they have been below 2%. It's not only the current level, but the direction of those rates that matter to investment prices. For example, back in 1981 rates topped out at 15%, but they started a steady decline over the next 30 years. During that time the Dow Jones went from 1,000 to 12,000. Conversely, rates went from 5.5% in 1967 to 16.5% in 1982. During that time the Dow Jones Industrial Average went from 744 in 67' to 780 in Feb 1982, basically nowhere. As we are all well aware, rates are now at lifetime lows. The reason the market gets so nervous at any sign the Federal Reserve is planning to raise rates is because the market knows history. Right now, rates are low and fairly steady. A gradual rise won't be bothersome but if they start to take off that won't be good for investment markets. I've somewhat changed my view on the outlook for interest rates. I'm starting to think that rates may stay "low for longer". Not this low, though.

2.) Inflation—No matter which way you slice it, high inflation isn't good. It definitely isn't good for fixed rate "safe bonds", but not great for stocks either. I think the biggest surprise of the last 5 years has been this lack of inflation. The markets experienced bouts of confusion and terror last year trying to figure out whether the lack of inflation was caused by lack of demand or too much supply. Right now inflation is very low. This is good for investment prices. I'll be on the lookout for a pickup in inflation, but right now there's none to be found!

3.) Earnings—The most important metric that we watch is company earnings. Generally speaking, there

is nothing more important than how an individual business is performing. When you combine growing sales with growing earnings, you'll usually find rising securities prices for that business. The good news is that earnings have grown dramatically since the great recession. Unfortunately, strong sales growth is much harder to find today. Also, earnings growth has been slower over the last year or so. I am especially busy during the year around the four earnings reporting seasons. I want to always make sure that we have the most attractive mix of growing, attractively priced businesses in the portfolio.

4.) Valuations—As we discussed last year **PRICES MATTER!!** When we can combine a business that has growing sales and growing earnings and has an attractive price that is nirvana!!! In today's markets, I am still finding attractive companies at attractive prices. It's rare though to still find outright bargains, but it's also rare to find severely overpriced companies also. I would assess the markets as fairly priced, as a whole. Good thing we don't have to own the whole market. We can pick and choose our spots. One thing I am sure about and that is the conservative actions of today's CEO's of major corporations. I listen to earnings calls and read transcripts as earnings are released. I can tell you that, universally, company executives are "tuned in". Companies are in very good financial shape (on the whole) and are taking shareholder friendly actions like stock buybacks and dividends increases. Debt levels are very manageable especially considering the low rates of interest they are paying. They are slow to spend or expand generally and are proceeding with caution. They too seem to be on guard for some unexpected nasty surprise. So, like today's American households American business' are "on guard". This is more positive than negative, in my opinion. In the past, some of our biggest messes to cleanup came after corporate spending sprees.

The LBWM Buy Discipline

In general, we look for attractive securities at attractive prices. We size up potential investments by analyzing their fundamental (sales, earnings, balance sheets, annual reports etc), technical (What has the range been? How have they been moving lately and why?) and quantitative attributes (These are proprietary calculations we've developed and continue to refine). I used to do all of the research manually and then do some numbers crunching by hand and a mishmash of spread sheets. But after an exhaustive search for programmers over a multi year period to build a platform, we finally created a way to automate the process. I have spent hundreds of hours and many thousands of dollars developing **Jarvis**—Our custom designed, web hosted, proprietary investment valuation tool to aid in the tracking and valuation of individual securities and investment markets. If you really wanna make me blush, the next time you speak with me, ask me about **Jarvis!**

Our Sell Discipline

There are really only a couple of reasons for us to sell. The first is that we need the money for another investment idea we think is more attractive. The second is that there is a business issue that decreases our forecast for that investment. These could include accounting issues, a general downturn for the industry, competition, etc. Another reason to sell is that a security is not performing as we expected. In that case, we closely monitor the price action. A significant drop in a securities' value will certainly make us reconsider our position. One of the reasons that we won't sell is simply because the holding has appreciated. We get asked that all of the time. We have securities in clients accounts that have doubled and we still own them. We have securities that have tripled and believe it or not, some that have gone up 4-5 times our purchase price. You may ask, "why wouldn't you take profits?" My thoughts on this are

simple. If you owned Secretariat in her prime would you take her off the track just because she's been doing so much winning??

The Bond Market

There has been a lot of talk about bonds the last several years as interest rates have hovered at historic lows. As you know, when interest rates rise this has a detrimental effect on ***most*** bonds. When rates rise, bonds fall and when rates decrease, bond prices rise. That is the pattern for most Government Bonds and bonds considered "safe". I want to spend some time on this topic of bonds because as the global economy gets going this will be an area we are likely to become more active in. Speaking of the Bond market, would it surprise you to know that the bond market is larger than the stock market? As a matter of fact, the bond market dwarfs the stock market. The U.S. stock market is a roughly **$17 trillion market.** But the total bond market here in the U.S. is a **$31 trillion market!!!!!!** You should recall the historic annual average returns of various investments as follows:

You should recall the historic annual average returns of various investments as follows:

Large Stocks...9.8%

Long Term Gov. Bonds 6.0%

Cash, Money Market, CD's 3.6%

Inflation 3.0%

(Source: Morningstar, Andex charts 1926-2011)

Now, would you be surprised if I told you that from 1994-2012 that Emerging Market bonds returned **10% annually???** (Source: Vanguard May 2013). If that 10% number looks familiar that's because it should. That is the same return that stocks have given over time. The truth is the bond market is large, complex and varied. There are Foreign Bonds, Municipal Bonds, Mortgage bonds, etc. Here at Left Brain Wealth Management, in general, we are investment security agnostic. My favorite color in the bedroom is red, but my favorite color in my portfolio is black. We will use any instrument that we think appropriate to drive returns.

Over the past couple of years, I have been concentrating on Corporate Higher yielding bonds. All bonds are simply loans. They are all "promises to pay" written by some institution. In the case of U.S. government bonds, the U.S. government is the guarantor. In the case of corporate bonds that particular company is guaranteeing the interest and principal at maturity. Now, these two bond types are near opposites. In the bond market, you usually have either interest rate risk or you have credit risk. In the case of U.S. Government bonds which are backed by the full faith and credit of the country these are considered "riskless". Well, you might ask, "If U.S. government bonds are riskless, what's the problem?" Good question. The issue is interest rate risk. If you bought a 10 year Treasury bond on 1/1/2015 you could lock in a yield of 2% per year over the next 10 years. Now imagine the economy keeps humming along and interest rates start to rise. Imagine this continues for a year or two. Should rates get to 4% what do you think will happen to the price of this 2% bond? If you are thinking, "Well if I hold this bond until maturity won't I still get back my principal plus interest?" Yes, you would. But, for the next 8 years you'd be stuck in a 2% vehicle when you could have waited and now be earning 4%. Also, if you needed to sell the bond before maturity you'd receive the current market value, not the maturity value. This is **interest rate risk.**

Now the corporate bond has a different set of issues. When we buy a corporate bond, we are promised our repayment of principal and interest by this company. When the economy is strong and business conditions are good, our confidence in getting repaid is high. The company's ability to repay us improves, it's even possible that the company could get a credit rating upgrade and the price of those bonds would reflect that. However, when economic conditions or business conditions deteriorate, the company's ability to repay may suffer. We call this **credit risk.** All bonds dance to their own beat, it's just that the music is different. In order to compensate for credit risk these bonds must pay us a higher rate of interest. At 1/1/2015 while the average US. Treasury bond was paying less than 2%, the average BB rated corporate bond was yielding approximately 7%. *(Bonds rated Below BBB are considered below investment grade and carry repayment risk).* As the business environment continues to improve, I expect these securities to do very well. As rates rise, and the economy improves I expect a nice shelter in Corporate Higher yielding securities. Oh yeah, we track, evaluate and monitor corporate bonds in Jarvis.

A Simple Observation

I have noticed a common characteristic among investors over the last several years that has really puzzled me. It seems that universally, no matter the age, geography, net worth, religious background or type of car the investor drives, that risk levels have shriveled. It seemed sort of human nature when I first observed this, right after the economic collapse of 2008-2009. But, we are in the sixth year of recovery and I haven't noticed a return to normal risk levels. Quite the contrary, the more the market rises, the more real estate prices normalize, the more job creation that ensues, the less pronounced the snap back of these risk levels. That is, the higher we go the more investors expect a correction! Here at Left Brain Wealth Management we aid clients in one of three endeavors at any one time: Creating, Building or Preserving Wealth. Now, for the Preserving Wealth group, I get it. These families have usually reached a level of financial success after many years of toil that they can let off the gas and coast into home plate. But, for the investors at the beginning or the accumulation (midstage) of growing their Net Worth this is quite an interesting phenomena.

Now, if you were to peruse the Forbes list there is one thing that is nearly universal about all of the people who hold a place on it. That is, nearly all of them got there because of equity. As you know, equity is ownership, ownership/equity/stock are all synonymous. So you say, "what's the big deal, most people don't want to take risk or have no ambitions to make the Forbes list". That is fine. The reason I think this is relevant is because of the insidious change in corporate America over the last decade or so. You see, it used to be common that Mr. or Mrs. American worker would go to work for some big fancy company and as part of the compensation package they would get exposure to the company equity via Stock options, Stock grants, Stock purchase, ESOP or even thru the company retirement plan (401k or profit sharing). But, Oh how times are a changing.

The change started at the start of the 21st century when FASB, The Accounting Standards Board, told corporations that they had to start expensing stock options. Before the rule change, companies would issue stock options, but never really accounted for them in their earnings. Not only did employees get stock options, but also took part in stock purchase plans. It used to be common for company X to allow Mr./Mrs. loyal employee to buy the company stock at a 10%-15% discount to the market price. When FASB came along with the new accounting rules many Corporations got rid of this plan—**Strike 1!** It used to be that we could also load up on the company stock thru our 401(k) account at work and do very well if our company performed. After the Tech bubble burst starting in 2000, after the Enron and

WorldCom debacles left employees with losses in the billions, and companies were sued most U.S. companies either discontinued access or severely limited the amount of company stock we could hold in these plans—**Strike 2!** During the 2008-2009 economic crisis, U.S. corporations downsized to the tune of 8,000,000 positions. (We already know about the company pension plan being driven to extinction. Now with the introduction of Obamacare, could it be that all American workers will simply be viewed as free agents?) For the lucky souls that kept their jobs they got smacked with various forms of pay cuts. One of the more ingenious ways CFO's found to cut pay was to simply limit the equity component of compensation. This doesn't decrease the paycheck but it darn sure shrinks compensation—**Strike 3!** Nowadays, it's rare to come across corporate employees with significant stock exposure. This even applies at the top. Yes, here at Left Brain Wealth Management we have clients that hold positions in "C" suites. Even among this hallowed group, equity based compensation has been retooled.

So for years, generations really, the average investor could be risk averse and still get **"Free"** equity exposure through the company. I call these "Equity Kickers". They give the average hard working investor an opportunity to jump ahead if things go well. Now that well is dry. What we often fail to think about relating to the word **"risk"** is it's opposite **"reward".** This year our nation will celebrate its 239th birthday. America was built by a nation of real risk takers. People who literally risked life and limb to get here, to develop this country, to turn our country into the wealthiest nation on Earth. Think about the thousands that went west in search of Gold, the settlers of the Plains states who were encouraged to develop those barren lands in return for the opportunity for free land. So, I am wondering whether our declining risk/opportunity senses are only temporarily impaired or whether these are the realities of what happens when a nation gets rich.

If you don't think this is a big deal, think again. There really is only one way to make up for this lack of equity exposure or to make up for lower risk/lower return levels. That is, to save more. If the church says to give 10% to the Lord then you may need to place 15%-20% in the collection plate for yourself in the spirit of building ye' old Net Worth. Don't worry, we can help. Call our office and ask for Marina. She can send you the paperwork to set up the auto-funding.

The Tax Code

If there has been a theme to my last few years' annual letters it has been this focus on taxes. I'll bet I've probably written more words on taxes than on investing. In my opinion this is as it should be. ***Well, let's keep the party going!***. The top income tax rate is now 39.6% and that doesn't include the Medicare Surtax of **3.8%** or any State Income tax an investor is exposed to. **TAXES are a BIG Deal!!!**

You will hear and read a lot about tax reform during the upcoming election cycle. Yes, we need tax reform. Yes, U.S. corporate tax rates are some of the highest in the free world. And, yes, we need to get rid of the hundreds of confusing tax credits, deductions and phaseouts. I am sitting at my desk holding a copy of the first U.S. tax return. Its' beauty is in its' simplicity. It's 4 pages long and page 4 is all instructions!!! On Page 1, on line 7 are the words that make me want to kiss the page "Taxable Income on which the normal tax of **1 per cent** is to be calculated" So there you have it. The original U.S. income tax was imposed in 1913 as way to pay for the war. It started simply, it started with a very low tax rate, and best of all, computing the payment was quick and painless. Now, when you hear the news anchor or the politician on the stump tout tax reform you should reflect on the goal. Which should be, in my opinion, to reform the system to be simple, easy, less confusing, less time consuming and less cumbersome.

Over the last several years, the tax collectors have not only collected more in annual taxes, but they have also improved their information and collection methods. One of the reasons that 1099's have been reaching your doorstep later and later in the year is because of the new requirement placed on financial institutions that hold your accounts. It used to be that it was the tax payers' responsibility to report financial transactions on Schedule B and D of the 1040. A few years ago the IRS took this away. Now, ALL financial transactions have to be recorded and transmitted to the IRS ***from the institutions directly.*** So, if a clever, or forgetful taxpayer misreported a capital gain or loss, or a stock transaction from his or her custodian it would have been quite a task for the IRS to keep up. Now, it is simply a matching game for their computers. That is one of the reasons I am a big **opponent** of DRIP plans, or buying shares directly from a company. Every time we meet someone who started investing by sending $200 per month to XYZ company 20 years ago as a way to automatically invest, we bite our nails in horror. Quite simply, the record keeping is a MESS. There is nearly no way to get the right number to the IRS. You'd need an abacus and a sedative to even come close. My favorite is when the IRS knows the sales price for the security that was sold, but magically imputes a zero for the "price paid" column. This also includes those unlucky souls who have the physical stock certificates at home in the safe or in the safe deposit box at the bank. So, do yourself a favor. If your parents, grandparents or you, yourself, have been buying stock or reinvesting dividends thru Computershare or one of these DRIP plans, give us a call and we'll shake you until you stop!!

An Idea

There's very little doubt in my mind that tax planning is getting trickier.

If you are one of the hundreds of millions of American workers that are paid with a W-2, between the new tax collection methods, income phaseouts and the AMT (Alternative Minimum Tax) I think the system is starting to resemble a Hollywood hostage scene: "Come on out with your hands up, we have the place surrounded". Now I believe there is still one big favorable tax strategy left for the average investor to take advantage of , before it too goes away. That is the **ROTH** Account (401k and IRA). Unlike traditional Retirement accounts that grow tax deferred and are taxed upon withdrawal the ROTH accounts accept after tax contributions and then compound tax deferred, but qualified distributions are made **TAX-FREE!!** These ROTH's are relatively new, but can go along way in adding to an investors Net Worth over time.

As I write, the outstanding U.S. debt pile stands at about **$17 Trillion!**! This has grown over the last several years even as the economy has recovered and tax revenues have grown. And oh yeah, our military expenditures have decreased owing to the winding down of our military presence overseas. Now, back to tax reform. Do you think we'll ever reform taxes? If we do, do you think the net affect will be **LOWER** taxes paid?? Well how would we ever get the debt pile down? Oh, I forgot to mention that U.S. interest rates have never been this low in ***your lifetime***. Never!! So even though we have a record amount of debt, it hasn't been costing us much to pay the interest since rates are this low. What do you think will happen when rates start to move up? I didn't even mention entitlements (Social Security and Medicare) which, if left unreformed, would eventually add so much to our obligations that they alone would eat up 100% of our annual budget. So, I think it very unlikely tax rates will DECREASE. Already there have been a couple of bills in Congress to limit or discontinue this favorable (Tax-Free later) tax treatment. Just last month during the Presidents' 2015 State of The Union address, the White House proposed eliminating the Tax FREE status of 529 College Savings Plans. Can you imagine, taking away the abil-

ity to pay for college???!!! I wouldn't be surprised at all if there are other attempts to close this last tax advantaged opportunity as Congress attempts to reduce the national debt and reform U.S. taxes, or as part of Entitlement reform.

A few years ago the IRS removed the income limitation on converting monies from Traditional IRA's to ROTH IRA's. So now, more investors can take advantage of the ROTH. Before this opportunity goes away, we are taking action. Here at Left Brain, we eat our own cooking. This year, the Langford family will gladly be writing a 5 figure check to the IRS so that we can move 6 figures into the ROTH bucket where we will be investing to eventually grow that into 7 figures!!

Be a HERO

There is also a less dramatic way to take advantage of this "Tax-Free in the future" strategy.

That is, if you have a child or grandchild who has a job, you can simply make an annual ROTH contribution for them. Here at Left Brain we believe in making things as Simple as possible, but not Simpler. We have a simple way of thinking about future values. The formula we use is 8-20-5. Translated, it means if we earn 8% annually, over a 20 year period, we end up with about 5 times the amount. So think about it: You make a $5,000 contribution to 20 year old Erica's ROTH IRA for 2015. Assuming we are earning 8% that one contribution would grow to about **$25,000** by her 40th Birthday. Now, if you did that for only 5 years (from age 20-24), at some point these kids gotta start taking care of themselves, yes??? Erica ends up with well over $100,000 **TAX-FREE!!! I** am thinking this entitles the generous parent/grandparent to naming rights of the first born.

When the Correction comes……

Here at Left Brain, we really strive to be logical. We analyze numbers, details, facts and ideas. We strive to be independent thinkers. We strive to make good, rational decisions. We really abhor complicated Economic drivel. For that you can look to any of the big well known Wall Street firms. Here at Left Brain, we strive to be original. But, one of the things we don't do is to make market predictions. But, that doesn't stop people from asking. Yes, for every investment I buy or recommend for your account, I will have my own assessment as to its' value. But, broad based market predictions, no. Here's a near certainty: We will have a correction. We will have a pullback. At some point this year, investment markets will experience a downturn. Go ahead and book it! These occur frequently but not with regularity. It never fails that we'll have the same group of investors that will immediately, nervously call to find out what to do. I call this my early warning system. Evolution has hard wired us human beings to want to react. This gives rise to an unconscious desire to want to time the market. What many investors mean, but won't vocalize, at least not to me they won't, is "why don't we just sell while the markets are falling and then buy them back before the markets go back up?" In short, let's time the markets. You've always heard market timing is impossible but I thought it'd be a good idea to show the stats. From 1992-2011, the average annual returns for U.S. Large company stocks was 7.8% if the investors left the money invested. However, if that same investor missed only the 30 best days in the markets the annual returns fell to (-.4%)!!!

I thought you'd like to know what I'll be doing when the next downturn approaches. Quite frankly, my routine really doesn't change very much. The truth is, we need these pullbacks. They are natural. They are healthy. Corrections return shares to their rightful owners. Corrections do for the markets what wildfires do for the west. Now, if you are in our "Creating or Building Wealth" groups you really should be

praying for pullbacks. I know it sounds masochistic, but it's true. If you are in the throws of growing your net worth or building for future financial security, the best thing to happen to your future wealth would be another 2008-2009 style Great Recession. How else would you be able to buy Starbucks at $20, or Apple shares at a split adjusted $20, or Disney at $30? Again lower prices, not higher prices are the friend of the Wealth Builder. I have mentioned this in nearly every past letter, but in the markets we either get cheap prices or good news, but not both. So, what will I be doing during the next correction? I'll be sharpening my pencil, I'll be looking for opportunities to take advantage others fear. I'll be looking to add very attractive holdings at very attractive prices. Wish me luck, your future returns depend on it!!!

It's been a good Ride!

The last several years I've written about my old car. That is my 1999 GS 300. This will be the final entry about the old ride. She now has 248,000 miles on her. She is still humming along fine. You see Christian is now 16. He has his permit and is now driving and will be getting his license come April. It'll be his to drive. I am already checking out a replacement. You'd think I'd be excited right? Wrong. I can't seem to shake this foreboding, this reluctance, this gnawing feeling. I am not sure if its because: A.) The car has been a part of me for so long I can't imagine not driving her, B.) This is proof that my baby boy is really turning into a young man or C.) I am not looking forward to writing a big check for a new car. The answer is probably D—All of the above.

Summary—Our 2015 Playbook

You should know that where we are in the history of modern finance and economics is unprecedented. Never before have central banks around the world all pressed the stimulus button at once. Never before have governments around the world made a coordinated attempt to depreciate their currencies to spark economic activity. Never before have global interest rates around the world been this low uniformly. **I will be watching how it ends.**

I will also be watching what happens when the Federal Reserve board starts raising interest rates here in the U.S. I will be paying attention to how fast they raise interest rates and when they actually start.

I am very comforted that so far 2015 has started on a "normal" footing. What do I mean by "normal"? Well companies that are growing their businesses are being rewarded with higher stock prices in the markets. Businesses that are not doing well are depreciating. This is how it should be, but it doesn't always work that way on Wall Street. That is, the stock market is once again acting like a market of stocks.

I am really starting to warm up to the Emerging Markets and I wouldn't at all be surprised if Russia was the best performing of all the Emerging markets to finish 2015. If my experience has taught me anything it's that there's a awful lot of money to be made when things go from terrible, to a little less terrible.

Everyone, everywhere is still showing restraint and conservatism. This includes Corporations, States, Governments, Central banks and Households. For this reason I'd be surprised if anything TERRIBLE happened in the markets. Also, remember this is year 3 of the Presidential term. We'll soon be gearing up for the election cycle—Again. Typically, the third year is very good as each party starts positioning themselves as the party of choice to get the economy on the right foot. No matter what happens, I'll be with you. I'll be here manning the ship on your behalf.

As always, I will be looking for opportunities to profit this year and in the years ahead!!!!