There are Two Ways to Avoid Investor Overkill

I wrote in March 1991:

> *Listen to me and listen to me hard as I tell you that investors miss the boat over and over because (1) they insist on timing the market, (2) they insist on investing with emotion keyed to events of the moment, and (3) they steadfastly refuse to buy when news is bleak. It's the old buy-high-sell-low game again and again.*
>
> *Most investors regularly equate action with profits. But you don't want a lot of action in your portfolio and you only need to follow a handful of indicators and a handful of investments. Most investors simply cannot help themselves, and that leads to Investor Overkill. The eye is just not kept on the ball. Make it easy on yourself—follow my advice and follow it today.*
>
> *I don't have all the answers. No one does. But I have built my own family portfolio to a seven figure level from ground zero by practicing the very basic slow-and-steady-wins-the-day disciplines I bring to you monthly. I started without a dime (no exaggeration) back in 1964, and I have spent 26 [ed. note, now 55], as a professional investment advisor practicing what I preach.*

Investment Overkill still exists today. There are two ways to avoid it:

1. Keep your investment plan simple. Don't try to do too much. As an individual investor you lack the resources and time your competitors, institutional investors, can call into battle against you at any time.

2. Hire a professional investment advisory to help you achieve your investment goals.

You can get a better understanding of the value offered by an investment advisory by signing up for the monthly client letter from my family run investment counsel firm, Richard C. Young & Co., Ltd. The letter is free even for non-clients. Signup today by clicking here.

Do You Have the Tools to Carry Out Your Investment Plan?

I regularly meet investors who are going it alone. They are overwhelmed with choices and have little or no investment planning experience. Back in December of 1986, I told investors that they need a game plan and the tools to carry it out. I wrote:

> *"'It was an overcast day.'…Everything on the beach came to a halt…When he passed out 40 Redsand volleyballs,…'it looked like it had rained radioactive bowling balls.'"*
>
> *These graphic quotes from Bruce Anderson's recent "Shoptalk" column in Sports Illustrated describe the beach scene at Manhattan Beach, California when Olympic volleyball star Steve Timmons' newly designed, shocking yellow volleyballs were passed out.*
>
> *It was a great article on Steve and his new sports product. Steve Timmons has become somewhat of a Southern California volleyball legend. With his Grace Jones-style red flattop and standing 6'5", Steve, like his shocking yellow volleyballs, is*

hard to miss.

I was initially drawn to the Timmons article because I am a long-term volleyball fan and had just recently spent time watching professional volleyball at Laguna Beach. The Sports Illustrated article described the U.S. Olympic team MVP and gold medalist as a "terminal" player, the type of player who is so dominant that "when he hits or blocks a ball, the point is usually over."

A "terminal" player—strong words with meaning going beyond the world-class player volleyball circuit. The word terminal has a finality to it that few words possess. We would all like to view ourselves as having the ability to drive home the terminal point. One place that such a skill would be most beneficial is in the financial markets, a place where everyone wants to be a winner. But to possess the skill of the "terminal" player takes more than desire.

You need a game plan and the tools to carry it out.

My family-run investment counsel firm can help you develop a game plan and carry it out. If you would like to be contacted by a seasoned advisor who can help you set and achieve your investing goals, please fill out the form below.

Four Ways to Win the Investment Horse Race

In 1993, Julie Krone became the first, and still only, female jockey to win the Belmont Stakes. As Julie, riding Colonial

Affair, rounded the first turn, they sat in sixth place. A horse named Antrim Road had dashed out way ahead, taking a big risk with a fast pace.

As the horses came into the far corner, Cherokee Run took the lead, and still, Julie and Colonial Affair remained in sixth place. Then as they turned for home, Julie's patience paid off. The five horses ahead of her had risked it all and gotten tired.

Julie had conserved energy and came on strong in the end to win. Finishing second and third were Kissin Kris, and Wild Gale. All the way back at ninth sat Antrim Road, who had risked it all with the big start. I wrote about Julie in October 1993:

> *A Heavyweight at 95 Pounds.*
>
> *As Julie Krone made the final turn for home in the Belmont Stakes, she realized she was about to capture one of the horse racing's most prestigious Triple Crown events. Later, sitting proudly in the winner's circle, the enormous self-confidence of this 4' 10-1/2" jockey was clearly visible to even the most casual admirers and well-wishers.*
>
> *Self-confidence has made this diminutive young lady a champion. When you consider the massive energy of a 1200-lb. race horse at full gallop, it's not hard to have the greatest respect for a 95-lb. rider with the confidence to rise to the pinnacle of her sport.*
>
> *My goal each month is to give you the strategies you need to generate the same level of confidence in your investing s Julie Krone displays in the fast and dangerous sport of thoroughbred horse racing. The development of confidence takes time. It takes dedication. It takes consistency. With consistency comes confidence.*
>
> *LANDMARK RESEARCH ARGUES AGAINST MARKET TIMING*

> *Recently published results by Professors Chandy and Reichenstein of the Universities of North Carolina and Balor, respectively, show the consistency of long-term returns on the S&P 500. The professors found that by omitting the best 50 months of performance from the stock market's 1926-1987 return, absolutely all the S&P's gains for the entire 61-year period are wiped out. Being out of the market during much of the 50 months would have been a killer to a portfolio.*
>
> *One of my foundation tenets is that you should not attempt to time the market. Stay fully invested at all times; do not trade in and out. This does not mean that you should not minimize risk (always your first job) and maximize potential total return (appreciation and dividends or interest). You do this by properly diversifying your portfolio to reflect (1) the stage of the economic cycle, (2) momentum in interest rates and inflation, (3) interest rate spreads between fixed-income securities of differing maturities and (4) the current yield of common stocks in general.*
>
> *These four criteria are objective, clear signs that require no work from you. You do not base your decisions on guesstimates of the future. And you certainly do not engage in market timing.*

A steady approach is best for both jockeys and investors. Don't beat yourself in the investment race by creating volatility in your portfolio with market timing. You may miss out on the best days the market has to offer.

If you would like to learn more about the steady investment approach used by my family run investment counsel firm, sign up for the free client letter email alert from Richard C. Young & Co., Ltd. Each month you'll read an update on our investment philosophy. The alert is free, even for non-clients. You can signup by clicking here.

This is the Most Persuasive Test of High-Quality Investing: Does Your Portfolio Pass?

Of all the ways you can test the holdings in your portfolio, Ben Graham codified what he called the most persuasive in his book *Intelligent Investor*. Companies paying dividends for 20 consecutive years were first on Graham's list of high quality. I explained high quality to readers in August 2007, writing:

> ## *Laurent & Villchur…*
>
> *Back in 1967, Acoustic Research's demonstration room on Mount Auburn Street in Cambridge, Massachusetts, was ground zero for state-of-the-art high fidelity. My experiences in Cambridge led me to buy the Acoustic Research AR3 speakers and AR turntable that I am playing today, four decades later, as I write to you. And I am also using the same Dynaco PAT-4 preamplifier and Dyna Stereo 120 power amplifier that first powered my AR3s 40 years ago. AR's founder Edgar Villchur and Dynaco designer Ed Laurent were the legendary forces behind this ground-breaking equipment. Today, as I play Johnny Lytle's The Loop, Jack McDuff's Tough 'Duff and The Beatles' Sgt. Peppers, the sound from vinyl is every bit as warm and enjoyable as it was with my earliest AR/Dynaco experiences back in the 1960s.*

Vinyl for Warmth

CDs were never collectible and never matched vinyl for warmth. I own a number of high-fidelity systems, including a dearly priced and excellent Conrad Johnson-based reference system. But for day-to-day listening, I turn on my AR/Dynaco system and records—no question about it.

45-RPM Tops

All of this, of course, flies in the face of music industry hype for CDs and downloads, the ultimate in a low-fidelity music experience for the masses. While perfect for jogging and the Wal-Mart experience, this is not high fidelity. And the cherry on the cake of my musical high-fidelity experience for you is the revelation that sound from a properly mastered 45-RPM record is best of all. If you ever saw the classic 1982 movie Diner, you may remember the scene in which Shrevie utters, "Every one of my records means something." Vinyl was and remains the way to go. What I find most encouraging is that young listeners are coming into the vinyl market every day.

Treasured Since 1934

As I write to you today, the single investment book on my desk is the same book that was on my desk when I began in the investment business at Clayton Securities in 1963. Graham, Dodd & Cottles' Security Analysis is as treasured as it was since its first edition in 1934. Like high fidelity, the guts of investing have really not changed so much through the decades. Compound interest, value, and patience are still the key. Ben Graham was fond of saying, "One of the most persuasive tests of high quality is an uninterrupted record of dividend payments for the last 20 years or more." In his Intelligent Investor, Graham followed up with, "Indeed, the *defensive investor might be justified in limiting purchases to those meeting this test." Nothing has changed.*

Dividends Since 1893

Coke began paying a dividend in 1893, Exxon in 1882, GE in 1899. Things sure have gotten different, haven't they?

Uninterrupted streams of dividends can lead to a cascade of compounding in your portfolio. Click here to learn more about the value of compound interest, and in particular the powerful Coca-Cola Story.

Are You Confused by the Investment Hype?

As an individual investor, you may be confused by the hype and pressure aimed at you by the media and securities salesmen. The constant drumbeat of news, both good and bad, can create an emotional response from even the most stoic of investors. Couple that with many investors' lack of experience, and trouble can erupt from portfolios during tough market times. In July 1993 I wrote:

You're on the 15th Tee.

At the Four Seasons golf course in Nevis, West Indies, high in the lush green hills of this remote Caribbean island, you are overlooking the yawning expanse of a many hundred foot deep gorge. Where's the pin? Where do you hit? You hit over the gorge to some unseen and distant manicured green. For novices, *it would take small-arms fire to hit the other side of the gorge. But for you, the seasoned pro, it's but a well-timed whack with your Wilson #3 wood. No problem, you're on the green.*

The challenge of this extraordinary hole on one of the world's most beautiful golf courses is nothing to you, because you are disciplined and practiced, and you concentrate on your game.

Investing is much like golf. Discipline concentration and a practiced stroke are paramount to winning investors as well as to steady golfers. Think about it. Do you apply the same level of concentration to your every investment move as you would on a tricky 20-foot putt? Have you mastered a practiced, mechanical, unemotional approach to your investment program?

Discipline, confidence and a mechanical approach work every time and make sense in many avenues of life. One of my regular monthly goals here is to logically convince you of the value of these vital traits.

Invest With the Slow Ebb and Flow of the Tides

Like many investors, you may often be confused by events of the moment. Media hype and sales pressure are difficult hurdles to overcome. Here, you learn how to overcome emotion in investing. You learn how to harness the awesome long-term power of compound interest and to invest with the slow ebb and flow of the tides. Do not invest on each crashing wave of headline news. If it's a good idea today, it will be a good idea tomorrow and the next day. Take it easy, relax and do not be an in-and-out trader or market timer. Be ruthlessly organized using the principles found here each month.

Invest with the comfort and knowledge that you have a disciplined, long-term strategy. I help you plot your *investment map monthly. If you've been with me for many years, you know the consistent approach used month to month to month. Over my three decades of investing, I've developed a series of disciplines that work well for me, with high odds of success. Each month I stick to these and emphasize their long-term success for you.*

You don't have to face the emotional task of investing alone. You should seek the guidance of a trusted fiduciary advisor, who will guide you through the construction of an investment plan, and give you the confidence to stick with that plan when times get tough.

If you'd like a glimpse at what a trusted advisor offers investors, signup for the monthly client letter alerts from my family run investment counsel firm. Each month in the letter my son Matt, President and CEO of Richard C. Young & Co., Ltd., explains the ongoing strategies we employ on our clients' behalf. The letter is free, even for non-clients, and you will receive an alert each month when the newest is available. Click here to sign up.

How to Build 37% of Your Wealth in Just Ten Days

In the Spring of 1996, I explained how important just ten days of a 31-year period were to building 37% of their wealth. I wrote that March:

Market Timing Strategy—Bankrupt

Before I tell you what other funds I have bought this month *and which funds I have on my short list for the next few months, I want to startle you, shock you, and convince you beyond any doubt that market timing is a bankrupt strategy whose time has never come.*

Here's the only example you'll ever need to never market time again. T. Rowe Price put these numbers out a year or so ago. The original research was done by Towneley Capital Management.

If you invested $1 for a 31-year period (1963-1993), your $1 grew to $24.30 at year-end 1993. But if you missed just the 10 best trading days out of the 7,802 trading days, your $1 investment grew to only $15.40. That's right, by missing just 10 days, your return was slashed by 37%. Do you know what percentage of the trading days we are talking about here? Less than one-quarter of one percent (0.128%).

Now then, if instead of only 10 days you missed the best 40 days of 7,802 trading days, your $1 grew to only $6.50. By missing just 0.51% of the total trading period, your return was slashed by an unimaginable 73%. How's that for missing the boat?

OK, what if you missed out on just 1.15% of the trading days? Well, by missing just 90 of the total 7,802 trading days, your $1 made a glacier-like advance to $2.10. You would have been head-faked out of 91.4% of your long-term profits.

Still with me? The news gets worse—a lot worse. In-and-out trading necessitates not one, but two correct buy/sell decisions. It does no good to get out of the market advantageously unless you can also get back in advantageously—and both are low odds, big "ifs." Furthermore, there is a substantial transaction penalty to pay on each and every buy and sell. You find commissions extracted from your hide. And you do not see the bid/ask spread that is also lost on each transaction.

Finally, in all non-tax-deferred accounts, a tax penalty will be extracted. And depending on your location, the onerous nature of state and local taxes along with federal taxes may be a back snapper.

Market timing is akin to trying to draw an inside straight in poker or to yank the mask off the Lone Ranger. Not good ideas—not good ideas at all.

You won't be able to pick which days you earn your 37%, but if you remain invested with a balanced portfolio and a strong investment plan created with your advisor, you won't need to. The market will do the work for you.

This Decision Could Lead You to Financial Disaster

Odd things are happening in the economy right now. The most obvious is the recent destruction of oil facilities in Saudi Arabia. But there are also subtler, less obvious warning signs, including the first injections of liquidity into markets by the Fed in 10 years on Tuesday and Wednesday.

Couple that with the Fed's lowering of the Fed Funds rate despite economic growth and low unemployment, and things appear uneasy. These are the times at which it would be easy to make an investment mistake. I wrote in July 1995:

"My name's Marlow. General Sternwood wanted to see me."

Devotees of the classic black-and-white Hollywood films now hear original wording from Raymond Chandler's 1939 movie, The

Big Sleep, introducing a new CD produced by Charlie Haden.

Haden, viewed by many as today's dominant voice in jazz bass, recently integrated to stunning effect a lead using the nostalgic Warner Bros.' Fanfare theme music and the Marlow spoken word line as preludes to his own original composition Always Say Goodbye.

Always Say Goodbye was inspired by the few times Charlie felt he had not properly said goodbye to friends or family who, unknown to him at the time, he would never see again.

Haden's thoughtful weave of Hollywood movie, theme music nostalgia and his own original composition reflecting his agony over failing to say goodbye built an emotionally charged piece of music that has rewarded him with the Down Beat International Critic's Award for jazz album of the year.

In Always Say Goodbye, it was emotion that helped Charlie Haden win success. Unfortunately, in the world of investing, unlike musical composition and execution, emotion can be the trigger to financial disaster not success.

Responding to market movements emotionally or irrationally is possibly the worst mistake an investor can make with his money.

To give you an indication of how emotional a bad day in the market can get, imagine two scenarios. In both scenarios, you're a 67-year-old who has $1,000,000 saved for retirement.

In the first scenario, imagine you have put $50,000 cash in a briefcase, and you're headed along a crowded street to your bank to deposit it. Suddenly someone grabs the briefcase and runs off, never to be seen again. You never even had a chance to say goodbye. How emotional would you be? If you're like most Americans your heart is pumping, you're breathing heavily, you're scared, and you want your money back.

In the second scenario, imagine your $1,000,000 is invested in the stock market, which drops 5% in a day. On paper, you’ve lost $50,000. On average since 1928, the S&P 500 has fallen by over 5% in a single day about once every year-and-three-months. If you panic, get emotional and sell everything in the face of this loss, you’re no better off than when the thief stole your briefcase. That money is gone forever.

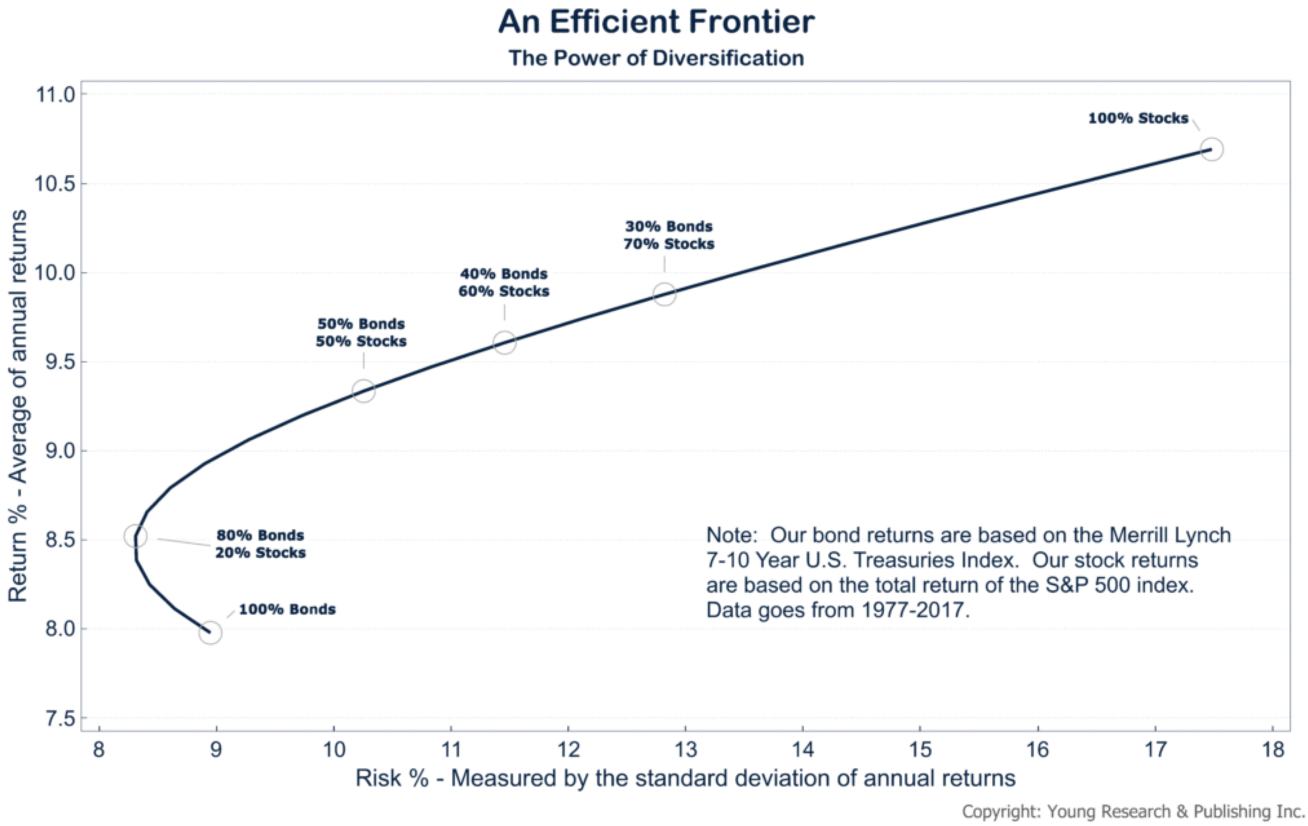
The difference between scenario one and scenario two is that in the second scenario if you have confidence in your investment plan and an advisor to guide you through the turbulence of markets, you have the opportunity to avoid an emotional mistake, to avoid financial disaster, and even to get your money back.

Witness the Raw Power of Diversification

Diversification isn’t only a tool to minimize losses when assets fall in value, it has the power to actually increase your return while lowering risk. Here’s how I explained it in December of 2015 (with the chart and associated text updated to 2017):

> *Calculating the Efficient Frontier*
>
> *You need to look at your asset deployment from the top down, focusing on diversification between stocks and bonds. My Efficient Frontier display shows you the power of diversification. Note the left-to-right uphill slanting curve that initiates with a position of 100% bonds and terminates with a position of 100% stocks. We have made our calculations using the Merrill Lynch 7-10 Year U.S. Treasuries Index and the S&P 500 total return index from Young Research for the*

period of 1977– 2017. We calculate the Efficient Frontier by using annual returns and assuming annual rebalancing.



Draw 1% per Quarter

Where is your best fit along an Efficient Frontier? To answer, you must first establish your ability to absorb risk in the hunt for returns. For decades I have written that in retirement, your target should be a 1% per quarter draw from your portfolio, and not a penny more. This does not mean, however, that you should not position yourself to potentially exceed 1% per quarter returns. Your actual return over any quarter will be controlled largely by the climate of the financial markets at the time, which neither you nor I control. And the climate itself will be determined by the stage of the economic and monetary cycles. I have studied these cycles over five decades and keep you updated regularly. The winter stage of the upside economic and monetary cycle is here, to be followed by a period of discomfort in the economy and the financial markets.

If you need help creating a well-diversified portfolio, fill out the form below. If you do, a trusted senior member of my family run investment counsel team will contact you. You will be offered a free, no-obligation portfolio review and an explanation of how we can help you achieve your investing goals.

With This Plan You Can Save More in 8 Years than in 32 Without It

In October of 1999 I explained why there is only one right way to save; early and often. I wrote:

> ***Compound Interest: Your Key to Wealth***
>
> *Here's an example of the power of compound interest that I hope you will pass on to your children and grandchildren.*
>
> *We have two hypothetical investors, Chad and Tad. Chad starts right out of his MBA program investing $1,200 a year starting at age 25 through the time he is 32-years old. He makes eight $1,200 investments. Chad then oddly becomes a monk, ending his savings days. Assume just a modest 9% annual return through age 64, just pre Chad's 65-year age retirement from monkdom. Chad's eight years of savings ($9,600) and 40 years of compounded interest provide a final balance of $227,390.*
>
> *Tad, on the other hand, spends his early years as a ski bum in Telluride and doesn't start saving until he is 33. But from age 33 until age 65, Tad is able to save $1,200 a year from his job as wildlife conservationist in the remote reaches of*

Montana. He puts away $1,200 a year for 32 years, giving him a total savings of $38,400—four times the contributions Chad made in only eight years of savings before monkdom. Tad's balance at the same 9% assumed growth rate is $214,560. Even though Chad invested $1,200 a year for only eight years early in his "career," because of 40 years of compound interest, Chad's final savings total beat Tad's, who diligently socked away the same $1,200 a year, but for a long 32 years.

Such is the power of compound interest. Save early. Save often. And do not compromise your capital. When you lose 50%, you must make 100% on your next investment just to get even. And at that, you have a zero return. That's stinko math in my book.

So after just eight years of early saving, Chad used compounding to save himself more than Tad could in 32 years of trying to play catch up. Put the power of compounding to work in your portfolio. Investing in companies with generous dividends, and records of regularly increasing those dividends is a bedrock strategy of my family run investment counsel firm.

If you would like to discuss how a dividend-centric investment plan could work for your retirement, please fill out the form below. You will be contacted by a seasoned advisor from Richard C. Young & Co., Ltd. and given a free, no-obligation portfolio review.

Don't Be Shaken Out of the

Market on Bad News

There are many investment maxims worth repeating, but one especially important today is *don't be shaken out of the market on bad news*. Those are the ten words of advice I gave to investors back in June of 1991 in the midst of a recession, and I haven't found a reason yet to doubt their value.

I told readers then:

> *The best time to make money in the business cycle is when recession is in place. Interest rates always decline during a recession, just as they have in the present one. And the stock market always explodes with its biggest cyclical gains during the heart of recession.*
>
> *When was the low for the Dow in the current business cycle? It was last October with the Dow reading below 2400. Many investors busily sold common stocks last August as military hostilities broke out in the Middle East. That, of course, is the kind of move that kills nervous investors in every cycle. You don't want to be a seller on bad news, and you certainly don't want to trade out of stocks in a weakening business environment. Open your history book and you'll find that every recorded bull market started in the teeth of recession.*

Recently I began a monthly business cycle review asking "Is America on the Doorstep of Recession?" My answer today is no, but I hope you will follow along with me as I examine the evidence each month.

Don't be shaken out of the market on bad news. Remain invested or you'll miss the market's best performance.