I Don’t Miss the Boat, Because I’m Always in the Boat!

Market volatility is up, and any time that happens I get asked one question more frequently: “Is it time to sell it all and wait?” My answer is an emphatic no. Attempting to time the market by selling out and buying in is a great way to miss the best days and months of the market’s performance. Instead I recommended in May of 1991 that investors prepare ahead for market volatility by focusing on stocks with low betas. I wrote:

> *In the stock market the words risk and volatility are synonymous. I want you to concentrate most of your efforts on stocks that are less volatile than average.*
>
> *What you need to know is a stock’s beta, or the measure of its volatility. A stock with a beta of 1.0 has characteristics of volatility that equal the average stock. A stock with a beta of 0.8 is only 80% as volatile as most stocks. A stock with a beta of 1.3 is 30% more volatile than most stocks.*
>
> *You want to achieve your 20% goal with as little volatility as possible. You will sleep better with less volatility and you will be able to ride out market downturns fully invested with a large degree of comfort. You will be most comfortable with stocks that have betas of 1.0 and less.*
>
> *Remember, over time the stock market advances in seven of every ten years. Over the years, my biggest failures have come from missing the boat or being under-invested during major market moves. When times were tough, I missed the boat because I was too hesitant to invest, and during recession I was under-invested. No more. Today, I never miss the boat because I am always in the boat, and I want you to remain in the boat along with me. It is simply a matter of ensuring how you are*

balanced in the boat so as not to be rocked out in rough water.

If you need help crafting a portfolio that minimizes risk and focuses on generating income, you can complete the form below. You will be contacted by a seasoned advisor from my family-run investment counsel firm, Richard C. Young & Co., Ltd. The advisor will perform a portfolio review—completely free and without obligation—explaining the programs being offered to help investors meet their goals.

No Second-Guessing, No Deviation from Focus

Here's what I told you, all the way back in February of 2015: stay fully invested. I wrote:

> ***Stay Fully Invested***
>
> *As I've written ad nauseam, I do not get in and out of the markets. I maintain my fixed income/equities balance, adjusting as time passes (fast) for my age. For an investor who is crafting a dividends/interest-oriented portfolio to pass along to heirs, I can live with a 75/25% equities/ fixed income mix. But where income and safety in retirement is the target, the reverse ratio is optimal—no second-guessing, no deviation from focus, and no market timing to be tolerated.*
>
> ***PPPP—Your Guide***
>
> *I think a policy of PPPP will keep you and your family on a*

> *proper track. Here I am referring to my goal to Preserve and Protect via Perspective and Patience. If my PPPP immediately strikes you as a theme that makes you warm and fuzzy, I am excited for your future success. If instead such a seemingly boring approach leaves you cold, you still have my warmest regards, but also my great concern for your future success.*

If your investment plan is strong, you shouldn't be tempted to second-guess it, or deviate. A good plan will prepare you for the risks you're willing to endure given your time horizon. If you need help crafting such a plan, request a free consultation with a member of the seasoned investing staff at my family-run investment counsel firm, Richard C. Young & Co., Ltd. by clicking here. Once contacted, you will be guided through a no-obligation review of your portfolio by an experienced professional. You too can build an investment plan that requires no second-guessing.

The Most Frequently Asked Investor Question

Throughout my years in the investment industry, the question most frequently asked by clients is probably "How are we doing?" In June 2015 I explained how I answer that question. I wrote:

> *How Are We Doing?*
>
> *Throughout my first 28 years in the investment industry, I worked in the trenches, talking daily with clients and the financial media, as well as speaking at investment seminars around the world. All that changed in 1992, when I decided to*

move off the front lines and concentrate exclusively on research and writing, and Debbie and I moved to Key West, only 90 miles from Cuba. Hard to believe, but it has now been 23 years since I made that transition.

Concentrating on One Question

Taking stock as I set up to write this month, I decided to concentrate on one of the frequently asked questions from clients over the years. From my memory bank, the ranking #1 question was, how are we doing? Well, "we" most certainly did not include Dick Young, so in actuality what the client wanted to know was how he or she was doing. From day one, I had trouble with this often-asked question, because I was pretty certain the answer I would give would not feel right to me and, in the end, would not be especially helpful to my client. So I muddled along with mixed success.

Pre-Established Goals

Today, with the benefit of decades of hindsight, I have come to recognize that the clear winner would have been to simply decide with clients whether they were comfortable with the way we were meeting the pre-established goals we had worked out together. That meant no more comparing to one or more market indices or the efforts of other business associates. That sounds pretty simple in theory, but in actuality, a different picture emerges.

Buy High, Sell Low

The decided tendency of a vast majority of investors is to greatly understate sensitivity to risk. Most investors work off a "buy high, sell low," emotionally charged template that is a bear to dismiss. The concept of patience is anathema to most. For many, action is the partner of success—when in fact history proves this not to be true. Sadly, the final nail in *the coffin of goal construction is the total inability of most investors to embrace the two most important words in successful retirement account investing: compound interest.*

OK then, a number of hurdles must be conquered before a suitable goal-oriented plan can be put in place. It is clear from my above menu that the subject of risk sensitivity must be addressed first, followed by some homework on portfolio activity, patience, and compound interest. Once satisfactory common ground is achieved, it is time to determine targeted returns.

The answer to the question "How are we doing?" is dependent on your performance relative to how you planned to do. Planning is the hardest part of investing. If you need help creating an investment plan for your portfolio, fill out the form below. You'll be contacted by a seasoned professional from my family run investment counsel firm. They will guide you through a no obligation review of your portfolio, the first step in building an investment plan that is right for you. If you would like more information, visit www.younginvestments.com.

The Less You Spin, The More You Win

Making fewer, more focused decisions with your portfolio is a vastly superior strategy when compared to ill-considered rapid fire trading in and out of stocks. In July of 1997, I wrote about the benefits of a minimalist approach in life. The moral of the story being, the less you spin, the more you win. Here's what I wrote then:

MONK!…

That's it. Four letters say it all.

Thelonious Sphere Monk died on 17 February 1982, over 15 years ago. Still today, when the name Monk comes up in Jazz circles, no explanation is needed. From his early days in the San Juan Hill West 60s section of New York to Minton's Playhouse in Harlem to Greenwich Village's Village Vanguard, Monk's unique approach to music and his eccentric approach to life have always engendered lively debate.

The just-released Monk/Straight, No Chaser CD (Columbia/Legacy CK64886) is a definitive Monk reissue, with 25 additional minutes of new music, including three titles restored to their original unedited length by reissue producer Orrin Keepnews, Monk's long-term producer and the co-founder of Riverside Records. Included are two takes of Duke Ellington's wonderful I Didn't Know About You and, at last, the definitive and complete Straight, No Chaser. Listening to these classics as I was putting the finishing touches on the enclosed common stock Monster Master List, I was thinking how spare Monk was in the words he spoke and the notes he played. Even his name—Monk—fit the pattern.

Long-Term Profits Inversely Proportional to Trading Activity

The same approach Monk took to life and music suits us all in the investment process. Here's what I mean. Your long-term investment success is certain to be inversely proportional to your trading activity. The less you spin, the more you will ultimately weave. Simply put, less is more.

Warren Buffett once said, "We [Buffett and Charlie Munger] continue to make more money when snoring than when active." In Buffett's Berkshire Hathaway portfolio, valued at over $27

> *billion, there are only eight primary holdings. Buffett is no spinner. Each holding is there for the long haul.*

If you are looking for help with your investments, and you need guidance on a "less is more," strategy, click here to sign 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, and loaded with information on the strategies we are using to protect and nurture our clients' portfolios.

Want to Double Your Money in Investing? Read This First

Over my five-decade career in investing I have placed high value on on-the-ground intelligence gathered from real people. That's why Debbie and I have spent so much time travelling in America and abroad, meeting business owners and retirees, and talking to everyone from VIPs to bus boys. Each has a story to tell and information to provide.

Along our way, Debbie and I have been to some of the world's most interesting places. In November of 1995, I wrote to readers about our trip to the Biltmore Estate. Read my account here:

> *The Largest Private Residence in America*
>
> *Biltmore Estate, located in bucolic Asheville, N.C., is not just a national treasure, it's a terrific example of how to run a profit-making business at its highest efficiency. No government grants and subsidies here. Constructed between 1889*

and 1895 by George Vanderbilt, grandson of shipping and railroad tycoon "Commodore" Cornelius Vanderbilt, Biltmore Estate, still privately owned and operated, is a stunning architectural achievement inextricably linked with The Gilded Age.

In the library, Vanderbilt's scholarly interests are evidenced by 10,000 bound volumes covering history, art, architecture, landscape gardening, and classical literature in eight languages (all in which Vanderbilt was fluent). Adorning the library is a Pellegrini canvas ceiling painting, which graced the Pisani Palace in Venice during the 18th century and is all the more important today since little of Pellegrini's work escaped destruction during World War II.

Visitors from around the world flock annually to the unmatched estate tour. Allow a complete day to see it all. You do not want to miss the Estate Winery opened in 1985. It embodies Vanderbilt's original concept of a self-supporting European estate and features the Estate's own award-winning Chardonnay.

Biltmore Estate is the linchpin of what has fast become a favored retirement area for discerning Americans seeking a vibrant, moderate weather, four-season community.

Dick Young's 10-Point Guide to High-Yielding Retirement Income

Put a trip to America's largest private residence on your schedule. To assist you in funding your vacation or retirement shopping trip, I've assembled a strategic 10-point guide to high-yielding retirement investing (current or future). If you firmly follow this 10-point guide to maximizing income, you will greatly enhance your prospects for getaways to the great estates of the world, including an American classic like Vanderbilt's Biltmore Estate.

When you invest for future or current retirement using *conservative income-producing securities, your odds for success will improve immediately when you focus on item #1 and #2 in my 10-Point Guide to High Yielding Retirement Income.*

Risk Analysis Always First

#1 It only makes good sense to recognize that when you work hard and save for a lifetime to retire in comfort, you do not want your life's savings evaporating in some speculative venture. I can't tell you how often I hear heartbreaking, first-hand stories from investors who have been virtually wiped out in some limited partnership scheme or other ill-advised sales-pitched nightmare.

In a recent book review, The Wall Street Journal commented on a big brokerage firm's disaster with limited partnerships. "(XYZ) went for the whole enchilada when it adopted a policy of defrauding its customers. The firm sold $8 billion in limited partnerships spread over 701 entities to more than 600,000 investors. Only a handful of those investments ever performed as promised. (XYZ) continued to pressure its brokers to push new deals long after it knew that many of the previously sold ones were all but worthless."

What do you think of that sorry mess? Stunning, isn't it? Thousands of investors took the pipe. And I'd bet big bucks that the vast majority did not bother to read carefully the prospectus for those deals nor ponder the element of risk before committing hard-worked-for lifetime savings.

Always remember, when you lose 50% (not to mention all your money) on an investment, you have to make 100% next time out just to get even. And at that, you have made a zero return on your investment over perhaps an extended period of time. The math is bad, real bad. In my three decades as a professional investor, I've found that there are surprisingly few opportunities to actually double your money on any single *investment.*

Counting on a double-your-money bailout is long odds at best. So first and foremost, make sure you understand the risks of any investment before you invest. Do your prospectus homework well, and ask questions—plenty of questions.

If you want to spend your retirement travelling to the world's finest places, you can't go frittering away your hard-earned savings by taking risks you don't understand. Avoiding risk and focusing on the creation of a steady stream of income you can live on during retirement is the course I recommend to all investors. It's hard to make money in investing, but it's even harder to make back what you've lost.

Do You Feel Good?

Around four years ago I was practicing French with Debbie before a trip to Paris. I wrote then:

Je Me Sens Bien

As you read this month's strategy report, Debbie and I will be in Paris. Practicing her French yesterday, Debbie asked me if I knew the meaning of je me sens bien, with James Brown as a clue. Well, not knowing for certain, I guessed, "I feel good," a great James Brown lyric. Debbie was astounded that I got the quiz, as was I, because I really had no idea. So what gives? The answer lies in association. The rhythm of the four words simply brought the James Brown lyric to mind, literally out of the blue. These things can happen with association. It's a mindset thing that isn't always easy to explain. In recent *days, given the extraordinary volatility in the financial markets, mindset and association are an especially vital concept for investors. When you are in the right place mentally, you can have no problem weathering volatility. If not, well…*

Successful Investing Is a Mindset

As you know, I do not check the prices of my investments daily, weekly, or even monthly. I do an annual checkup only at tax time. When I make a significant investment, I have no intention of liquidation anytime soon. I am in for the long haul. Thus, short- or even medium-term volatility is of zero concern to me, beyond keeping an eye out for a name on my watch list that may have taken a temporary beating due to no particular fault of its own. So, then, successful investing is a mindset based upon a master plan that allows an investor to find comfort through thick or thin.

Since then, I have traveled to Paris many times, and I am in the city now, amidst the sad reaction to the burning of Notre Dame cathedral. People in Paris are not exactly feeling good. But there is hope. Much of the cathedral is still standing, and a city as old as Paris has endured tragedies of this kind before.

Revolutions, occupations, crippling riots and terrorist attacks have befallen Paris, but the city's people have a way of focusing on the long-term. Quality, durability, and timelessness describe the aesthetic that has made Paris the center of the cultural world.

The lesson of Paris's success is to focus on the long-term. Weave that principle into your investment portfolio, as well as your life in general. Avoid risk, compound your portfolio, and don't let emotion guide your actions. Steadfastly adhering to such a plan will make you feel good.

Two Strategies to Avoid Outliving Your Money

In July 2007 there was a sense of unease in the markets and I was warning investors to prepare themselves with a low draw on their portfolios. I also gave investors two ways to help prevent outliving their money. Read here:

> *At the start, retired investors and investors saving seriously for retirement (76 million boomers will begin retiring next summer) must answer two basic questions: (1) What is the proper mix of stocks and bonds? (2) How much money can be drawn annually from an investment portfolio? I have used Ibbotson data and examined 20-year rolling time periods from 1926 on. I have concentrated on minimum returns in order to advise a portfolio mix most likely to assure a draw of my advised 4%. The highest minimum return over 20-year rolling periods was achieved with a portfolio mix of 50/50 bonds and stocks. That minimum return was 4.6%. I would treat a 50% fixed-income portfolio component as suitable. And there is no way I'd go over 4% (inflation adjusted) for my annual draw. In fact, if possible, investors of suitable means are advised to cut back to a 3.5% draw (of an initial portfolio). Of course, the two best ways to make sure that you and your spouse do not outlive your money are to (1) work longer, and (2) slash your annual living expenses.*

If you are still working, there is a third way to stretch your retirement portfolio, save more. Saving more today and compounding it for later is the key to a happy retirement. Prudent investors may also consider a 3% draw today.

The Yield Curve Inverted: Time to Panic?

If you have been reading the financial papers or watching *CNBC*, you have seen the news that the U.S. yield curve has inverted. Typically, this is a sign of a coming recession, and that could be the case today. If, though, you have been following my advice, there is no reason to panic. Have patience and rely on the diversified, counterbalanced portfolio you have built for generating dividends and compound interest. In August of 2013 I explained the power of counterbalancing in your portfolio:

> *Managing a common stock portfolio takes— above all else—patience. Your goal should never be what to sell next; rather, it should be what stocks you can hold through thick and thin. It is true that portfolio activity, for most investors, runs inversely to consistent long-term performance. How should you measure performance and how should you construct an all-weather portfolio? First, "all-weather" means you do not want to be jumping in and out of the market attempting to predict bull and bear markets. For five decades, I have been investing my own money as well as advising conservative investors saving for retirement. As such, I have invested through many gut-wrenching bear markets and disastrous single years like 2008, which ended with the speculative non-dividend-paying NASDAQ down a frightening 40% for the year. Through all the years of turbulence, I have remained fully invested in a balanced, widely diversified securities portfolio featuring a counterbalanced approach.*
>
> *I have firsthand experience of what happens when counterbalancing is not in force. The Harleys I rode back in*

the old days had engines bolted straight to the frame. Talk about vibration and calamity. The constant vibration caused nuts and bolts to loosen and fall off. When you're on a long-distance road trip, a breakdown in the middle of nowhere is cause for concern. I have found myself in just such a situation and it's no fun. Today's Harleys feature counterbalanced engines offering both a smooth ride and a minimum of road trip calamities.

A 2008 Test Kitchen

Counterbalancing simply makes common sense. Let's look at 2008 as a test kitchen. All the broad averages got hit. High ground, so to say, was achieved by owning positions that got hit least. Consumer staples worked well; no matter how bad the times, investors are not going to forsake toilet paper, toothpaste, or their prescription drugs from Walgreens or CVS.

Counterbalancing is a necessity for your portfolio. If you need assistance in creating a portfolio that is counterbalanced to protect your investments in good times and bad, please fill out the form below. You'll receive a call from a seasoned investment professional at Richard C. Young & Co., Ltd., my family run investment counsel firm, dedicated to helping retired and soon to be retired investors like you enjoy a successful retirement.

Don't Get Kicked Out of the

Game

One of the biggest mistakes an investor can make is to imagine that the market will perform the same way year after year. Last year's winners are often this year's losers. I warned investors against this mistake in July 1992, writing:

> *How many investors—not you I hope—buy mutual funds keyed to recent performance ratings? These are usually the funds not to buy. Have you ever heard of Frank Russell Co.? These folk do a really good job of researching vital investment info. In a recent Pension & Investments article, the following item was of vital importance to you. A new study by the Frank Russell Co. has confirmed a long-held tenet of the investment industry: It's useless to select a money manager based on past performance. In fact, the study found, there is no satisfactorily significant relationship between past and future performance.*
>
> *Not only will you not find value in looking at past performance as a predictor of future results, you will not be able to deal with the high turnover, high taxes, anti-compounding issue. And just how important is compounding? Fortune magazine in its special investment strategy article "A Low-Risk Path to Profits" noted the views of Joe Rosenberg of Lowes Corp. "Joseph Rosenberg, who manages more than $1 billion for Lowes Corp., believes so fervently in the awesome power of compounding that he carries a compound interest table in his pocket at all times. His faith is simple and absolute." Says Joe, "It is the most important thing in investing. It's foolish to undermine the power of compounding by taking big risks that could kick you out of the game." Joe is dead on the money here.*

Joe was right. You don't want to get kicked out of the game by making a bad decision. Don’t buy last year’s winners hoping for a repeat. Work to mitigate risk in your portfolio and allow the awesome power of compounding to do the rest.

The 5 Rules of the Financial Armadillo

In the heart of a bull market in March 1997, I was urging investors to ignore the “TV media financial gibberish, most of which is sensationalized to keep you twitching to the max.” I wanted to show readers how to insulate themselves from a bear market. To do so, I gave them my Financial Armadillo Strategy, an armor-plated long-term plan I use myself to this day. I wrote:

1. Take a pledge of allegiance each day to your most trusted investor ally, compound interest. Learning how to better harness the awesome power of compound interest assures you of long-term success. It is interest on interest that allows you to invest like the world’s most successful capitalist, Warren Buffett.
2. Commit to memory the first two rules of investing. Rule #1: Do no lose your capital. Rule #2: Do not forget Rule #1.
3. Ruthlessly slash, hack and chop your investor costs. None of us knows the future for certain. Yet while you may not know the future, you sure as heck can know your costs today. Most mutual funds and annuities are high-cost breeders. Get rid of these leeches. You win every day by keeping your costs low.
4. Armor-plate yourself against the taxman. Your best

strategy is to hold trading to an absolute minimum. The mutual fund arena is fraught with trading excess. The average turnover rate is 80%, or more than 10 times what I target in my own account and advise for you. In every mutual fund’s annual and semiannual reports is a statistical display of portfolio turnover. Aim for 40% or less for your CORE funds. Don’t forget, each time a mutual fund manager sells a stock at a profit, you get a tax bill. These guys invest with no regard for your tax bill or your devotion to compound interest. You simply cannot pay enough attention to mutual fund portfolio turnover.

5. Diversify, diversify, diversify. Proper diversification will help you sleep well during bear stock markets. We have not seen a bear market in years, and we are all, quite honestly, spoiled. Today is a dangerous time in the annals of the stock market and the least safe time in the last 16 years to be inadequately diversified. Sooner or later the music will stop, and you do not want to be the one left without a chair. You want to properly diversify yourself before it’s too late. You will never regret your diligence.

Times are never too good to ignore these basic tenets of investment philosophy. When you take off your investment armor, that’s when you become vulnerable to the swings of the market. If you aren’t already following this plan, start today.