



Wealth Coaches

more of what matters to you

The Wealth Coaches Clipboard

We are currently in a series on MKD's view of wealth. When many people hear the word wealth they automatically associate it with money. At MKD we think that's only part of the equation. We believe wealth includes 7 vital areas. Fun, Fitness, Family, Friends, Firm, Finances, & Faith. In our view, these are the irreducible minimums of a wealthy life. Last quarter we talked about the importance of Fun in our lives. This quarter our focus is on Fitness.

What comes to mind when you think of a fit person? Fitness is more than getting buff for a class reunion or losing weight for bikini season. In fact, it's not limited to our physical health at all. True fitness is holistic and involves our mind and body in equal parts. There are four kinds of fitness: intellectual, emotional, physical and spiritual. Let's take a brief look at each.

Intellectual Fitness

"It was not so long ago that people thought semiconductors were part-time orchestra leaders and microchips were very, very small snack foods." Geraldine Ferraro, The Point?

Science estimates the total of all human knowledge now doubles every ten to fifteen years. But in certain industries with enhanced incentives – like nanotechnology or green technology – knowledge can double every five years.

To keep up with this *information tsunami* we need to be dedicated "lifelong learners." Those who are perpetually learning not only get healthier paychecks, they get healthier brains, too. According to a study published in the journal of Neurology, people who did mental exercises like learning new skills had a lower risk of cognitive impairment and a risk of Alzheimer's almost three times lower than people who do not.

Today there are computer programs (e.g. luminosity- www.luminosity.com Fee Applies) that exercise the brain. These mental workouts are designed to enhance our memory (where did I put those car keys?) attention and creativity.

Dr. Richard Restak, MD, clinical professor of Neurology at George Washington University School of Medicine states, “By challenging your brain to learn new information throughout your life you build up cognitive reserve. This is analogous to monetary reserve. The more you have accumulated over your lifetime, the less susceptible you will be to deficits in your later years.” That’s enough motivation for me!

Emotional Fitness

Why is it that some people allow their emotions to trigger road rage while others can shrug it off when cut off in traffic? Emotions are tricky things. When functioning within a normal range, emotions are very helpful to show compassion, demonstrate concern, express joy, and so on. But when taken to extremes emotions can be harmful. Allowing them to run wild can put our relationships and our careers in danger. The choice is ours.

When it comes to emotions, we need to make heads-up, eyes-open choices. Being able to respond with the appropriate reaction requires emotional fitness. Knowing just what our appropriate emotional response should be in any given situation requires *emotional intelligence*.

My friend, Dr. Jack Wilson, Ph.D., explained to me that emotions, by definition, are non-rational. We need a system to control or contain them. We need to use our thought process to determine which emotion to use, when to use it, and where to use it.

People who can handle the common stresses and challenges of life in a constructive manner have a leg up on those who can’t. Those who are able to keep their composure have a much better chance of solving problems and staying in relationships than people who can’t remain calm. People who are emotionally fit keep from harming themselves and others, and will likely rise to positions of leadership. Suggestion: go to www.talentsmart.com (fee applies) and take the Emotional Intelligence Appraisal.

Physical Fitness

There’s a billboard in San Francisco that reads, “Join this Gym: Look Good Naked.” For some that’s a powerful incentive to work out. Many view looking good as the primary goal of physical fitness. While there’s nothing wrong with maintaining our appearance, physical fitness has to do primarily with functionality. If you are physically fit, you are free to *engage, respond, lead, endure and succeed*.

It’s been well documented that we can increase longevity and improve our quality of life, decrease the risk of heart disease, diabetes and colon cancer, reduce stress and improve sleep, increase attention span and mental sharpness all by improving our physical fitness.

Much is said and written about building our social capital, intellectual capital, and financial capital. Isn’t it time we started viewing the building of our *health capital* as essential to our daily well-being?

Jim Rohn said it smartly “Take care of your body. It’s the only place you have to live.”

We would do well to invest in our body. How? A program designed to include physical exercise, a healthy diet and adequate sleep will pay healthy dividends.

Suggestion: Subscribe to *Fueling Your Fire*, a free health and fitness bi-weekly ezine (electronic magazine) at www.kineticenterprise.com.

Spiritual Fitness

When economic, relational, or medical “storms” hit your life – and they hit us all – what do you have to hold on to? What do you reach for to steady yourself?

This is not a religious newsletter, but with your permission, I’d like to share what I think are three universal principles that can help calm the choppy waters of life and bring us balance, safety and strength when we need them. These three essentials are faith, hope and love.

Faith.

Faith is a place in our heart where you can go to find inner strength and peace of mind. It’s where you can find still waters and green pastures to restore your soul.

Our faith system should provide solid guidelines for what is right and what is wrong, what is absolute and what is relative, what is truth and what is falsehood. A functional faith system is our guide for handling highs and lows like success and failure, wealth and sickness, prosperity and poverty.

Believer or atheist, skeptic or agnostic, we all have faith in something. The question is *who* or *what* do we believe in? Religion? Science? Human nature? A higher power? A guru? Ourselves? The focus or object of our faith is critical because it either expands or limits the resources we have to draw upon...and the power we can tap into.

Hope.

Inspirational author Elna Rae stated “where hope grows, miracles blossom.” Faith is based on believing in something you *cannot* see. But hope is based on believing in something you *can* see – the actions and character of a person, organization or cause that you know and respect. The stronger the character, the stronger the hope.

Hope is critical to the quality (and length) of our existence – both on a personal and national level. When hope is lost, we’re in trouble. I admit, a quick look at today’s newscast or market reports can dash just about anyone’s hopes – *unless* they have a solid spiritual foundation. And that foundation can be a powerful reason for optimism.

Each day we have a choice to make. Will we allow our difficult circumstances to make us bitter or will we use them to make us better. You may feel trapped, abandoned, rejected, “hung out to dry” – but take courage; *there is hope*. Whatever the case may be, as long as you are alive, there is hope. Things can change if we don’t give up. The Roman philosopher Cicero put it best, “*Dum spiro spero.*” In Latin it means: while I breathe, I hope.” So keep hoping, keep reaching, keep climbing; you may not be far from slicing through the haze.

Love.

Love is the third spiritual principle, and it’s the one that energizes the other two, faith and hope. Love is an action verb and it’s not afraid to get sweaty *and* grimy while lending a hand or mending a relationship or clearing a path for a friend.

Love reaches out firmly to grab the hand of someone who is stumbling, or boldly to help someone who is afraid, or knowingly to guide someone who has lost their way.

Love is often described as an emotion. But at the root of real love is *action* – the willingness to extend ourselves for others financially, relationally, or vocationally. You know love is present and active in your life when you desire good for others even to the point of personal sacrifice. A spiritually fit love *enriches, builds up others, and endures*.

The triad of faith, hope and love is our spiritual core. It represents a human being’s spiritual midsection. When our spiritual core is strong, we’re ready to experience abundant living. Suggestion: have a candid, no-holds-barred discussion about spiritual things with a close friend. Ask questions and challenge each other, then reflect on it all with an open mind.

In summary, being fit means you have the emotional maturity, intellectual capacity, spiritual insight and physical stamina to respond appropriately in any situation you face. It’s the ability to stay steady when the world around us is shaking. When you’re experiencing life at that level it opens up a new world of exciting possibilities. It is truly a wealthy life.

Market Outlook

By: Steve Goodman, Chief Investment Officer

Is this the beginning of the end of the bull market? Some would argue it feels that way. The first quarter of 2014 saw 13 days exceeding 100pt gains in the DJIA, and another 10 days exceeding 100pt losses. Overall the Dow Jones Industrial Average traveled 5600 points on a closing basis, yet finished the quarter within 120pts of where it started. Market tops tend to be a process rather than a moment in time, so let’s review the current evidence:

1. Valuations – no matter which metric you use (trailing P/E, CAPE10 P/E, Total Market Cap/GDP, Margin Debt as a % of GDP, etc.) stocks are not cheap. The above metrics range from modestly overvalued to extremely overvalued. I would argue that this is what one would expect to see when the market is trading near all-time highs. Theoretically, valuations could still move higher before a market peak.
2. Technicals- this bull market is now five years old; the average bull market is 3.2 years, so it is definitely getting long in the tooth. However, pure price action has the SPX trading solidly in the 3+ year uptrend channel; the uptrend is still intact until a trend line is broken, so no concern at this time.
3. Seasonality – “Sell and May and go away”, a Wall Street axiom that does have academic research to support the theory. No one can argue that the summer months tend to be weakest for the stock market; couple that with a mid-term election year cycle (typically weak Q2 and Q3), and this year is not likely to be different. Seasonality on its own, however, does not portend a market top; it merely suggests weakness in the months ahead.



Conclusion

No one can predict the markets, or even come close in a NCAA bracket! We take the weight of the evidence approach and make an interpretation. Current markets are overextended on a fundamental and technical basis. Coupled with the seasonality affect, the next few months will likely be rocky but are not showing signs of “the top.” Additionally, we have mechanical methodologies that will tell us when it is time to enter and exit the market. The methodologies will not work every time, but they work over time. Let’s let the systems work and not get caught up in the day-to-day gyrations.