Wealth Coaches

more of what matters to you

The Wealth Coaches Clipboard – Finances

In this issue, Mike Komara takes another look at how MKD views wealth.

The film *Cleopatra* was set up as an expensive project meant to save the sinking fortunes of 20th Century Fox, whose executives went to great expense to build colossal and elaborate sets, including an entire fleet for the final Battle of Actium. But with delays and the transfer of the entire project from England to Rome, the cost of the movie escalated, and the production came to a standstill. A new start was required, which, among other things, required the rebuilding of the huge sets in Rome and the rewriting of the entire script by Joseph Mankiewicz (the second director on this project). The movie ran over budget with a cost of more than $40 million (or $239 million in today's dollars!), but its makers still had ambitions that this would be the epic of all epics. In the end, however, it netted only $26 million after its initial release. Although it eventually recovered its losses, it was considered a colossal flop both at the box office and with critical opinion in general.

Today, it's not unusual to spend $300,000 a day to make a movie. That's $12,500 an hour, even while actors and production crew are sleeping. Because there is so much at stake, film makers ask, before taking on a new project, questions such as: Why this project? Why now? Why with this group of people? With this investment of money? How will we capture the audience?

Guess what? There's another movie playing today. It's called *Your Life*. And because so much is at stake, financially and otherwise, these same kinds of questions need to be asked so you can avoid similar pitfalls that the filmmakers of *Cleopatra*, experienced, i.e., overruns on your budget, absence of a unifying direction, lack of positive impact.

At MKD Wealth Coaches, we believe Finances begins with the development of a plan, a life script if you will, that identifies your vision of an amazing life. It also identifies what you value – which then gives direction to how your valuables should be invested.

To be specific, we need to put the *content* of investments, insurance, estate and tax planning…into the *context* of our lives. What we value must give direction to what we own, give, engage with, etc.

When it comes to finances, our "script" needs to include plans for Making It, Growing It, Keeping It, and Distributing It.

1. Making It.

There's a general principle at play here and it's this: the more people we serve well, the more we receive. The more people we help get what they want or need in life, the more likely it is our finances will improve. Whether it's providing a product or service or being there for someone, good things come back around to those who are focused on serving others well. When we are focused on serving others our resources expand. It's one of the paradoxes of life – if we want to gain we need to give.

2. Growing It.

When you boil it all down, there's basically only two ways to make money – it's people at work and/or money at work. Since most people are doing all they can from a work standpoint, it's imperative that we make our money work as hard as it can. By working hard, we don't mean taking undue amounts of risk. Rather, allocating appropriate amounts to different asset classes that are in line with your planning objectives, values, time frame and risk tolerance. As our Chief Investment Officer Steve G. reminds us, "strategies don't work *all* the time, they work *over* time." The financial markets will ebb and flow, but staying the course and working your plan will keep you on track and in good shape.

3. Keeping It.

There are plenty of "bandits" lurking to lighten our pockets – spending habits, taxes, keeping up with the Joneses, etc. Implementing a few good habits can safeguard our finances, such as, pay yourself first. Before spending money on things we may not need, have a predetermined amount of money each month deposited directly into your various bank and brokerage accounts for saving (emergency and short-term needs) and investing (long-term growth). Second, minimize the drain of taxes. Make sure you are benefiting from the various tax shelters available to you: tax-deferred retirement accounts, tax-free municipal bonds, etc. Also, utilizing the assistance of a CPA can help insure you are receiving all of the tax credits and deductions available to you. Third, use hedging strategies to offset potential down-side risk to your assets.

4. Distributing It.

Ever see tourists bobbing in Israel's Dead Sea? That's because the water's salt concentration is 33%. While the brine is great for buoyancy it's toxic to all aquatic life. Why no life? That body of water is completely landlocked – no fresh water flowing in or out to refresh or renew it. Same is true for us. If we hoard our resources we become toxic. In contrast, if we share a portion of our resources with others in need – we help lighten their burden and restore our spirit. Churchill said it best, "We make a living by what we get; we make a life by what we give." Find a non-profit you're passionate about and seek ways to give yourself to it. It will be like plugging into to a recharging station – everyone benefits.

Unlike *Cleopatra,* the "movie" called *Your Life*, can be a "box office" hit – starring you and those you love. With proper planning and perseverance you can live the life of your dreams – one beautiful "scene" at a time. Live it up!

Market Outlook

Steve Goodman

In the first three months of this year the DJIA has traversed 8234 points on a closing basis, yet finished the first quarter just 47 points from where it started January 1. Meanwhile, the broader S&P 500 Index eked out a meager 0.4% (8.9pt) gain.

Until the Federal Reserve makes a decisive move to take away the punch bowl, evidence suggests that more new bull market highs lie ahead. In addition, the definition of "decisive move" is wide open for discussion or debate. From a historical perspective, just one, two or even three interest rate hikes seldom kill a bull market. Yet we are in one of the most interest rate sensitive markets that we can remember. Therefore, we have no preconceived notion of exactly when this bull market will expire, or what will trigger the final demise (although monetary policy is the usual culprit!). We should continue to give this bull market the benefit of doubt until evidence dictates otherwise.

For the month of March, only the US MidCap (+1.6%) and SmallCap (+1.2%) indices gained ground, and they are the leaders for the 1st quarter as well, at +4.9% and +4.0% respectively. Although the Dow 30 lost ground for the 1st quarter, at -0.3%, all other US and Canada indices recorded modest gains (S&P 500: +0.4%, Nasdaq: +3.5%, Canada's TSX: +1.9%).

Developed International and Emerging International groups followed the overall US pattern: down in March, up for the 1st quarter. Developed International did particularly well, at +5.5% for the 1st quarter, buoyed by exceptionally strong German and Japanese performances.

As this bull market is six years old, and heads into the seasonality weak time of the year, a pullback or correction would not come as a surprise. Our strategies are based on facts, not

opinions or emotions, and will guide us to the appropriate actions going forward. A break buy the S&P 500 below the trend line, currently near 2000, could signal the potential for a deeper pullback.

You should be receiving statements at least quarterly from Fidelity or other custodians of your accounts. If you are not receiving these statements, please contact us and your custodian immediately