



Quarterly Client Newsletter

2nd QUARTER 2019 REFLECTION

BY ALEC BETHURUM
SR. PORTFOLIO MANAGER

My contribution in to our newsletter has traditionally focused on the quarter to quarter activity in markets and the economy. While I still believe this information is both interesting and relevant, I want to do something a little different and discuss the evolution of the financial services industry and Sterneck Capital's place in that evolution.

The last decade has been extremely progressive for the individual investor. Until the last 7-10 years the financial advice business was dominated by the name brand "wire houses", Merrill Lynch, Morgan Stanley, Paine Weber etc. These firms operated on a transaction-based model, with salesmen incentivized to generate trades (buys or sells of securities) to produce commissions. These brokers held themselves out to have an informational edge that would allow them to produce superior results. Unfortunately, for various reasons, this frequently was not the case.

There has been a dramatic shift in this model. While wire houses still maintain the largest market share, substantial assets have transitioned to fiduciary asset managers known as registered investment advisors (RIAs). Sterneck Capital is a RIA. In this model, the client and the advisor are on the same side of the table. Advisors have no incentive to invest client money in proprietary products or trade excessively. Instead, the advisor is compensated on a percentage of assets. Operating as a fiduciary, RIAs are incentivized to focus on costs, mitigate taxes, maintain stability and achieve long-term goals.

With these goals in mind, we do not spend all our time trying to "predict the future" by selecting the next Microsoft or Amazon, the needle in the haystack. Instead, we focus on things we know and control, the haystack itself. What are some things we know and can influence?

We know that, over time, the GDP will expand as income, generated by profitable enterprises, is reinvested back into the economy. This growth makes the companies that comprise the stock market more valuable in the future. So, we own equities (the stock market) for the long term.

We know accounts will grow faster, on a relative basis, if we are tax efficient, allowing more dollars to be invested and available to compound.

We know that retirement outcomes are improved by making intelligent decisions about when to begin taking social security distributions.

We know that volatility and negative returns in asset markets have always been temporary so we don't make big changes to our asset allocation in periods of stress.

In short, the evolution of the asset manager allows us to truly act as your advisor and engage our 50 plus years of combined experience and objectivity to your benefit. At a macro level, the result of both advisor's advice and client's ability to receive it has been hugely beneficial to the investor. Vanguard completed a study in 2015 that quantified the upside of advised clients versus non-advised and found that advised clients generated annualized returns, net of fees, 3% higher than non-advised. That difference has a significant impact over time and greatly increases the probability of one achieving their financial goals.

We think this data demonstrates the value of a financial advisor. We also believe that, just like many pursuits in life, whether it be a successful fitness regimen, a lifelong friendship, or your newest hobby, you are going to get more out of it depending on what you put in. In the case of your partnership with Sterneck Capital the greater advantage you take of the tools and experience we offer, the better your results will be. In this newsletter, both Robin and Frank discuss areas where we can help you and you can help yourself in achieving financial goals and security.

The world has changed for the better. Your success is our success and we are privileged to be your advisor.

MISSION As a fiduciary we commit to excellence and high standards as we deliver tailored portfolios and financial planning to reduce risk, improving the probability of our clients' success.

CORE VALUES Client-Centric Stewardship
Integrity
Excellence
Team Work

PLANNING FOR SUCCESS

BY FRANK STERNECK, CO-FOUNDER & CHIEF INVESTMENT OFFICER

Over time, I have grown to embrace the role financial planning can play in helping clients achieve their financial goals. With the improvement in technology and software, financial planning is a dynamic process that is real time as opposed to analysis at a single point in time. The broad investment matrix and its respective risks requires a methodology to help one align client goals with an investment strategy. Thus, planning is equally important to the advisor as it dials in what type of investment strategy is necessary and appropriate.

At Sterneck Capital, we utilize *eMoney* as our financial planning software. In addition to being a robust planning tool capable of analyzing multiple factors and scenarios it is a great aggregator and organizer of one's financial life. Simplification is a goal for many as our life can get increasingly complex over time. If you are not currently using *eMoney*, we'd be happy to further illustrate how organization and planning can work for you.

Below, Robin emphasizes the value of planning as clients prepare for the later years of life. It's an introduction to themed writings titled "Retirement Renderings". Renderings is a word that relates to the blueprint or designed path to retirement and is relevant to enhancing our partnership with clients.

QUARTERLY INVESTOR CALL

Tuesday, July 23 @ 10am CST

To register: 816-531-2254 or
info@sterneckcapital.com

RETIREMENT RENDERINGS: TODAY IS THE DAY

BY ROBIN STERNECK, PRESIDENT

One of our most rewarding roles as your financial partner is to help you design the blueprint to and through your retirement. Like other destinations in life, getting there and achieving your financial, health and legacy goals takes intentionality. That said, intentionality and good intentions sometimes diverge, and we find ourselves putting off important things thereby missing opportunities that would serve us well now and later. Data shows that women defer focusing on their joint or individual financial future more often than men. This is true but intriguing since financial security is an element critical to overall well-being for both men and women. Women and men learn, lead and think about our economic lives differently. This is not a bad thing and we can provide evidence why this difference occurs (see *Women & Retirement Planning* @ <https://sterneckcapital.com/news-resources/>) but suffice it to say that now is the time for each of us to assure we are making well-informed decisions about our hard-earned wealth.



We should each have a personalized roadmap to navigate through the accumulation, consolidation and distribution stages of our fiscal lives. Our experience, in-house tools and our legal and tax advisor network can guide you through the design of that plan with our eyes on your goals, risk tolerance, tax sensitivities and asset management.

In our speed of life worlds, it would be easy to again postpone this but that will assuredly translate into leaving this smart "to do" on our list and not moving closer to the retirement we want and can own. As Janet Dailey said, "Someday is not a day of the week" check out <http://bit.ly/RCalc> to access retirement income needs and give us a call. We can do a lot of the heavy lifting for and with you.

For a high level Planning Checklist see <http://bit.ly/SCMPlan>

To see what your personal eMoney Planning Dashboard can offer see <http://bit.ly/SCMDashboard>

