



BURNS INSIGHTS

July 2013

BURNS INVESTMENT GROUP OF STIFEL

30448 RANCHO VIEJO ROAD, SUITE 110, SAN JUAN CAPISTRANO, CALIFORNIA 92675

(866) 886-7593 TOLL-FREE | (949) 234-2340 MAIN | (949)234-0326 FAX

WWW.BURNSINVESTMENTGROUP.COM



It's so easy that it's hard!

One of the biggest ironies of investing is that most investors are only willing to invest when they feel good. The problem with this behavior is that it often leads to buying high. Everyone can agree that for investing to work, i.e., to make a profit, one should “buy low, and sell high.” The problem though is that most investors find this facet of investing not only difficult, but darn right illusive.

The issue is that we humans like being right. In order to be right, we then look for information that we feel will ensure success. That sets us on a course of going on the internet, watching CNBC, subscribing to newsletters, or my favorite, listen to your friends or relatives. The problem is the same information is available by everyone and therefore a “group” think starts and everyone begins falling in love with same investments. This sets up a scenario where prices are overvalued and investors are complacent about the inherent risk. It amazes me that so many investors think that they can get low prices and feel good at the same time. In my over twenty-five years of experience, I have found that buying low and feeling good are two mutually exclusive events.



Algebra of Investing

It has been nearly 40 years since I took algebra, but I have found one of the most basic principles, the “Substitution Principle” to be very salient in what it takes to become a better investor. The substitution principle states simply:

If $A=B$; then $B=A$.

With investing, I have changed this principle to:

If *Low prices = feeling terrible*; then *feeling terrible = low prices*.

Another way of putting it is that when you are feeling poorly about the markets or your portfolio, chances are that prices are low and it may worth consider making an investment. We need to change the internal conversation we have as investors to look at the tribulations of the markets as opportunities to commit funds. I get many clients calling me wanting to liquidate at these times. In my opinion, it is too late, the prices are already down.



Where are we now?

One of my favorite truisms of investing is, “A healthy market climbs a wall of worry.” That’s where we have been for the past four years. The market continues to be risk-adverse and fear-motivated. We continue to have a combination of fair valuation and a pessimistic sentiment. This is very healthy for the market and is very indicative of a strong market.

Markets tend to top-out when we have over-valuation, greed, bravado, and complacency about risk. I haven’t seen investors complacent about risk in almost five years—but we need to be on our guard for when the sentiment of the markets make this shift. I encourage you to listen as to how the pundits in the media and other people are talking about the market. I will worry most of all when “Mr. Know-it-All” feels that making money is easy, and there is justification why buying high valuations make sense.

Important note: I believe investors should use market strength to build liquidity by taking some profits from the equity markets. But if the market were to have a correction due to an external event (Europe, Middle-East, etc.), I would encourage to use that as an opportunity to add to your investment strategy. Feel free to call me to discuss your situation to see if it makes sense to adjust your holdings.



Burns Investment Group is expecting!

I am pleased to announce that my son, Noah Burns, has joined the Burns Investment Group this July. He is a Financial Advisor with our group. He has spent the past three years living in Chicago and working at one of the industry's investment firms. He is excited to start this new chapter in his career. He will be spending most of his time with new client acquisition. Please know that he will follow the same philosophies and strategies of the successful investor mindset which is the hallmark of what we do for our clients. We also want to assure all of my current clients that you will continue to be serviced by me, May, and Jeff. I am not ready to retire—Truth be told, there is no way my wife would let me!

As always, we want to thank each of our clients for the trust and faith you have put in our team—especially during these past four challenging years. We will continue to work hard on your behalf. Please don't hesitate to call us if you have any questions or situations that need our attention.

Referrals Appreciated

In order to help him get started, we would appreciate your referring your friends, family, and business associates that may be in need of investment and financial planning assistance offered by Stifel.

We are seeking clients with a minimum of \$250,000 investable assets, and who are looking for a long-term relationship with a team of professionals based on mutual respect and benefit.

Do you know any of the following?

- Pre-retirees who are considering retiring within a few years.
- Investors who are not happy with their current advisor.
- Investors new to the area.
- Executives of publically-traded companies who may of stock options.
- Investors with 401(k)s at prior employers.
- Business owners who are consider selling the business.
- Inheritance recipients.
- Divorcees and Widowers

We offer all of these investors the following:

- One-hour complimentary consultation.
- Free information packets on the Burns Investment Group (just call us with an address and we will send one to your referrals or to you).
- Free Asset Allocation Analysis.
- Free Financial Plan offered by Stifel

Successful Investor Mindset

Our commitment to our clients is to help them to become the best possible investors and where we feel we are able to deliver real value. The Burns Investment Group “Successful Investor Mindset” philosophy is predicated on two main tenets: Logic over emotion; and structure over prediction. We also rely on strategies that have worked for decades namely, diversification, balance, and professional management. We take the time to understand to where each of our clients are in their personal stage of life as well as their past experiences, family dynamics, and any other qualitative factor that has an impact on their situation. Lastly, we also encourage the behaviors of discipline, consistency, and patience. *Diversification does not ensure a profit or protect against a loss in a declining market.*

BURNS INVESTMENT GROUP OF STIFEL

Robert W. Burns, CFP®

Branch Manager
Senior Vice President/Investments
CA Insurance License No.
0A72683
BurnsR@stifel.com

Noah Burns

Financial Advisor
BurnsN@stifel.com

May Y. Jin

Assistant Branch Manager
CA License No. 0D46802
JinM@stifel.com

Jeff Bangerter

Registered Client Service Associate
BangerterJ@stifel.com

For additional information, please call us at (949) 234-2340 or through our web site at www.BurnsInvestmentGroup.com

Stifel, Nicolaus & Company, Incorporated
Member SIPC and NYSE