BURNS INSIGHTS

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Weathering El Niño

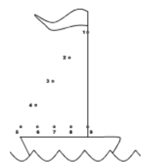
As almost everyone knows, especially if you live in California, we have been experiencing an above-average amount of rain due to El Niño, the periodic weather condition that occurs approximately every seven years or so. Due to the severe drought conditions from the past several years, we are quite thankful for any moisture that comes our way. All indications are that this El Niño is going to be larger than normal, so much so that the press has dubbed this "Godzilla" El Niño. From what we know about weather forecasting, it is difficult for even the experts to know exactly the duration and severity that this year's El Niño might be. In any event, we must be prepared for whatever level of havoc the storm may present.

Unfortunately, as I write this newsletter, we investors are experiencing our own market-related El Niño. All the broad market averages are down. As of January 20, the S&P 500 Index is down over 12%, and the Dow Jones Industrial Average is down over 13% from their highs last May. And with oil being well-below $30 per barrel, the energy sector has been crushed. Geopolitical concerns have made the global markets and high-yield bonds fraught with challenges as well.

I have been calling 2015 the "Year of Geopolitical Risks." It started with Greece facing bankruptcy at the beginning of the year, and then we've been confronted with event after event, such as oil prices dropping; Malaysian airliner being shot down over Ukraine; Middle East tensions; China's economy slowing down, Syria and the refugee crises; Paris terrorist attack; the presidential election and the Fed starting to raise interest rates. It has been one thing after another.

Best Offense is a Good Defense.

What is in store for 2016? So far, it looks like this year's volatility is a result of continued geopolitical events, i.e., the China economy, low-oil prices and North Korea testing a hydrogen bomb. The Fed looks as though they will continue to modestly raise interest rates, and the presidential election makes for interesting discussions. In general, the market isn't acting well from a technical basis. Technical analysis involves looking at an index's or stock's chart to infer what the future action might be. It is more of an art than science, but I have found it useful in assisting in when it might be okay to add or take away risk from a portfolio. Right now, I feel it is best to play a strong defensive game. Like we have consistently stated as part of the Successful Investor Mindset, we employ time-tested strategies such as diversification, balance, professional management, periodic on-going review and do it in the context of your long-term financial goals. Most of you have been through these declines before. Don't let the market dissuade you from the big picture. If the market stabilizes a little bit, we might want to then consider going on the offense.



Connecting the Dots

I recently watched a commencement speech given by the visionary leader, Steve Jobs. One of his quotes really got my attention: *"You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future."* Not only does this apply to one's personal life (I can now see how some of my traits as a child led me to be an investment planning professional), but it applies to looking at the markets' performances. While we are in a bad market, it is difficult to see all the reasons why the market did what it did. It is only after the perspective of a few years passing where it is clear what led to a certain outcome. I have had many discussions about the movie, "The Big Short" which does a good job explaining, in retrospect, the economic crises in 2007-2008. The important part of connecting the dots backwards is to learn lessons that you can use in the future. Steve Jobs used his adversities, his natural curiosity, and his impatience with the status quo to become an innovator like we have never seen. My hope is that I can use what I have learned over the past 29 years to help all of us to become better investors so that your life-time financial goals are potentially met. Note: To see the speech, go to YouTube and search for "Steve Job commencement speech." It should pop right up.

The Rainbow Connection

All storms should go away and make way for clear skies, and every so often we get a rainbow. We don't know how long this storm will last or how strong it will be, but difficult times should be replaced with better times. Sometimes we have to have patience and wait out the storm. We want all of you to know that we take our jobs seriously, and we always want the best possible outcomes for your portfolios. We take it to heart as to what our clients are experiencing. From the bottom of our hearts, thank you for the trust and respect you give to us all through the year. We consider ourselves truly blessed to have you as our clients, and we will continue to be diligent in earning your future faith as well.

Noah's Corner

New Financial Planning Software!

In these trying times, it often seems that we have little control over the many factors in our lives. Our team contends that the world is a complicated place and that it is more complex and confusing than the sound bites the media serves up; and it will continue to be so. We want to make you aware of our new financial planning software through Stifel because we think it's an excellent tool. It can help you look at the factors over which you have the most control, such as your goals and spending. We can then show you from a probability perspective the odds of your goals being met. We call this your ***Confidence Zone.***

Need, Want, Wish – What's the Difference?

Since our new software is goal and priority focused. One of the first things our clients are asked to do is to create goals and then assign them a priority on a scale of one to ten.

Anything between eight and ten is a "**need**". If you're given a monthly income, these goals will be funded first. There are two default needs, which are retirement income and healthcare. Retirement income needs cover such things as housing, food, gas, and utilities. If you had to choose between going on a trip and having a home or paying for healthcare, your dollars are going to be spent on the healthcare and mortgage.

A priority score between four and seven is a "**want**." Common wants are car replacements, home improvements, and travel. These are clearly important to nearly all retirees, but typically not quite as important as your housing, food, and healthcare needs. Lastly, a priority three or below is a "**wish."** These are typically gifts and charity donations.

After all is said and done, we will input these goals and priorities into our software along with your pensions, investment accounts, risk tolerance, inflation assumptions or more. The software will run many, many simulations of the inputs and return a report giving us the probability that every single one of your goals is met. The report also gives a breakdown as a percentage of how likely your needs, wants, and wishes are to be met. We think the report is both encouraging and empowering. If all of the goals are met, it will empower our clients to treat themselves to a little something extra. If all the goals are not met, it empowers our clients to make the tough financial decisions and truly prioritize their spending.

What's your Confidence Zone? Let us put you through the process. Our clients who have done the plans have found it to be very helpful, and we are confident that you will to. Call today for an appointment.

Disclaimer: Asset allocation/diversification does not guarantee investment returns and does not eliminate the risk of loss. Past performance does not guarantee future success and no one can predict the markets with any certainty. Dollar cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices. Stifel does not provide legal or tax advice. You should consult with your legal or tax advisor regarding your particular situation. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. The Dow Jones Industrial Average is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

Referrals: Yes, please!

With my son, Noah, joining the Burns Investment Group of Stifel, we are looking to take on more clients. We are asking our clients to please keep us in mind in referring us to your family, friends, and business associates that may need help with their investment planning needs. We have an information packet available to introduce our services to any prospective client. Just call us, or have them call us, for a complimentary consultation or to get an information packet.

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.

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