



BURNS INSIGHTS

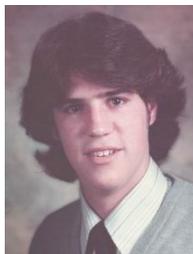
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BURNS INVESTMENT GROUP OF STIFEL

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Robert, circa 1977

Risky Business

In the perfect world we would have no risk and high returns. And in a perfect world, I would still have a head full of hair. But we must deal with reality. My reality is that I am a bald, mid-fifty-year-old. Not only will I likely always be bald, but with every passing day, I am seeing more creases, wrinkles, sagging. I even pay close attention to those television commercials specifically directed to my demographic.

The reality of investing is that there is a trade of between risk and return. Instead of trying to avoid risk at all cost, we need to decide what is an appropriate level of risk given your personal situation (your goals and tolerance to assume risk) as well as what the market conditions are (current valuations and sentiment)

When it comes to risk in our personal lives, we are in a constant state of calculating and managing risk. You may not even be aware that you are doing it, but throughout the day you consciously and subconsciously are weighing the cost versus benefits of every decision and action you undertake.

The analogy I like to use most when discussing the issue of risk assumption, is driving in Southern California, where a car is a necessity. Every time we get behind the wheel we are assuming level of risk.

In one of the tenets of the Successful Investor Mindset, Structure over Prediction, we use strategies such as diversification, balance, professional management, periodic review to help our clients pursue their goals. With driving we do a similar thing. For example, in order for me to go to Los Angeles, there are several decisions I have to make. I quickly assume the risk and then decide how I can mitigate the risk. In other words I look for strategies that may work. I could take side streets, but I want to get to my destination in a timely manner. Therefore, I decide that is worth the risk of getting on the freeway. Next, I decide which freeway. I have several options. I often consult the traffic on Google Maps so I can see which

freeways are flowing the best. I also decide what time I should leave. I try to avoid early morning or late afternoon due to the hellish traffic of rush hour.

Other strategies to lower the risk include paying my car insurance, driving at a safe speed, making sure my car is mechanically sound, and not texting while driving (I am working on this one). Even with all the care taken, it doesn't guarantee that: A. There isn't a traffic accident ahead that causes the freeway to come to a crawl; B. My car breaks down; C. Someone hits me; or D. I hit someone. With all that said, I still choose to get on the freeway. Most of the time it works, but with traffic, investing, and life, sometimes things happen.

Risk assumption isn't static, it's dynamic. I find this particularly important in investment management. There are times when I feel when it is worth it (due to attractive valuations and sentiment) for investors to be more aggressive. Think back to the beginning of 2009 where we had extremely low prices and unmitigated fear. It was worth it to "stealthily" take on some risk. Right now, valuations appear to be reasonable or even a little high. Sentiment continues to be okay—investors seem to be fear-motivated and risk-averse. Ergo, I believe the "wall of worry" is still intact.

Bottom line, when we are discussing portfolio reviews with our clients, we spend as much time talking about the returns and about the risks. I have a huge respect for risk. I don't run from it, but look straight at it. I have seen as much damage from investors thinking they were avoiding risk and ending up with an unintended outcome. If you are concerned about the risk of your portfolio, please don't hesitate to talk to us about it. We want to show you what the strategies we are using for you to mitigate the risks so you feel comfortable about how you are positioned in this market. We want you to know that we take a lot of care in concern in making sure your portfolio is prudently invested and consistent with what you and your family needs.



You Are No Winner – Don't Be a Loser!

Sorry, but you didn't win a million dollars. And a Nigerian prince does not need your financial help. That e-mail you received asking you to reply with your personal information is likely a scam.

The computer hackers are out there and they want to take your money!

We have to be on our guard so as not to be victimized. We have included a two-page document, "Helpful Tips to Privacy Breach." I encourage you to read it. Please know that Stifel is very serious about protecting our clients from becoming victimized. We have implemented many protections and rules that decrease the chances of your accounts being hacked. All the employees have gone through training on the subject of cyber crimes. If you have any questions, or if you ever feel you may have an issue of this nature, don't hesitate to call us. In certain areas, we may need to slow down a little bit, but trust me, it is for everyone's benefit!

Noah's Corner



It's Never Too Early

Through creating investment plans for hundreds of individuals and families in the Orange County area, we have seen that it is often the families that learned to save early that may be in the best financial position when they near retirement age. As we make a push to begin working with young professionals, we are hoping to teach the next generation the value of saving early, learning to apply the Successful Investor Mindset, and working with a financial advisor to help free up time and shift burden. If you have a family member that is in their accumulation phase and would like to start a relationship with us, please have them call our office for an information packet or a complimentary consultation.

Disclaimer: Asset allocation/diversification does not guarantee investment returns and does not eliminate the risk of loss.



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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