BURNS INSIGHTS

STIFEL | Burns Investment Group

burnsinvestmentgroup.com

30448 Rancho Viejo Road, Suite 110 | San Juan Capistrano, California 92675

"It's a Mad, Mad, Mad, Mad World"

"*It's a Mad, Mad, Mad, Mad World*" is a 1963 epic comedy film that was about greed, self-interests, egos, and strained relationships. It has unforeseen plot twists and interesting characters, including a stalwart lead investigator played by Spencer Tracy. The film garnered six Academy Award nominations and was named in American Film Institute's list "100 Years … 100 Laughs."

I was only three when it came out, so why does it seem like I have seen this before? Oh yeah, now I remember. I have been watching the news.

Geopolitics Defined. Geopolitics is the study of how geography and economics influence policy and the relations between countries. Geopolitical events seem to have become center-stage in the past year, but the risks associated with geopolitics have always been there. Think of the Cuban Missile Crisis in the early sixties or the Iran Hostage Crises in 1980. More recently, think about the issues with regard to the Russian Probe or North Korea, and, most recently, President Trump's tariff proposal. All of these issues had tremendous effects on the financial markets. For investors, it is a risk that is challenging, because the impetus is often due to an unforeseen event. The event can often seem very benign at the beginning, but take on a life of its own as either the facts become known, or the consequences of various decisions evolve over time.

Effectively Managing Geopolitical Risk. We have found there are several effective ways to psychologically handle this type of risk:

1. ***Structure Over Prediction.*** This is one of the two major tenets of our Successful Investor Mindset. I often sound like a broken record when I state that we can't predict, guarantee, or control the future. But I can guarantee that the world will continue to be complex, complicated, and confusing and much more complex, complicated, and confusing than the popular media lets on.

2. ***"Crack of the Door" Theory.*** I assume that I NEVER have all of the information about ANYTHING. When I am looking at an issue, I tell myself that I am looking into a giant room, but only through the crack of the door. Even though I can infer some things, I never go so far as to state that I know everything that is happening in the room. Back to the media: The media often reports as if they have all of the information about an issue and that their perspective on a given issue is unquestionable and unbiased. Wrong! No one has perfect insight, and everyone is biased. In this light, I never let myself become overly upset or obsessed about a news event. I accept that there are always more facts to a story, and that there are more perspectives about the given circumstances.

3. ***Discipline, Consistency and Patience.*** These are the three behaviors that successful investors have. We help our clients practice discipline through: proper asset allocation consistent with their personal goals, diversification in each allocation, professional management, and doing all of this

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in the context of a financial plan. Consistency is attained from regular account reviews, meaningful communication, and periodic rebalancing. The last one, patience, can be the toughest. We can't do it for you. You have to supply it for yourself. Patience comes from wisdom and experience. Our long-time clients, who have been through difficult periods, find it easier to be patient because they are more likely to have reaped the rewards of patience — especially during the most difficult periods. Newer or younger investors are very challenged to be patient, and it often leads to over-confidence when the market is high and over-pessimism near market bottoms.

No doubt, we live in interesting times. If a few years ago, you had written a script about what we are going through right now, no one would have believed it. As the old saying goes, "Truth is stranger than fiction." We don't know what will transpire over the coming weeks, months, and years. We do have the mid-term elections coming up in a few months, so you know it will get interesting. If you are concerned about how your portfolio has been affected by recently volatility, please don't hesitate to call and discuss your concerns. We can provide you an analysis to show you where you're at currently. Also, we have been providing the opportunity for updating financial plans to help our clients see their probability of attaining their goals. Please know that our whole team is there to serve you no matter how mad, mad, mad, mad the world gets. As always, thank you for the trust you have given to us.

Diversification and asset allocation do not ensure a profit or protect against loss. Rebalancing may have tax consequences, which you should discuss with your tax advisor.

Burns Investment Group
www.burnsinvestmentgroup.com
30448 Rancho Viejo Road, Suite 110
San Juan Capistrano, California 92675
toll-free: (866) 886-7593 | office: (949) 234-2340 | fax: (949) 234-0326

Robert Burns, CFP®, AIF®
Senior Vice President/Investments
Branch Manager
(866) 886-7593 | burnsr@stifel.com

Noah Burns, CFP®
Financial Advisor
(949) 234-2356 | burnsn@stifel.com

May Jin
Assistant Branch Manager
(866) 886-7593 | jinm@stifel.com

Jason Marks
Client Service Associate
(949) 234-2354 | marksj@stifel.com

Noah's Corner

Giving in Retirement

If you've allowed our team the opportunity to present you a comprehensive financial plan for you and your family, then you're familiar with our line of questioning regarding retirement spending. Typically, we walk our clients through a variety of potential spending goals during their retirement. This can include car replacements, home improvement projects, traveling, and other major expenditures. Our goal as financial advisors is to evaluate whether our clients can comfortably afford these costs on top of daily living expenses.

In addition to taking into account these expenses, we also prioritize them. For example, our clients almost always believe putting food on the table is more important than taking extravagant vacations. Frequently, our clients inquire about charitable giving and the most effective ways to give. Some prioritize it above some very important expenses like car replacements and travel, and others have it in the category of a "wish" and not a "need." Either way, we are always happy to shed some light on how to give effectively and comfortably during retirement.

One of the most tax efficient ways to give is through the donation of appreciated stock. We see a lot of retirees selling stock, paying taxes on the capital gains, and then donating the proceeds. However, giving the stock itself directly to the charity can be a much more tax-friendly way to give to your favorite charity. . When giving long-term appreciated stock to charity, you receive an itemized deduction for the full fair market value of the stock on the date of the gift and you never have to realize the built-in capital gain.

Something we have recently recommended is doing this through the use of a donor-advised fund. A donor-advised fund is a vehicle that allows generous investors to receive an immediate tax benefit while retaining investment and grant making decisions over the assets. There are other advantages of using a donor-advised fund, such as anonymous giving.

If you and your family are interested in integrating charitable goals into your retirement plan, our team would love to be of service.

Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.