

Biggest Investing Mistakes

It seems almost every financial publication has their list of investments to buy now. Most often these turn out to be either inappropriate, at best, or just plain wrong. It may be more important to consider things to avoid. Here are four mistakes we would put at the top of our list.

1. Rear-view mirror investing. Most investors have short-term memories. All of the hammering we get from electronic media causes us to think about what is doing well, or not well, recently. This can be a huge mistake if investors continually move their money around, searching for a way to achieve high returns. Likewise, investors tend to be too trigger-happy, jettisoning holdings that are not performing well at the moment.

2. Timing the market. Even though the stock market has had a tremendously good five years, most do-it-yourself investors have been on the sidelines, keeping money in cash after bailing during the last bear market. Then they suddenly decide to jump into the market full bore. What happens, of course, is they discover they are late to the party. Better to start dollar cost averaging and then take advantage of a selloff by buying more when there are bargains.

3. Not understanding the difference between the return you want and the return you need. Most investors never take the time to figure out what rate of return they need to accomplish their investing goals. Too often, they will say they want what the stock market is gaining, but without any downside risk. Our approach is to start with the rate of return needed, then create an investment mix that might achieve that return, and do it within the investor's risk profile.

4. Forgetting about legal documents. Even if investors follow all the right investing steps, it could be for naught if something happens to them without updated legal documents. Don't be caught in this situation. Be sure you have a current financial power of attorney and have named someone you completely trust to act on your behalf.

Sell Bonds?

The folks on financial TV have done a lot of disservice to investors over the years, but their efforts to scare people out of bonds may be one of the worst. While PDS has moved bond holdings to shorter maturities, or allocated dollars to bond funds that give management broad flexibility, we do not advocate selling out of bonds. If we sell bonds, where do we go? A bad day with bonds is a one or two percent loss, but nothing at all compared to the potential loss on a bad day with stocks.

Continue To Like Us On Facebook!

Social media outlets like *Facebook* give us an opportunity to communicate with our clients, and offer them a glimpse of our non-business lives. We have heard from many clients that they enjoy the pictures and informational content we share and that this provides another way for them to introduce the PDS team to people who might benefit from our services. We encourage all clients and friends to *Like Us!* We add material to our *Facebook* page frequently.

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What's Happening at PDS

Congratulations to **Bob and Sudy Hamilton** on the marriage of their son Andy. The wedding took place in Crystal Mountain, Michigan. A large contingent of family and close friends joined the celebration.

Janelle and Danny Jackson traveled to Cambodia and India in July to once again represent their church's partnership with Asia's Hope. This vital charitable organization provides family-style, residential care for orphaned and at-risk children.

Kristen Moosmiller has announced her engagement to Jeff Theado. The wedding will take place next May. Congratulations, Kristen!

Alyssa Anderson was a participant in the recent 3rd annual Columbus Color Run, a 5K event that has raised \$3 million in donations for more than 80 local and national charities.

Once a year, we schedule **Deadwood Day**, which allows everyone to clear out the dead wood in their office space. For some of us, this is a major undertaking. Every once in a while we hear "I wondered where that was!" Despite our best efforts to be a paperless office, there is still a lot of paper at PDS. For one day, at least, our offices are spic and span, and the thirty pens we have accumulated in our desk drawers are put into the supply cabinet.



Janelle, Danny and the kids from Asia's Hope



Janelle Jackson, Kristen Moosmiller, Austin Gibson, and Trina Brown are ready for Deadwood Day

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The good old days were not so good. Technology and pricing have certainly changed for the better!

PDS to Debut Orion Software

After several months of working with new software provider Orion, we are closer to the debut of our new client investing reports. Kurt Brown has been the lead PDS contact with the Orion folks in Omaha, and he has spent hundreds of hours reviewing client data from the last 27 years, to be sure the software conversion is as accurate as possible. This includes not only every transaction of every client account, but also comparing client rates of return with our current software. It has been a huge undertaking, and we are almost there.

Our expectation is that sometime in the last quarter of 2014 we should begin running client investment reports with Orion. An additional benefit of the new software will include non-Schwab brokerage accounts, company retirement accounts, outside IRAs, and other PDS-managed accounts as part of the main investment report. We will also debut a PDS app and client portal

that will allow our clients to see all of their investment accounts in one quick view. This portal will offer a robust experience for clients, allowing them to view account data in a more user-friendly fashion.

Orion will also enhance meetings with clients, providing a much better visual look at client portfolio information than our current software. Our financial planning staff is already excited about the options that will be available to them, not to mention the less time required to update client financial plans.

New software rollouts inevitably have glitches, so we appreciate your patience as we move forward with this major financial and technological commitment to our clients.

Buy and Forget? Not at PDS

We are often asked how we determine client investment allocations. For most clients we begin with our risk questionnaire, something we have used for years. It gives us both a quantitative and qualitative view of a person's expectations and risk tolerance. Often these can be conflicting, such as when someone says high long-term growth is their number one objective, but another answer says their maximum loss tolerance is 10%. Not possible! That and other conflicts will prompt a discussion of what is really important. The end result is a preliminary allocation that reflects the client's risk tolerance and time horizon.

From there, we take into consideration not only the past, but also the current market environment, as well as expectations regarding potential future changes. For example, the last thirty years was the longest period of declining interest rates we have ever experienced, resulting in a strong bull market for bonds. So creating a bond allocation based on the last thirty years could be very problematic. Likewise, as we live in an increasingly global world, markets are moving more in tandem than they have in the past. The result is the benefits of traditional diversification may be reduced but not eliminated.

To achieve better diversification, PDS uses what we call alternative and dynamic strategies in most client portfolios. These can include precious metals, commodities, currencies, hedging, real estate, as well as investments where management can invest wherever they find the best opportunities.

Some clients need an allocation that focuses on portfolio income. Other portfolios might be allocated for total return, not just yield. Some clients come to us with large individual stock positions that we must consider as a long-term hold. One observation is that almost all clients want to be in the stock market, at least as long as it is going up. But risk tolerance plummets during bear markets. Ongoing communication with the advisor is critical, we believe. Much of our recent discussions have been focused on what clients need from their investments, as opposed to what they want. Our experience is that continued focus on need helps to keep expectations in line with reality.

We do not, however, set client allocations in stone, something we would call buy and forget. It is important to revisit and revise allocations when and if our market expectations change. Many advisors develop allocations based solely on projections of historical data, but we do not. Some advisors may also ignore valuations, but we do not. And some advisors may design allocations and set them in stone. Again, we do not. Buy and forget? No. Buy and manage? Yes.



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Stat Bank

- According to a recent Harris poll, the expected retirement age of U.S. workers is now 67.1. That is up 2.6 years from five years ago.
- If the companies of the Fortune 500 were a separate country, they would be the second largest economy in the world.
- Wealthy investors, according to a poll by UBS, don't see themselves as old until they are 80.
- Total inflation-adjusted amount an average single person turning 65 in 2010 contributed to Medicare during the working life: \$61,000. Amount expected to receive in benefits: \$180,000. No wonder we have a problem.
- In 37 states, the highest-paid public employee is a college sports coach.
- Norway ranks #1 among industrialized nations with the most women on corporate boards. The U.S. is #11.
- Countries with the longest life expectancies are Andorra (83), San Marino, Japan, and Singapore. We wonder how many people have even heard of Andorra and San Marino, let alone be able to find them on a map.
- In 1913, when the Federal Reserve was established, there were more than 26,000 banks. In 2013 the number was just over 7,650.
- According to Delta Dental, the average gift from the Tooth Fairy is now \$2.42. Some of us can remember when it was a nickel.