SWFG: (Your) Portfolio Value & Gymnastics

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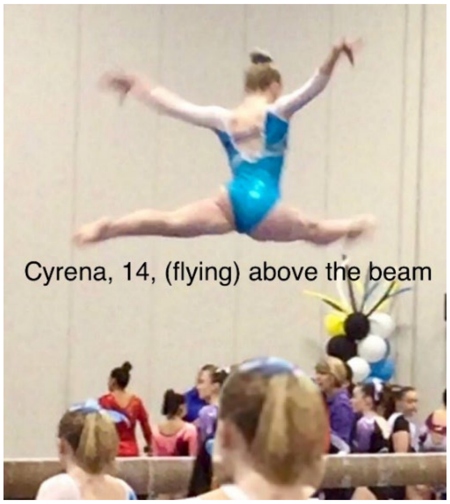
"No matter how small and unimportant what we are doing may seem,
if we do it well, it may soon become the step that will lead us to better things."
-Channing Pollock (1880-1946), Actor, Writer and Composer



Cyrena, 14, (flying) above the beam

Admittedly, I get emotional when I replay the following events in my head. I had told the family in June 2015 that we would be heading to California and Yosemite National Park in July 2016 for summer vacation. At the time, my daughter, Cyrena, was a competitive level 9 gymnast and was improving markedly each year. She let me know that she was nervous about taking extra days off from the gym even though we had been planning this trip over a year in advance! I reminded her that this was a family trip and that we ALL needed to be together.

As July 2016 approached she was well on her way to moving toward her goal of being a level 10 gymnast and at the top of her game. With trepidation, she informed her coach (again) that she would be taking a week off from the gym and we headed west.

The kids loved San Francisco and Yosemite National Park was breathtaking. A week into the vacation and due to Dad's "want of a sequoia tree" seemingly disaster struck. From a tree, close to 15 feet up in the air, she fell backwards and landed shattering her tibia, fibula, and growth plate. Unfortunately, it was her "Joe Theismann Monday Night Football moment." My first (and recurring) thought was that her gymnastics career was over. I was just so thankful that she was going to be able to eventually walk. Evidently, those thoughts never crossed my daughter's mind.

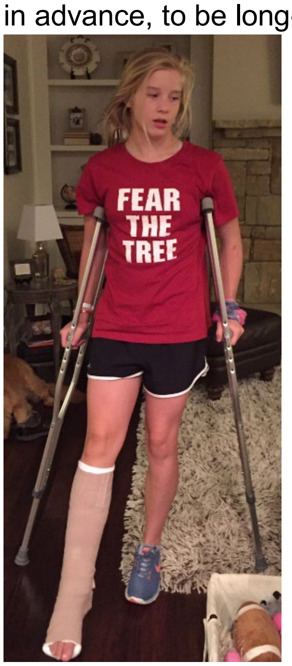
The Dreaded Sequoia Tree

Upon returning to Atlanta and after seeing another doctor, 10 days later she was back in the gym working out her upper body. She went back to her same routine minus the one limb that wasn't functioning properly for the moment. She showed little emotion or self-pity – over and over she stuck to her plan to work out as she always did. With tremendous support from coaches and teammates, she slowly began to regain her skills.

Fast forward to just last weekend (2/2017) – the girl who couldn't walk 6 months ago scored a combined 37.475 (out of 40) with her lowest score being a 9.3. Not only was she back, but she was better than before.

So what does my daughter's tale have to do with your account value?

1) **Your Portfolio High Water Mark**
Recently, we have seen the Dow Jones Industrial Average (DJIA) cross 20,000. For many investors, their account value may be at its' highest level ever. But just as my daughter realized in the summer of 2016, this high water phenomena can be short lived. Things happen and markets change. Her "surprise" event happened to be a rope that was unsuspectingly not fastened tightly to a tree. We don't know what the unsuspecting event will be in the future that will result in your account value decreasing. All we know is that it will happen and your first inclination will be that you lost money. We would argue that when this happens that you only "lose money" when you lock in that loss by selling. Those who have wisely decided, in advance, to be long-term investors will be rewarded over time



2) **Your "fall from a tree" moment**

It's going to happen. No one's success trajectory is a straight line. I am certain that Cyrena never saw her fall coming. But as we look at the markets[1] going back to 1900 we know that a 20% decline in the market typically happens every 3.5 years. Though the last decline of that magnitude last happened in March 2009. Depending on your portfolio allocation, it is a healthy exercise to factor in a decline in value at any point in time.

3) **How will you respond?**

As emotional as I was about my daughter's fall is as emotionless as she was. I got better in many ways from just observing her. Day in and day out, she quietly and calmly went right back to work in the gym and executed her plan and it paid off. Will you respond in kind when that inevitable fall happens? Will you stick with your plan or let emotions take over and lock in a loss? Though the following is not optimal, I found this illustration enlightening. An investor who invested $1,000,000 on 1/1/2008 in a portfolio of 65% stocks and 35% bonds and took distributions of $359,964 (approx. $40,000/year of income) would have $1,064,017 left as of 12/31/16.[2] This investor had the strength, fortitude and lack of emotion to stick with his/her plan. This is why Warren and I feel so strongly about executing our Marathon Roadmap Process to make sure you have a plan in place.

We hope that the pursuit of your goals will be uneventful, but our 60+ years of experience tells us it won't.

Thank you for the trust and confidence you have placed in us and giving us the opportunity to provide education to you on your way to building your wealth.

As always, thank you for the introduction of your friends and family that so many of you have made. We are honored to serve you! As a service to our clients, we are happy to act as a sounding board for your friends and family. If any of them should need a second opinion on their financial situation, introduce them to **www.striblingwhalen.com** or call us at 678-989-0048.

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Sources:
1-https://www.americanfunds.com/individual/planning/market-fluctuations/past-market-declines.html
2-www.americanfunds.com hypothetical illustration

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