

THE PLAN Spring 2018

CREDIT CARD TUNE-UP

Few Financial Plan clients carry balances on their credit cards. For that reason, we are not focused on the credit card "shell game", where debt balances are transferred to 0% interest cards, and transferred again before time runs out. Nor do we focus on the interest rates charged by the various cards.

However, virtually all of our clients use credit cards for their convenience and rewards. The card that pays the biggest rewards is somewhat dependent upon your spending habits. For example: do you spend quite a bit on airfare and hotels? Perhaps you spend more on gasoline, or on dining out.

A neat tool to determine which card will be most advantageous for you is www.creditcardtuneup.com. This website prompts you to enter your monthly expenses in various categories then lists each credit card with the estimated rewards each will pay based on your spending pattern. It then provides a link to apply for the card of your choice.



SUMMARY OF MATERIAL CHANGES TO FORM ADV PART 1

This disclosure satisfies the annual S.E.C. compliance requirement to publish material changes to Form ADV Part 1 that have taken place since our last filing on January 26, 2017. The material changes to the form are:

Item 15 has been updated to disclose that we have custody of client securities and cash as a result of Standing Letters of Authorization (SLOAs) executed by clients. This update is the result of new guidance on SLOAs issued by the SEC this past year.

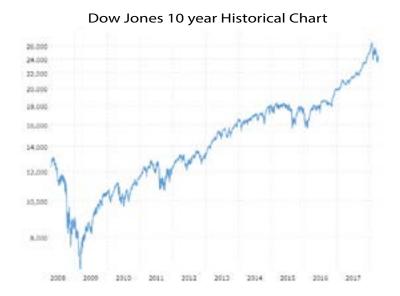
Our brochure may be requested free of charge by contacting us at (360) 714-1234 or james.twining@FinancialPlanInc.com.

Market Volatility

By Nathan Twining, CFP®

Why is the stock market volatile? It's a question that many of us have pondered at one time or another, especially when we are in the midst of a seemingly large spike or drop. As is often the case, the simplest answer is also the most accurate: It's just nature. Just as a bird flies and a fish swims, the stock market is inherently volatile. But, rather than just accept that at face value, let's delve a little deeper into the why.

First, consider what "the market" is. The stock market is millions of people all attempting to put their money to productive use, each with an infinite variety of reasons behind each decision. Imagine a soccer field with millions of players all trying to score a goal or defend against one with thousands of different soccer balls. Would that be a static environment? Of course not, it would be a churning mass of apparent randomness, even though each individual is motivated by very specific objectives and desires. The same is true of the stock markets.



Once you accept this, you can invest confidently because volatility is no longer a cause for alarm, but an expectation built into your assumptions. "I can obtain an 8% average annual rate of return over the next 20 years" and "the stock market will drop by 30% in one year" are not mutually exclusive statements. Both can happen (and have happened). In the face of recent volatility, you might be asking yourself, "Is this normal? What does this mean for my portfolio? Does this change things?"These are perfectly ordinary responses to the emotional impact of seeing your portfolio lose value, but if you've correctly built those expectations into your plan (as we make a point of doing at Financial Plan), then market volatility doesn't change anything.

Does a downturn in value mean something is wrong or that long-term expectations about return are incorrect? No, it merely means that at this moment in time, investors are willing to sell at a lower price than before (or buy at a lower price). Volatility is "the market" at work. The market is volatile because investors are collectively trying to determine how today's events will impact the future. It's not an exact science, but it is something that is happening naturally every day.

It's sometimes helpful to reflect on the past to deal with the present. Right now, it seems like the current volatility in the market is significant, extreme, and impactful. But how do you feel now about the even more dramatic downturn that took place in early 2016? Or the volatility in 2015 due to China and oil prices? Likely, those events seem much less important, if you remember them at all, even though to some extent those past events were more impactful. This is recency bias at work and recognizing that can be helpful in times of turmoil.

Market volatility is an unavoidable but integral component of stock investing; it allows us to trust that the market is working properly, and it allows disciplined investors to capture fantastic long-term returns. It might not feel comfortable in the short term, but by understanding it you can hopefully gain peace of mind enough to survive it.