



the Plan

Performance and the Weather by James B. Twining, CFP®

Bellinghamsters know what it is like to wait out a long winter. A down market can be like that; gloomy, day after day. It's not pleasant, and there is nothing we can do about it. (Well, OK...I like rain and down markets, because both are necessary for growth, but I'm odd that way). Our dislike of both wet weather and down markets has as much to do with our attitude as it does with the reality. If you are generally pessimistic about most things in life, I am not going to be able to put a smile on your face with platitudes such as "the sun will come out tomorrow".

However, I can perhaps give you a perspective that seasoned investors have learned over decades of experience. Wise investors understand that although they cannot control the markets or the resulting **absolute** returns that they obtain, they can control their **relative** returns to some degree. For our purposes here, let's define relative return as the difference between what we are obtaining with our fund selections and what an index fund that invests in the same asset category is obtaining.

We can influence our relative returns through being mindful of what we **can** control:

- 1) we can reduce costs by avoiding high expense ratios and high cash drag
- 2) we can increase after tax returns by reducing the taxes paid as a result of high turnover
- 2) we can take advantage of various market factors that increase returns: tilting toward value stocks, tilting toward small stocks, and tilting toward profitable stocks



Through careful selection of funds that control the above factors, the primary funds we utilize have had positive relative performance over the years. Calendar year 2015 was no exception. Other than the DFA Global Equity 1 and DFA Core Equity 2, all of our primary choices which populate most of your accounts had positive relative returns for the year.

Calendar Year 2015 Returns

Index Fund Name	Absolute Return	Primary fund used at Financial Plan, Inc	Absolute Return	Relative Return
Vanguard Emerging Mkts Stock Idx Adm	-15.35	DFA Emerging Markets Core Equity I	-14.86	0.49
Bridgeway Ultra-Small Company Market	-8.28	DFA US Micro Cap I	-3.62	4.66
Vanguard Total Intl Stock Index Admiral	-4.26	DFA International Core Equity I	-0.21	4.05
Vanguard Total Bond Market	0.39	DFA Investment Grade I	1.61	1.22
Vanguard Total World Stock ETF	-1.88	DFA Global Equity I	-2.71	-0.83
Vanguard Inflation-Protected Secs Inv	-1.83	Vanguard Shrt-Term Infl-Prot Sec Idx Adm	-0.17	1.66
Vanguard Total Stock Mkt Idx Adm	0.39	DFA US Core Equity 2 I	-3.07	-3.46
Vanguard Short-Term Bond Index Adm	0.92	Vanguard Short-Term Bond ETF	0.92	0.00
Vanguard Short-Term Investment-Grade Adm	1.13	Vanguard Short-Term Corporate Bond ETF	1.25	0.12
Vanguard REIT Index Adm	2.39	DFA Real Estate Securities I	3.24	0.85

In summary, both the weather and the absolute market returns have been lousy lately. However, due to knowledge and implementation of certain factors that we can control, the relative return for our clients was generally positive once again in 2015. This stands in stark contrast to the experience of typical investors; who because of a lack of knowledge and discipline, are roundly defeated by the market indices year after year.

Oh....and by the way. The sun **will** come out tomorrow! :)

Aggregate Equity Exposure	As required by Compliance regulations: Our annual summary of changes to ADV Form
<p>Traditionally we have rebalanced each of your accounts to a set equity exposure. This has worked fine, but recently we are moving toward a subtle change that we think is beneficial: Rebalancing the aggregate total to the set equity exposure without regard for the individual account equity exposure.</p> <p><u>The advantages include:</u></p> <ol style="list-style-type: none">1) upon rebalancing, the ability to choose whether we realize gains by selling equities in a non qualified account or avoid gains by selling in a tax qualified account.2) The ability to be more tax efficient by placing tax inefficient holdings such as REITS in qualified accounts regardless of the effect upon equity exposure at the account level.	<p>This item discusses specific material changes that have been made to our ADV Brochure since the date of our last annual update, which was January 26, 2015. Since that filing, the following material changes have been made to our Brochure:</p> <p>Item 5: Our fee schedule was revised (new clients only)</p> <p>We will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.</p> <p>Currently, our Brochure may be requested by contacting us at (360)714-1234 or by email: james.twining@financialplaninc.com</p> <p>Our Brochure is provided free of charge.</p>



on a Personal note

Nate and Lisa

This past Christmas we loaded up the van and headed East to Kalispell, MT to visit Lisa’s parents and relatives. After dodging snow storms, icy roads, and semi-trucks, we safely arrived for a snowy, white Christmas.

Annalise wasn’t terribly thrilled to see Santa Claus (and frankly, he doesn’t look too thrilled to see her either), but Finley had him wrapped around her finger. We spent our time in Montana sledding, ice-skating across a frozen pond, and just generally enjoying the season with family.

Throughout the course of January, I’ve been to Montana, Alabama, and then to Las Vegas (for an advanced tax-planning conference!). It’s been a busy year already, and I’m looking forward to getting back to the regular flow of life.



Devin and Stephe

The Wolfpack has been lucky enough to spend lots of time with family over the past few months. Unfortunately, some of these visits were due to deaths in the family. Although losing family members is never fun, we are grateful for the time we had and the chance to reconnect .

We spent Christmas day in Bellingham, and then headed to Fountain Hills, AZ for a family reunion. As a family of five we definitely can use extra vehicle space. When picking up our rental car they were out of our midsize reservation and offered us a free upgrade to a convertible. I politely declined the free upgrade and the agent said, “okay take a seat and hopefully another car will come back in a few hours.” It was already 11pm with three crazy kids so I reconsidered and we traveled in uncomfortable, style. Other than the weather being unseasonably cold (55 degrees) we had a great time with family. We went to the Wildlife World Zoo and spent time ex-



Dave and Bonnie Well fall was a whirlwind with Football, however David and I had a chance to steal away to some friends in Boston for a long weekend in December. We met our best friends from Georgia there as well and the 6 of us had a blast. The Boston friend owns a restaurant in which he is the Executive Chef. On the Saturday night there, he asked David if he would be his “guest” Executive Chef. What an honor and SO much fun! David did Ah-maz-ing! The food that we consumed that weekend was seriously UNREAL! I think we took in 100k calories, hence why this spring it’s nothing but celery! Take a look...are you hungry?



1) **Beef Wellington:** A 7oz Filet with mushroom and cheese stuffed ravioli in a gorgonzola cream sauce, accompanied with green beans.

2) **Porterhouse Pork Chop** 20oz porkchop stuffed with prosciutto and smoked gouda, on top of chipotle sweet mashed potatoes, served with veggie.



3) **Slow smoked Prime Rib** (5-6 hour smoke) with a Rosemary rub, served with baked potatoes and green beans.



4) **A 3lb Parmesan, baked stuffed lobster!** Nothing else needed!!!!



David did have a blast and decided although cooking is one of his passions (and he is SO good at it) he’s going to stick to finances! No quitting the day job!

Besides the ridiculous food that we were surrounded by, our Georgia friends scored Executive box seats to a Patriots/ Eagles game while we were there. Although we are not fans of the Patriots, David lived in Philly for a few years when he was younger and it was an amazing



Jamie and Jeanne

You of course are familiar with the Revolutionary War, the Civil War, and the World Wars, but until now you don’t know the history of the Twining Cat Wars!

Pearl Harbor Tora, Tora, Tora!

December 7th, dawn. A surprise attack! Shere Khan bombs our bed with a huge liquid bomb **while we are sleeping in it!!!** Our bed sinks (and stinks) under the waves. Huge casualties. We declare war!

The Battle of the Bulge

Baggy (AKA Bags) eats an entire can of cat food, and her gut bulges like a tennis ball. In a surprise blitzkrieg, she bombs the entire living room with s*%t!

The Concentration Camp

Bags taken as a prisoner of war, and confined to a small cell. Shere Khan taken as collateral damage. Both are doing hard labor. They escape and Shere Kahn responds with withering automatic guns, spraying indiscriminately on the foyer rug. We suffer devastating losses.

The Battle of Britain

Bags and her Luftwaffe retaliate with carpet bombing all over the living room. But even with the destruction and rubble, we survive.

Guadalcanal

Sunday night. The kids are playing, the adults are watching football. Bags establishes a beachhead in the living room. Despite our best Naval guns (a spray bottle), we are unable to dislodge her. If she can take the living room, she’ll be able to move from room to room and eventually defeat us entirely!

Battle of Moscow

We push the feline forces ever backward into a defensive position. But it is a long, cold winter, and our resolve is faltering. Short on supplies, with my second-in-command Jeanne in full mutiny, the battle is turning against us. We may be speaking Russian by Springtime.



Shere Khan the Tiger!