

## Introducing the Financial Plan Library

As you walk in our front doors and say hello to Karley, you may notice the newest feature of our reception area: The Financial Plan library! Over time, we have discovered some truly great books on financial topics ranging from behavioral finance to saving for college. This is our small collection of those works and we encourage you to borrow them at any time! Simply let your advisor or Karley know what you're borrowing and read away. If you look closely enough, you might even see a familiar author or two.



*Our budding collection*

## Important Numbers for 2019

Social Security benefits will increase by 2.8% in 2019, the largest cost of living adjustment (COLA) in seven years.

Employer Retirement Plan (401k, 403b, 457, etc) contribution limits will also rise from \$18,500 to \$19,000 in 2019 while both Traditional Roth and IRA contribution limits will increase to \$6,000. Simple IRA contribution limits will increase from \$12,500 to \$13,000.

For a comprehensive list of important numbers you should know, stay tuned for our annual "Numbers Unlimited" report that will be released in January.

## Ticker Risk

*By Devin Wolf, CFP®*

What is ticker risk? Don't bother searching the internet as this is simply a term we use to describe the inherent risks that come with giving too much credence to the current price and daily changes of the S&P 500, Dow 30, and Nasdaq Composite Index. These three, main "tickers" represent the vast majority of what is displayed on most financial news sites, but they hardly provide an accurate view of your portfolio.

As you know, at Financial Plan we believe in a disciplined, long-term investment strategy. Short-term movements in the stock market are irrelevant to long-term success. However, the fact of the matter is that we are all constantly exposed to these tickers and it's very easy to be swept up in emotional responses that can disrupt your financial plan. Here are some rules and guidelines to keep in mind about these indexes to help mitigate your own "ticker risk".

### S&P 500

**2,726.22**  
-54.79 (-1.97%)



### Dow 30

**25,387.18**  
-602.12 (-2.32%)



### Nasdaq

**7,200.87**  
-206.03 (-2.78%)



## Compare Apples to Apples

If you are invested with Financial Plan, we have already constructed a massively diversified portfolio that will typically consist of over 10,000 stock and bond holdings from around the world. Meanwhile, the S&P, Dow, and Nasdaq indexes are all stock-only, primarily U.S. based, and focused on large companies. Since these indexes are stock-only they are likely to be more volatile than your diversified portfolio, so there is no need to panic when you hear about large losses in any one of these indexes. We understand that markets are inherently volatile and combat this by planning in advance relative to your unique situation. We add bonds to your portfolio to provide a more stable asset class during these times.

The U.S. and large company focus of these three main indexes is also different than what is included in your portfolio, so comparing the two does not make sense. In 2017, emerging markets and international developed stock markets outperformed U.S. stock markets, making a globally diversified portfolio look better by comparison. Year-to-date (11/12/18) in 2018, the U.S. total stock market is positive while developed international and emerging markets are both down by double digits. Since we cannot time nor predict which markets will outperform in short timeframes, we believe the best approach is to stay diversified and disciplined. If you have a globally diversified portfolio, I recommend comparing it to a more appropriate benchmark such as the total world stock market blended with the total bond market (keeping in mind your ratio of stocks to bonds.)

## Think in Percentages, Not Points

When you hear the Dow dropped 600 points today, do you feel panic? Although this is a significant movement, it is only about a 2.3% drop which is actually fairly common (2%+ daily swings happen about 20x per year). When we see these larger swings, thinking in percentages can help reduce emotional responses that can lead to managerial missteps. If you see that your account dropped \$50k in one day, you may feel worried. But if you then realize your account is worth \$5 million- making this a 1% change- you can put your mind at ease and remember that the ebb and flow is expected.

We firmly believe in utilizing a globally diversified portfolio with the right amount of equity (stock) exposure for your financial situation. The apparent downside to a diversified portfolio is that you are never the "winner" in the short run. There will always be asset classes that are outperforming your portfolio. A major risk to your disciplined financial plan is comparing your portfolio to concentrated asset classes and letting fear or greed derail you. Remembering that the stock tickers you are bombarded with daily are only indicative of a U.S. stock portfolio concentrated in large company stocks will help you follow through with your plan. We are here for the long run.