asset planning, inc.
financial planning & asset management

Newsletter

1st Quarter 2014

Morningstar & the Funds in Sheep's Clothing By Erin

March 9, 2014 marked the 5 year anniversary of the bottom of the bear market low where the S&P 500 lost 57% from its peak in 2007. Much has been in the media about the ensuing bull market that is now entering its 6th year. However, another anniversary just passed with little fanfare that could deceive a lot of investors.

Each calendar year-end Morningstar updates its mutual fund ratings. Morningstar's system primarily aims to rate mutual funds on their risk-adjusted return over 3, 5, and 10 year periods. The mutual funds with the highest return & least amount of risk amongst their peers get an overall 5 star rating. December 31, 2013 marked the calendar year-end 5th anniversary of the bull market. Why is this significant? This is the first year that the bad bear market data is dropping off for the 5 year Morningstar rating. The overall rating, that most the public sees, is heavily weighted to the 3 & 5 year data. Translation: Many mutual funds that got slaughtered in the downturn are experiencing a boost in ratings. Conversely, many managers that did well in the bear market are seeing a drop in ratings. What occurs, generally, is mutual funds that outperform in bear markets also underperform in bull markets. But these funds also tend to have the best long term performance because huge gains in a bull market are not needed if little was lost prior. For example, a 50% loss needs a subsequent 100% gain to breakeven where as a 20% loss only needs to earn back 25% to breakeven.

In short, though we do use Morningstar research at our firm, it pays to dig beneath the surface and understand its limitations. We believe that managing for risk adds the most value as market downturns have the most adverse effect on retirees during their drawn down period.

60 Minutes by Sandy

On an episode of 60 minutes this week, Michael Lewis was featured as the author of the new book "Flash Boys: a Wall Street Revolt" During the episode, it portrayed high speed trading using algorithms to move in and out of a position in a fraction of a second, or fractions of milliseconds. The premise is that this hurts regular customers and retail investors and it might amount to be one cent difference in the cost. It is very complex manners in which the trades are placed but the faster fiber optics provide faster connections, thus routing trades faster than public lines, in a process known as front running. Since we use limit orders on most individual stock transactions, thereby presetting our purchase price, this has no bearing on our trading. A very vocal exchange broke out on the NYSE trading floor yesterday between the president of the BATS exchange, the man that "uncovered" the trading and the author.

Uneventful Market By Carol

Market performance for the first quarter of 2014 was flat. The S&P 500 gained 1.3%, Nasdaq increased .5%, Dow Jones lost .7% and bonds were up 1%. Consumer confidence is improving which is a big factor in the overall market to stay positive as the year progresses.

Flurry of activity by Carol

This year started off with a flurry of activity. As you know, Asset Planning, Inc. is registered as an investment advisor with the Securities and Exchange Commission (SEC). This means we are subject to extensive regulations and on-site examinations by SEC staff members; with the end goal to protect the public from dishonest advisors. The SEC came to our offices the last week of December to examine our operations. I am very pleased to say that everything went well and they only were at our office 1 day vs. 3-4 days spent at many of our counterparts. Basically, we are what we say - a truly plain vanilla transparent fee-only firm.

It is also that time of year in which we have to update our SEC registration and ADV disclosures. There were no material changes this year. This is our official offer to send you the latest version of the ADV Part II. Please let us know if you would like us to send it to you. You can also access our ADV on the internet via our website under resources or directly through the SEC at: http://www.adviserinfo.sec.gov/ Our SEC file number is 801-62993.

We are excited to welcome Samantha Garcia to the Asset Planning family. She will be our new investment research analyst and help with the financial plans. She holds a bachelor's degree from Azusa Pacific University in Christian Ministries and a Masters in Business Administration from California State Dominguez Hills.

New Website by Erin

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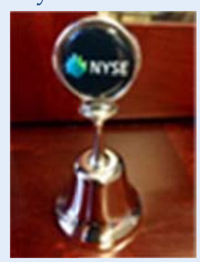
For the past few months my side project has been to update our website. Our new website is now compatible with smart phones and we've added new features & pictures. Through our website, you can connect with us on Linkedin, Facebook, and also subscribe to our Blog. Our Blog is currently undergoing an overhaul as well and we will be posting regular personal finance & Asset Planning updates in the coming weeks. **www.Assetplanninginc.com**

YOLO by Sandy

YOLO is one of my favorite sayings- it means "you only live once." For me, it usually applies to zip lining, parasailing, travel, doing a new swim or trying something new. Adventures in life are opportunities to experience and say "yes!" when presented. I was lucky enough to ring the bell for the New York Stock Exchange and I have a little memento bell on my desk from my latest YOLO moment.



Summer means destination swimming and I will travel to Turks and Caicos for an ocean swim and to celebrate my daughter's high school graduation. College decisions are a daily conversation. Like the fresh promise of spring, it is a new start; a new life. Like many of you have already experienced, it will be empty nest time. Carol's son is also trying to decide which college is the best fit for him.

"The purpose of life, after all, is to love it, to taste experience to the utmost, to reach out eagerly and without fear for newer and richer experiences." — Eleanor Roosevelt