BELL INVESTMENT ADVISORS
MAKING A GOOD LIFE HAPPEN®

The Opening Bell

Vol. 27, No. 1
January 2017

Don't Pay Attention to Predictions

by Jim Bell, CFP®, President and Founder, Chief Investment Officer

2016 was a horrible year for professional predictors, forecasters, fortune tellers, and pollsters. The year demonstrated why it is impossible to predict the future. In graduate school, I took a course in Futurism, and the conclusion of the course was that the future is impossible to predict because the future introduces new variables and combinations of variables that never existed before. I will focus on four 2016 predictions that did not come true:

1. In December 2015, the US Federal Reserve predicted that they would raise interest rates four times in 2016.
2. The British would never vote to exit the European Union (EU).
3. Donald Trump would not win the US Presidential Election.
4. A Trump victory would cause an immediate, long-lasting stock market crash.

Federal Reserve

It was no surprise when the Fed announced in December a modest 0.25% interest rate increase. A year earlier in December 2015, the Fed predicted that they could raise rates four times in 2016, but they

… the future is impossible to predict because the future introduces new variables and combinations of variables that never existed before…
— Jim Bell, CFP®

only did it once at the end of the year. The data changed as worries about the slowing Chinese economy came to the fore, and the price of oil dropped like a stone threatening the US oil and gas industry, and the banks were heavy with loans to the US energy sector. Then came BREXIT in late June upsetting the world economic order for a time. All of these worries were resolved by year end with the US economy accelerating, the stock market reaching all-time highs, unemployment falling lower and faster than expected, and wages finally increasing.

The Fed says that it is data driven, meaning that they take the economic temperature at their regular meetings every six weeks. They look at trends in employment, wage increases, economic growth, inflation, and other factors. Last month, when the Fed announced their only rate increase for 2016, they also predicted three more rate increases in 2017. I believe that Fed forecasting is a mistake. They do not know what the data will show in six weeks or six months. These missed predictions weaken their credibility; they should just confirm their commitment to the data, and not predict what the future data will be.

MORE COVERAGE INSIDE

- Life Insurance: What to Consider — Page 3
- Upcoming Events — Page 3
- The Resolution Revolution — Page 4

Brexit

It was not predicted that Prime Minister David Cameron would take the risk of a public referendum to leave or stay in the EU. He did not have to take this risk; it was not required, but in doing so, he was confident he would win, and the British would vote to stay. The majority of the pollsters got it wrong. The US and European stock markets rallied the day of the referendum confident that the vote would be to stay. The US stock market suffered a dramatic fall the day after the vote, but the downturn only lasted about one week, demonstrating the resilience of the US market.

Trump

Against all odds, Donald Trump beat Hillary Clinton where it mattered — in the Electoral College system. Again, almost all the professionals got it wrong (including me), and there were widely-held beliefs that a Trump victory would cause an immediate and long-lasting stock market crash. In the wee hours of Wednesday morning November 9, the US stock market futures predicted that the

(continued on page 2)

The Resolution Revolution *(continued)*

something less stratospheric, allow me to suggest an approach to your new year that is entirely doable, one that can yield results. It does entail purchasing a small blank journal of some kind — one that you can carry around with you (all of my clients do). This is your **Think Book**, not your diary. What you will be doing is *reflecting* on your life, and c*apturing* what you are thinking. You are only going to be doing it for a maximum of three months, not years and years. By the end of three months, you will have come up with some very important thinking that will lead to some very important actions. Slow down, relax, take a deep breath, and decide that this is the year you are going to actually listen to yourself. After all, this is your life!

Here are some questions for your **Think Book**, just to get you going:

1. **What's working in my life?**
   This category includes such things as your marriage, your job, your friends, your house, your dog, your church, your neighborhood, your family gatherings, et al.
2. **What's not working in my life?**
   This category includes such things as your marriage, your job, your friends, your house, your dog, your church, your neighborhood, your family gatherings, et al.
3. **What's missing?**
   This would be something you used to love to do, but you stopped doing it. Playing the piano? Singing in a choir? Playing tennis? Riding your bicycle? Spending time with your oldest, dearest friend?
4. **What's next?**
   This would be something sequential, something you may be ready for now that you weren't ready for before, like graduate school, or finally learning to swim, or moving up, or moving out, or moving on. Sometimes you are just done with something, and it's time to close the door so you can open a new one.

Sometimes thinking and wondering and jotting down your thoughts in a journal can lead to clarity about something very important. You'll be riding on BART one day or crossing the bridge in a traffic jam, and all of a sudden a clear thought will break through like a comet: "I'm going to quit my job!" or, "I am moving to the mountains where I belong!" You fill in the blanks, but give yourself until about March before you do anything drastic. Call me if you need help with any of the details. ■

All of us at Bell wish you a Happy New Year!

Don't Pay Attention to Predictions *(continued)*

Dow Jones Industrial Average would open down almost 1000 points. The market did open down about 300 points, but it quickly recovered even faster than the BREXIT surprise, and closed positive for the day following the election results.

With Republicans now holding on to the Senate, and owning the White House and the House of Representatives, investors have begun digesting Trump's three top fiscal policy priorities:

1. Corporate and personal tax reform. This is long overdue as it has been stalled by gridlock in Washington. With a Republican unified government, it is likely that they will be able to fix the policy that keeps over $2 trillion trapped overseas in our large multi-national corporations. Tim Cook of Apple said that as CEO he could not justify repatriating Apple's foreign profits because the US taxes due would be 40%.
2. Trump will spend significantly on defense and infrastructure which will help the sectors of industrials and materials.
3. The Republicans will roll back regulations. They may go too far and weaken consumer protections (remember Wells Fargo), but it will benefit business in the near term.

Investment Strategy

Our active investment strategy is data driven. We look for what is working and what is not working in the financial markets. Currently, we are having success by investing in funds that emphasize technology, small US companies, materials, energy, financials, and industrials. We check every day to see if these allocations are still appropriate for the different goals and financial plans of our clients. When the data changes, and sectors such as health care, real estate, and consumer staples start to outperform the other allocations, we will shift in the direction of the new market leadership. We are no longer trying to predict what the data will show in the future. Data is now, not future. ■

1111 Broadway, 16th Floor
Oakland, CA 94607
510.433.1066 ■ f 510.433.1067
800.700.0089

Fountaingrove Village
2097 Stagecoach Road, Suite 230
Santa Rosa, CA 95404
800.700.0089

info@bellinvest.com
bellinvest.com
careerlifecoaching.bellinvest.com

Bell Investment Advisors Investment Management ■ Financial Planning ■ Career/Life Coaching

Life Insurance: What to Consider

by Forrest Bell, CFP®, Sr. Investment Advisor, Financial Planner

In an August interview, investment consultant and founder of Greenwich Associates, Charles Ellis, talked about the power of marketing. To illustrate his point, he told a story about insurance. Founded in 1706, the Amicable Society for Perpetual Assurance, began to offer death insurance. It was the first modern company to do so. The founders, William Talbot and Sir Thomas Allen, strongly believed in their product but, according to lore, nobody would buy it. Of course, that was until they renamed their product life insurance, and it has been selling ever since.

Why Life Insurance?

Today, few would debate the importance of life insurance. Among other things, life insurance policies create important financial safety nets. But there is still a lot of disagreement about how to choose the right policy and the right amount of coverage. Too many professionals try to determine these two factors by focusing on income, but it's the buyer's goals for life insurance that should be the true focus. And if goals are the thing, it makes sense to spend some time exploring what they might be. Here are some questions we use to begin exploring a person's goals for life insurance:

- What are you trying to accomplish by buying life insurance?
- Do you want life insurance to help settle certain debts, for example, a mortgage?
- Do you want life insurance to cover final expenses?
- Do you currently have sufficient emergency cash reserves?
- Do you want to use life insurance to fund an education goal, for example, college or graduate school?

> ***. . . there is still a lot of disagreement about how to choose the right policy and the right amount of coverage.***
>
> — Forrest Bell, CFP®

- Do you want to use life insurance to provide income?
- If so, should that income help cover expenses until your children are independent, until the surviving spouse retires, or until the end of the surviving spouse's life?

Letting Policies Lapse

Over the years, couples will fund most of these goals using resources other than life insurance. For instance, in our last issue of *The Opening Bell*, we wrote about college-education goals and how to pay for them. Most couples use some combination of income, savings, and student-loan debt to cover the costs of college. As each of the original goals for life insurance gets funded, there is less need for it. Over time, mortgages are paid off and retirement accounts grow. As these things occur, there may be strategic advantages in letting certain life insurance policies lapse. The premiums of lapsed policies can then be earmarked for other goals such as accelerating a mortgage payoff or finding money in the budget to pay for a long-term-care policy.

Types

After we've figured out what our goals for life insurance are and decided on the right amount of coverage, we can start to look for the right kind of life insurance. **Term life** insurance is affordable and efficient, while **universal life** insurance is very flexible. **Whole life** insurance is rigid, but it can help reluctant savers to save. **Variable life** insurance policies are expensive, but have investment options within the policies. The quality of insurance policies varies quite a bit, too, so the work that follows finding the right kind of policy should be finding the highest quality policy. Working with an impartial life insurance specialist can help save a lot of time with this research.

Insurance Review

Unlike certain aspects of a financial plan, life insurance doesn't call for an annual review. Thoughtful work at the outset usually stands the test of time. But occasional life insurance reviews are useful, especially during times of transition or rapid change. While these times tend to cluster around the time a person gets married or considers retirement, they can also happen anytime. If someone you know is in a time of transition, it might be a good time for some financial planning and an insurance review. ■

UPCOMING EVENTS

WEBINAR
Year-End Review and 2017 Preview
Wednesday, January 18, 2 – 2:30 pm
Register: bit.ly/bellwebinar

LUNCH PRESENTATION
Making a Good Life Happen
Wednesday, January 25, 12 – 12:30 pm
rsvp@bellinvest.com or 510.433.1066

WEBINAR (FOR CLIENTS ONLY)
Investment Committee Update
Wednesday, February 22, 2 – 2:30 pm
Registration not yet open.

WINE & CHEESE GATHERING
The Women's Roundtable
Wednesday, March 15, 7 – 8:30 pm
rsvp@bellinvest.com or 510.433.1066

WEBINAR
Topic to be determined
Wednesday, March 22, 2 – 2:30 pm
Registration not yet open.

LUNCH PRESENTATION
Making a Good Life Happen
April date TBD

WINE & CHEESE GATHERING
The Women's Roundtable
May date TBD

We appreciate your topic suggestions!

The Resolution Revolution

by Bonnie Bell, MA, MDiv., Principal, and Director of Career/Life Coaching

By the time you read this, the new year will be at least a couple of weeks old, and if you made any new year's resolutions at all, you may have already broken them. The statistics on keeping new year's resolutions are not favorable. According to Ray Williams, a business consultant and author of *Breaking Bad Habits*, 50% of the American population break their new year's resolutions by February 5. The focus of most of them falls within these categories: weight loss, physical exercise, smoking cessation, spending control, and debt reduction. Not very exciting! The vast majority of resolution-setters have given up on their resolutions within the first five weeks of the year and find themselves right back where they started on January 1.

Make Resolutions?

So what should we deduce from these discouraging results: that there's no point in trying to change anything? That we should all sink into a grim future as overweight, out-of-shape, over-budget smokers, drowning in debt? I don't think so. But maybe we should all try giving up on the whole resolution thing once and for all and look at a few other possibilities.

At the far end of the spectrum from the

50% of the American population break their new year's resolutions by February 5.

— Bonnie Bell, MA, MDiv.

no-resolution/no-change people and "normal" business consultants, such as Ray Williams, are the superstars of change — the Tony Robbins and Tim Farriss types — whose thinking and accomplishments sky-rocket into a different stratosphere than those of most mortals, including yours truly.

Strive for Stratosphere?

You probably remember Tony Robbins of "you-too-can-walk-on-hot-coals" fame, but you may not be as familiar with Tim Farriss. Farriss, a productivity expert and coach to top performers in every field, is currently at the very top of the heap of the most popular podcasts in the world, author of several self-help books including *The Four-Hour Work Week, The Four-Hour Body,* and *The Four-Hour Chef.* Beyond that, he is a serial entrepreneur who owns several businesses which he apparently runs from his a laptop plopped in various glamorous locations around the world. At age 40, he is worth upwards of $20 million. He wants you to know that you can be "better, faster, stronger," and his advice to you is to learn how to ask "absurd questions" rather than ordinary obvious ones. One such question might be, "Why can't your company earn $100,000,000 this year instead of in ten years?" The questions have to force you to think differently than you ordinarily think. (I see. . .) I encourage any of you who are drawn to this type of peak performance to pursue Tim Ferriss and his work with everything you've got. Report back to me later in the year.

A Way that Can Yield Results

But for those of you who are looking for

(continued on page 2)