

Dear Reader:

FAST!!

From *USA Today*:

200,000 trillion calculations per second: U.S. launches the world's most powerful supercomputer
Oak Ridge National Laboratory and IBM have successfully built and launched the Summit supercomputer, the world's most powerful and smartest supercomputer.

The powerful computer is the next step toward a national goal of developing the world's first fully capable exascale machine by 2021. An exascale computer is one that is capable of making one billion billion calculations per second. The Summit supercomputer has a peak performance of 200,000 trillion calculations per second — or 200 petaflops, **making it eight times faster than the Titan Cray X supercomputer that came before it. [My emphasis.]**

Oak Ridge National Laboratory director Thomas Zacharia said Summit has already proved itself capable of making exascale calculations in some scientific areas. During its installation, scientists used it to make more than 1.8 quintillion calculations in a single second in bioenergy and human health research. "This is the first time anyone has broken the exascale barrier," Zacharia said. "Today's Summit also gives us confidence we can deliver on a fully capable exascale computing resource by the year 2021."

<https://www.usatoday.com/story/news/nation-now/2018/06/08/u-s-launches-summit-worlds-most-powerful-supercomputer/687218002/>

SCARY

As I wrote in my last NewsLetter, cybercrime is alive and well. Indeed, according to the AICPA, "143 million U.S. consumers were victims of cybercrime in 2017, with losses hitting \$19.4 billion. Still, only three in five adults responding to the AICPA survey (61%) said they had ever looked at their credit report. Monitoring your credit is an important step in protecting your finances." You can request one free report per year from each of the three major credit reporting agencies. The AICPA also recommends checking credit reports associated with your children's names, even very young children.

From the Federal Trade Commission website:

The three nationwide credit reporting companies have set up a central website, a toll-free telephone number, and a mailing address through which you can order your free annual report. To order, visit annualcreditreport.com, call 1-877-322-8228. Or complete the [Annual Credit Report Request Form](#) and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. Do not contact the three nationwide credit reporting companies individually. They are providing free annual credit reports only through annualcreditreport.com, 1-877-322-8228 or mailing to Annual Credit Report Request Service.

You may order your reports from each of the three nationwide credit reporting companies at the same time, or you can order your report from each of the companies one at a time. The law allows you to order one free copy of your report from each of the nationwide credit reporting companies every 12 months.

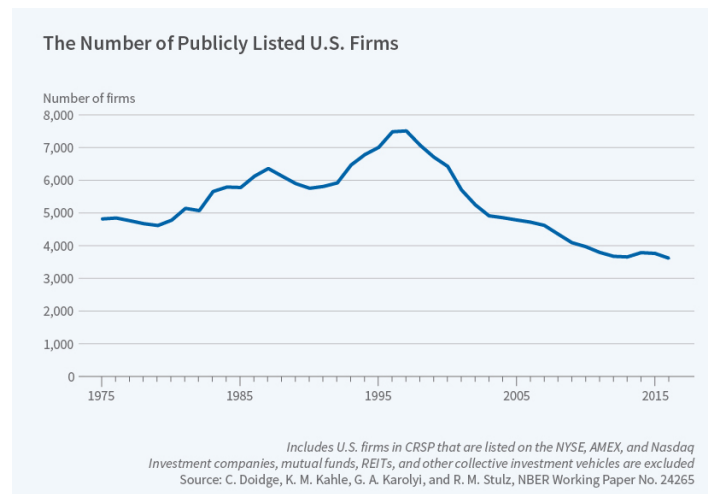
<https://www.consumer.ftc.gov/articles/0155-free-credit-reports>

We take cybersecurity VERY seriously, and you should too!

THE SHRINKING MARKET

The *New York Times* reported on a paper by Ohio State finance professor Rene Stulz that found:

- In the mid-1990s, there were more than 8,000 publicly traded companies.
- By 2016 there were only 3,627.
- Based on the growth of the U.S. population, those numbers represent a reduction from 23 companies/million to 11 in 2016.
- In 1974, 61.5% of publicly traded companies had assets of less than \$100 million (in 2015 dollars). By 2015 that portion was 22.6%



<https://www.nytimes.com/2018/08/04/business/shrinking-stock-market.html?partner=IFTTT>

SAD

The *New York Times* reports on new research that sheds light on the scope of a problem affecting a rapidly growing share of older Americans: “The rate of people 65 and older filing for bankruptcy is three times what it was in 1991, and the same group accounts for a far greater share of all filers.”

<https://www.nytimes.com/2018/08/05/business/bankruptcy-older-americans.html?nl=top-stories&nlid=2132593ries&ref=cta>

BE PREPARED

Good advice for everyone, not just Boy Scouts. My friend Mena suggests checking out Ready.gov. “I really like Ready.gov for all their information on storm preparation. They cover everything from hurricanes to wildfires to active shooters and pets. June is Pet Month. Gather some information about it!”

EXCELLENT ADVICE

These five lessons from West Point can make you a better investor—and a better person: <https://www.marketwatch.com/story/these-5-lessons-from-west-point-can-make-you-a-better-investor-2018-06-12>



Getty Images

FINANCIAL PORNOGRAPHY

Even professionals engage in nonsensical habits. From wealthmanagement.com:

Active vs. Passive: Halftime Results

Investors who shifted to index-based ETFs and mutual funds have generally been rewarded in the first half of 2018, as most actively managed funds failed to keep up with the cheaper alternatives despite the belief we’re in a “stock picker’s market.”

Comparing performance over a six-month period? Worthless!

http://www.wealthmanagement.com/etfs/active-vs-passive-halftime-results?NL=WM-013&Issue=WM-013_20180712_WM-013_795&sfvc4enews=42&cl=article_1_b&utm_rid=CPG09000010316599&utm_campaign=15086&utm_medium=email&elq2=376989459a57442882cce3d72d876226

BEN'S BROMIDES

In his recent newsletter for professionals (which is always excellent), Michael Kitces invited Ben Coombs, a longtime friend and one of our profession's founders to contribute a guest column. Ben's musings included a few thoughts both clients and professionals need to take to heart when planning.

- No matter how precise your answer or calculation may be, it will be wrong tomorrow; a moment will change everything.
- You can't send a rocket to the moon without making midcourse corrections.

In my terms that means ignore the decimal places, and "don't buy and forget—buy and manage."

FINANCIAL PORNOGRAPHY, PART 2: ARTICLE OF FAITH

From the *New York Times*:

Facebook's Stock Plunge Shatters Faith in Tech Companies' Invincibility

It had become an article of investor faith on Wall Street and in Silicon Valley: Quarter after quarter, year after year, the world's biggest technology companies would keep raking in new users and ever-higher revenue. And with that, their share prices would continue to march upward, sloughing off any stumbles.

This week, that myth was shattered. And investors responded Thursday by hammering the stock of Facebook, one of the world's most valuable companies. Shares of the social media giant fell 19 percent, wiping out roughly \$120 billion of shareholder wealth, among the largest one-day destruction of market value that a company has ever suffered.

<https://www.nytimes.com/2018/07/26/business/facebook-stock-earnings-call.html?partner=IFTTT>

Reminds me of the crazy time of the tech boom that peaked in early 2000, when many pundits were arguing that the only place to invest was in U.S. technology and anyone who didn't was stupid.

HOT TURNS COLD

If six months is worthless, how about one year? Be wary of chasing whatever's hot. S&P Dow Jones Indices publishes a SPIVA U.S. Scorecard that's chock-full of interesting and useful data.

For example, it notes that the U.S. equity market ended 2017 on a strong note with the S&P 500 growing 21.83%. Unfortunately, 63.08% of large-cap managers underperformed their index.

How about those that did beat their benchmark for the year? The following highlights the risk of assuming that a style that beats its benchmark index for one year is likely to continue doing so in the future.

Percentage of U.S. Equity Funds That Outperformed Their Benchmarks

	<u>1-YEAR</u>	<u>3-YEARS</u>	<u>5-YEARS</u>	<u>10-YEARS</u>
Mid-Cap Growth Funds	82	9	19	2
Small-Cap Growth Funds	85	13	13	4
Real Estate Funds	63	40	26	15

<https://us.spindices.com/spiva/#/reports>

SOBERING NEWS

From the *Wall Street Journal*:

A Generation of Americans Is Entering Old Age the Least Prepared in Decades

Low incomes, paltry savings, high debt burdens, failed insurance—the U.S. is upending decades of progress in securing life's final chapter

Americans are reaching retirement age in worse financial shape than the prior generation, for the first time since Harry Truman was president.

This cohort should be on the cusp of their golden years. Instead, their median incomes including Social Security and retirement-fund receipts haven't risen in years, after having increased steadily from the 1950s.

<https://www.wsj.com/articles/a-generation-of-americans-is-entering-old-age-the-least-prepared-in-decades-1529676033>

TRAGIC

From the *Financial Times*:

Hamptons property sales slow as caution spreads to the wealthy



Home sales have slowed down this year in the Hamptons, the Long Island beach communities that serve as a summer playground for the wealthy of New York, bringing the median price below the \$1m mark.

<https://www.ft.com/content/5ca3b2d4-91e3-11e8-b639-7680cedcc421> (requires subscription)

FOOD FOR THOUGHT

Below is my summation of “Investing Lessons from a Top Poker Player,” an article by Larry Swedroe, one of our profession’s most thoughtful practitioners in our profession’s number-one newsletter (Bob Veres’s *Advisor Perspective*).

A poker player is betting against one opponent, with a good hand and one card remaining to be drawn. He estimates his odds of winning the hand to be 86%, so he makes a big bet. Ultimately, that last card proves to be the winning one for his opponent, and he loses big. He “learns his lesson” and changes his strategy.

But wait—if he had followed this strategy 100 times, he’d come out ahead 86% of the time. He knew that in 14% of the cards to be drawn, the hand would be lost. Changing his strategy will probably end up losing him money in the long run.

The lesson? You cannot judge a strategy by the results of one or two outcomes—either way. The Amazon executive who owns Amazon stock in a highly concentrated portfolio has enjoyed a great outcome, and draws the lesson that this is a great investment strategy. But executives who tried that strategy at Polaroid, Eastman Kodak, Digital Equipment, Burroughs, and Xerox would have begged to differ. Roughly 80% of the time, a concentrated portfolio is a poor idea.

The same caution applies to value investing. From 2007 to 2017, the value premium—the average annual difference in returns between value stocks and growth stocks—was -2.3%. So we have “learned” that value investing is inferior to growth, right? But over 10-year periods since 1927, value stocks have outperformed growth stocks 86% of the time, just like a poker hand eventually would. Value investing isn’t suddenly a bad idea; we just managed to hit that other 14% that comes along from time to time.

Swedroe says that there are going to be periods when the best strategy loses, and the smartest among us will be the first to notice and switch course. Research has shown that people with the most intelligence and numerical literacy are the ones who tend to make this type of mistake.

<https://www.advisorperspectives.com/articles/2018/07/05/investing-lessons-from-a-top-poker-player>

OPTIMISM REIGNS

“Less than two-thirds of workers are confident that they will retire at age 65, and nearly a third of those surveyed plan to continue working in retirement, according to a Transamerica Center for Retirement survey.

Sixty-two percent of baby boomers, the group closest to retirement, believe they can comfortably retire.... ‘Millennials are the most confident, as they have the most time to save,’ says Catherine Collinson, CEO and president of Transamerica Institute and its center for retirement studies. Despite this sense of assurance, only 67% of millennial workers are confident that they will be able to fully retire with a comfortable lifestyle.”

Framing is everything. I read this as “more than two-thirds of retirees and 67% of millennials are confident they will be able to retire with a comfortable lifestyle.” I hope they’re right, but I wouldn’t bet on it.

<https://www.employeebenefitadviser.com/news/transamerica-retirement-study-employees-fear-little-saved?feed=00000152-1387-d1cc-a5fa-7fffaf8f0000> (requires login)

CASH FLOW RESERVE

We’ve been using our “Cash Flow Reserve Strategy” since the early 1980s. Versions are now common throughout the financial services world, so it’s really nice to be recognized as the creators. Check out the mention below from Christine Benz, director of personal finance at Morningstar, in her article “A Midyear Bucket Portfolio Checkup.”

“Before we delve into the Bucket portfolios’ performance, let’s first review what the Bucket approach is designed to do. As pioneered by financial planner Harold Evensky, the Bucket strategy for retirement portfolios centers around an extraordinarily simple premise: By holding enough cash to meet living expenses during periodic weakness in stock or bond holdings—or both—a retiree won’t need to sell fallen holdings. That leaves more of the portfolio in place to recover when the market eventually does.”

WE’VE COME A LONG WAY!

Notes from David E.:

From March 2005 comes this summary (by John Hallock) of a study, “Forecasting the availability and diversity of global conventional oil supply.” The study was published in the journal *Energy*.

There is a lot of talk about oil and gasoline these days—and of fear premiums and even the ability of supply to match the pace at which demand is rising.... [The] US Energy Information Administration (EIA) projected that worldwide crude oil production wouldn’t peak until between 2020 and 2030.... Others believe that when conventional oil does actually become harder to find that the market will ensure a transition to alternative fuels—liquified petroleum gas (LPG), tar sands, deep-water oil, etc....

A growing cadre of researchers, oil industry professionals and even economists are not so sanguine. They believe that the potential to find more oil and produce oil at ever increasing rates is more limited and doubt that either the oil or alternatives will be found in time to avert near-term supply disruptions.

<https://www.resilience.org/stories/2005-03-29/forecasting-availability-and-diversity-global-conventional-oil-supply-summary/>

Now to July 2018, from *Bloomberg*:

U.S. Is Set to Become World's Top Oil Producer, Government Says

The U.S. government sees oil production further climbing next year even amid transportation logjams in the country's most prolific shale play.

The Energy Information Administration sees U.S. crude output averaging 11.8 million barrels a day in 2019, up from its 11.76 million barrel a day estimate in the June outlook.

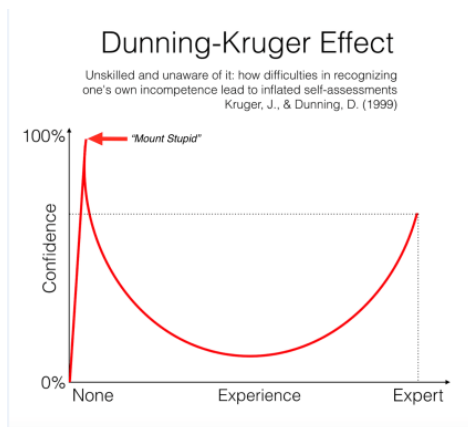
'In 2019, EIA forecasts that the United States will average nearly 12 million barrels of crude oil production per day,' said Linda Capuano, Administrator of the EIA. If the forecast holds, that would make the U.S. the world's leading producer of crude.

<https://www.bloombergquint.com/markets/2018/07/10/u-s-set-to-become-world-s-top-oil-producer-government-says>

THE DUNNING-KRUGER EFFECT

Here's an excellent graphic from Nic reminding everyone (particularly investors) to be wary of overconfidence. Remember, all the kids in Lake Woebegone aren't really above average.

Coined in 1999 by Cornell psychologists David **Dunning** and Justin **Kruger**, Wikipedia tells us that "in the field of psychology, the **Dunning-Kruger effect** is a cognitive bias in which people of low ability have illusory superiority and mistakenly assess their cognitive ability as greater than it is." Wikipedia



BACK ON MY SOAPBOX

As usual, I'll preface this with the caveat that I'm quite biased on the subject of advisor responsibility. The following are excerpts from an op-ed piece by Elizabeth Warren in *Financial Advisor* regarding the SEC's proposal to address the broker conflict-of-interest problem.

Your lawyer can't take money from your opponent to give you bad legal advice. If you're on Medicare, your doctor can't take kickbacks from drug manufacturers for prescribing their drugs. But, under current law, your broker-dealer can receive monetary rewards and other perks for recommending certain investment products, even if those products aren't in your best interest.

The commission should make four main changes:

First, the final rule should make absolutely clear that all financial professionals must act in their clients' best interest by applying a fiduciary standard to the brokerage industry....

Second, the SEC should explicitly ban the most obvious forms of conflicted advice, like sales contests and quotas that encourage brokers and agents to make bad recommendations....

Third, the SEC shouldn't rely on disclosure alone to protect customers. A number of studies have shown that disclosure fails to reduce the harm caused by conflicted advice, and brokers have every incentive to make the disclosures as ineffective as possible. A lawyer can't represent his client's opponent just because that conflict was disclosed, and the same should be true of a broker.

Finally, the SEC should include a strong enforcement mechanism by allowing investors to sue advisers who scam them. When someone is cheated by their doctor or lawyer, they can go to court. There's no reason that families shouldn't have the same option when their life savings are at stake.

Sounds like common sense to me. I couldn't agree more.

<https://www.fa-mag.com/news/worried-about-broker-conflicts--the-sec-isn-t-elizabeth-warren-40124.html?section=40>

IT PAINS ME TO SAY THIS...

But sometimes Jim Cramer gives good advice. Check out "Jim Cramer's Investing Rule 7: No One Made a Dime by Panicking."

<https://www.thestreet.com/video/jim-cramers-investing-rule7-14612024>

DON'T KNOW IF IT'S TRUE

I barely understand Bitcoin, but if the following is true, it's sobering.

Ripple CEO Brad Garlinghouse took to the stage at the Stifel Financial 2018 Cross Sector Insight Conference to talk cryptos. "I'll tell you another story that is underreported, but worth paying attention to. Bitcoin is really controlled by China. There are four miners in China that control over 50% of Bitcoin... How do we know that China won't intervene? How many countries want to use a Chinese-controlled currency?"

RARE AGREEMENT

Ken Fisher is often outrageous in his pronouncements, and we're rarely on the same page, but in his recent rant about the current SEC proposed actions, I believe he's absolutely on target. Below are a few excerpts from an article on Financial Advisor IQ.

Ken Fisher Slams SEC Attempt to Tighten Broker Regulation

The founder of RIA giant Fisher Investments has slammed the industry watchdog for its attempts to write a best interest standard for broker-dealers, saying if the SEC wants to better regulate brokers, it should enforce the rules it already has....

"I urge the Commission to begin strictly enforcing the 'solely incidental' language in the Advisers Act, like a parent starting to strictly enforce bedtime after a long summer vacation, which for the brokerage industry has lasted for more than two decades," Fisher says.

http://financialadvisoriq.com/c/2053783/236513/fisher_slams_attempt_tighten_broker_regulation?referrer_module=emailMorningNews&module_order=0&login=1&code=U0dGeWlyeGtRR1YyWlc1emEza3VZMji0TENBMU1UYzVOeIF6TENBeE5UQTJORFEwTVRNdw

HUMBLE

Danny is infinitely humbler than me. I obviously couldn't resist including this tidbit from s2analytics, "Five Lessons from Daniel Kahneman."

Be Humble

Kahneman's research has shown that since we use overconfident, highly emotional logic in making investment decisions, the best approach is often the simplest. Ironically, Kahneman defers to his certified financial planner for portfolio advice, Harold Evensky of Evensky, Brown & Katz in Coral Gables, Florida.

At the beginning of a lecture in Chicago on May 2, after introducing himself as a psychologist and insisting he wasn't an economist, Kahneman glanced down at Evensky sitting in the first row and quipped nervously, "I'm intimidated by my financial adviser, he knows how little I know."

A little humility goes a long way in successful investing. You don't need a Nobel Prize under your belt to discover that.

<https://s2analytics.com/blog/five-lessons-from-daniel-kahneman/>

NICE TRY, AARP

Seen in the AARP.org bulletin: "BID BY AARP TO SAVE 'FIDUCIARY RULE' REJECTED—Reg would have forced financial advisors to put clients first."

TACTLESS THINGS I SAY

My friend Bob Veres highlighted in his most excellent newsletter some thoughts from Allan Roth, an experienced practitioner. A number of them really resonated with me.

- *I'm charging you to tell you I don't know the future.*
- *Is your goal to die the richest person in the graveyard?* This is another version of: *If you've won the game, quit playing.* Stop taking significant market risk when you no longer have to.
- *You have a ton of cash, and that is your riskiest asset.* Inflation and taxes inevitably erode the value of cash, bit by bit, over decades.
- *If it feels wrong, go for it.* People typically want to put their money in whatever asset class has performed well, or take from the asset class that has performed worst. This is backwards.
- *Get real!* This means focus on real, after-inflation returns, and after factoring out all the AUM fees, mutual fund expense ratios, etc.

<https://www.financial-planning.com/opinion/10-things-financial-advisors-should-say-about-investing?issue=00000164-3d6c-df05-a7f7-7f7e51d40000>

BIG!

From wealthmanagement.com comes this list of the world's biggest wealth management firms in 2017:

UBS	\$2.4	Trillion
Morgan Stanley	\$2.2	Trillion
Bank of America	\$2.2	Trillion
Wells Fargo	\$1.9	Trillion
Royal Bank of Canada	\$908	Billion
Credit Suisse	\$792	Billion
Citi	\$530	Billion
J.P. Morgan	\$526	Billion
Goldman Sachs	\$458	Billion
BNP Paribas	\$437	Billion

E&K didn't make the list. Maybe next year.

BEST STATES TO RETIRE IN

From *Kiplinger*:

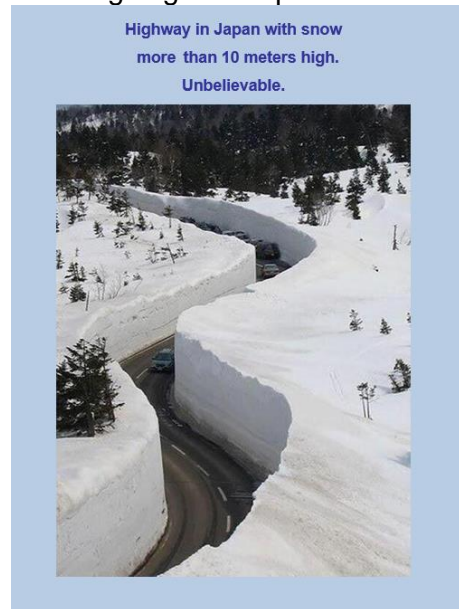
“To help you weigh the pros and cons of each state when it comes to retirement, we ranked all 50 states based on financial factors critical to retirees, including living expenses, tax burdens, health care costs, household incomes, poverty rates and the economic wellness of the state itself. Of course, plenty of other factors figure into this major life decision, from proximity to family to climate preferences. But we'll leave assessing those personal considerations to you.”

	Share of Population 65+	Cost of Living to U.S. Average	Average Income for 65+ households
#1 South Dakota	15.2%	-4%	\$43,712
#2 Hawaii	16.1%	+87%	\$71,997
#3 Georgia	12.3%	-7%	\$50,607
#4 North Dakota	14.2%	+1%	\$46,763
#5 Tennessee	15.0%	-12%	\$47,891
#6 Alabama	15.3%	-13%	\$44,934
#7 Virginia	13.8%	+7%	\$59,869
#8 Florida	19.1%	+1%	\$51,187
#9 New Hampshire	15.9%	+18%	\$53,202
#10 Utah	10.0%	+4%	\$53,211
U.S.	14.5%		\$53,799

<https://www.kiplinger.com/slideshow/retirement/T006-S001-all-50-states-ranked-for-retirement-2018/index.html?rid=EML&rmrecid=1883926377>

OK

I'm not going to complain about 100 degree weather in Lubbock.



ABOUT TIME

From wealthmanagement.com: “An increasing number of women are becoming billionaires. In fact, women are joining the three-comma-club at a faster rate than men, according to Wealth-X’s annual billionaire survey.”

SPRUCE UP YOUR GARAGE DOOR

Some ideas from my friend Leon:



SMART, NOT BRILLIANT

In preparing for a seminar I'll be giving, I came across an interesting article. I believe the "lesson" is as valid today as when the study was done in 2002.

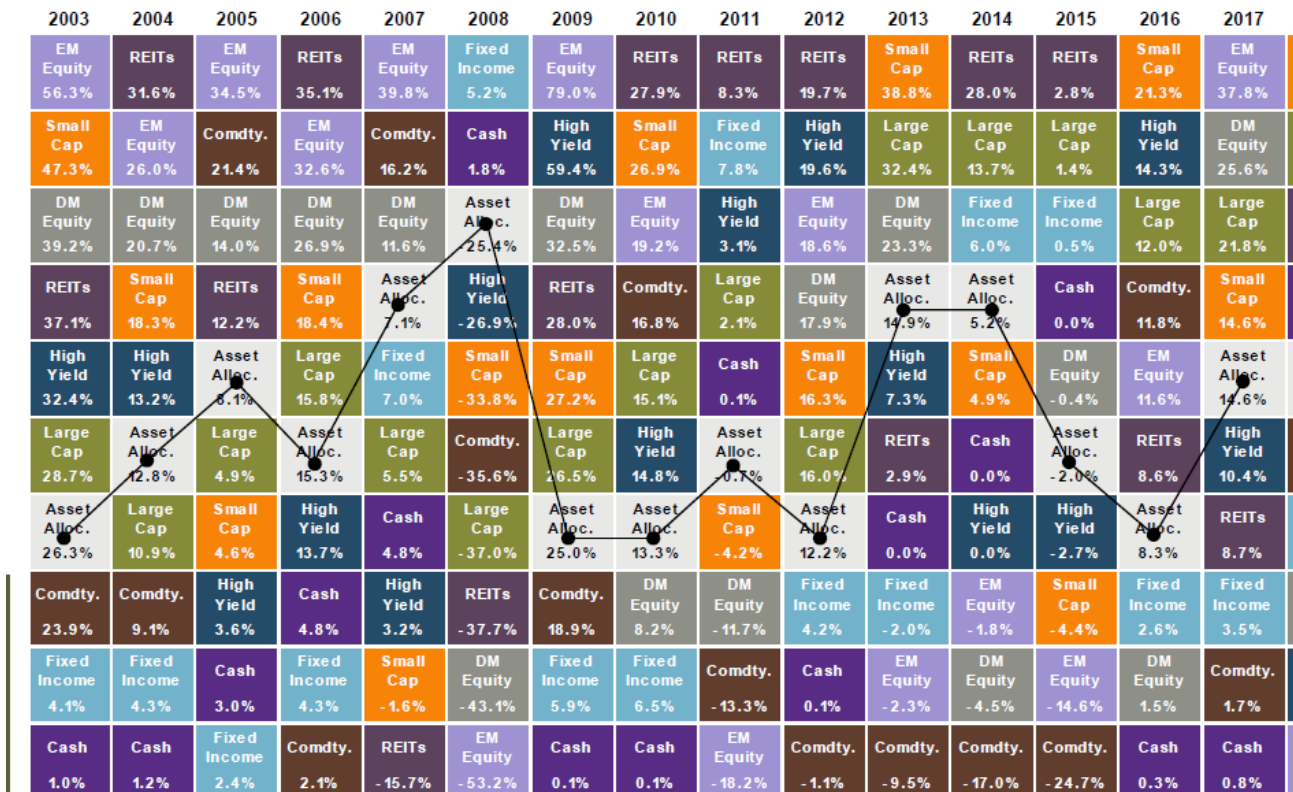
"In researching how wealthy families created their wealth and then how some were able to sustain it while others lost the wealth, we came across the following.

"To create wealth required concentrated risk taking, often magnified through leverage. To sustain it, the better strategy was to diversify and take a diverse portfolio of risks. This was highlighted through a study of the Forbes 400 (a list of the wealthiest individuals in the U.S.) over a 23-year period. Of the 400 on the list at the beginning of the 23-year period, only 50 remained on the list. The principal factor in dropping off the list was that they did not change their approach to risk taking and their concentrated wealth did not keep up with increases in the market. The interesting insight from this study was that any of those original 400 who would have sold their concentrated assets at the beginning of the period, paid taxes, and simply invested in the S&P 500 Index would still be on the list today."

Source: "Creating a Goal-Based Wealth Allocation Process," by Ashvin B. Chhabra, Ravindra Koneru, and Lex Zaharoff, *Journal of Wealth Management*, winter 2008.

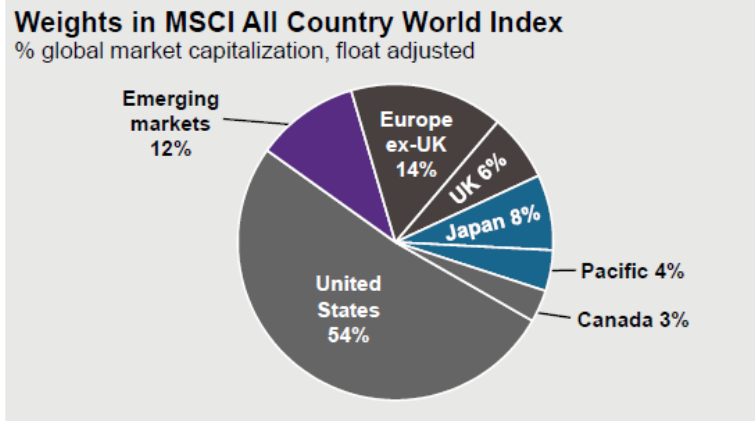
MORE SMART, NOT BRILLIANT

This chart is from J.P. Morgan's most recent *Guide to the Markets*, a quarterly publication and one of the most valuable publications in the financial services world.

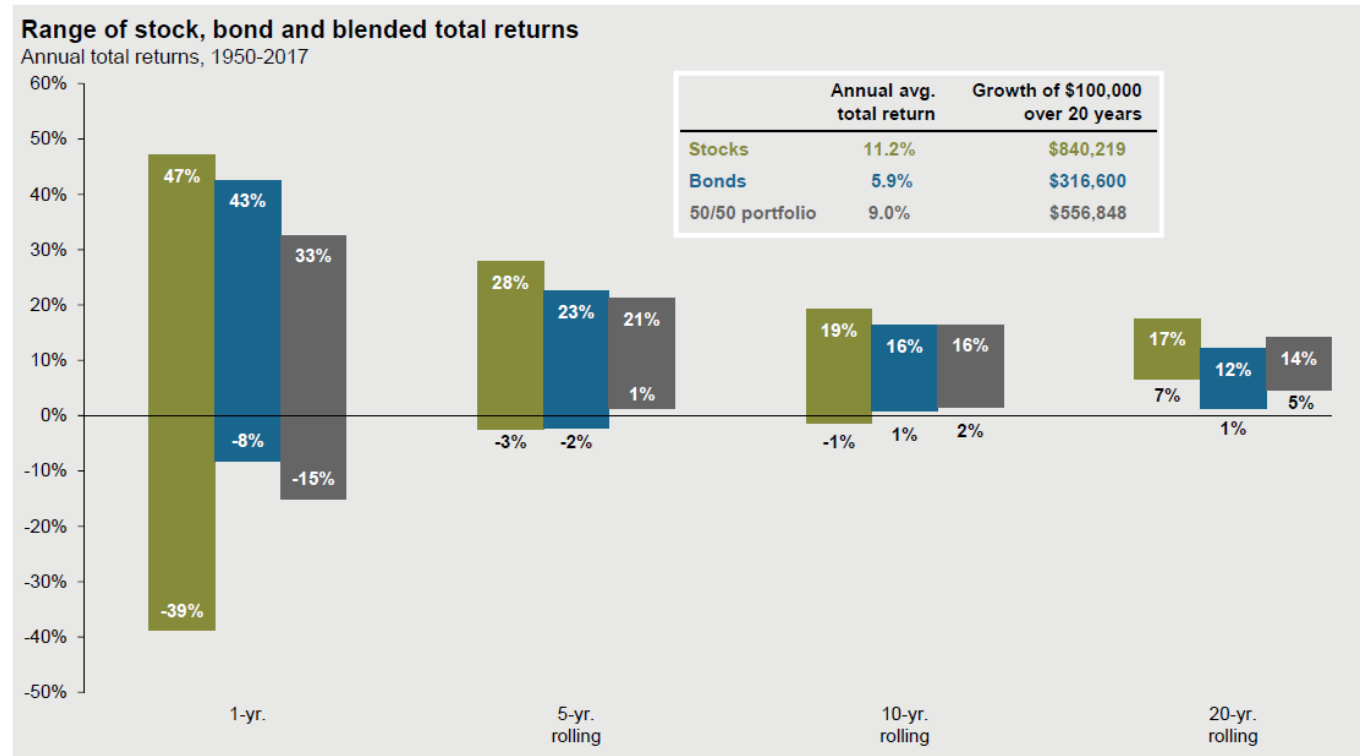


Source: J.P. Morgan, *Guide to the Markets*, 3Q 2018, as of June 30, 2018

IT'S A GLOBAL WORLD



WHY DIVERSIFICATION WORKS OVER TIME (EVEN FIVE YEARS)



Source: J.P. Morgan, *Guide to the Markets*, 3Q 2018, as of June 30, 2018

ONE MORE GURU BITES THE DUST

From the *Wall Street Journal*:

‘This Is Unbelievable’: A Hedge Fund Star Dims, and Investors Flee

For years, David Einhorn’s investors didn’t seem to mind his unusual ways—the aloofness toward clients, midday naps, unpopular stock picks, late nights on the town. Until the billionaire hedge-fund manager fell into a slump.

After more than a decade of winning on Wall Street, Mr. Einhorn’s Greenlight Capital Inc. has shrunk to about \$5.5 billion in assets under management, his investors estimate, from a reported \$12 billion in 2014, and his investments are struggling.

<https://www.wsj.com/articles/this-is-unbelievable-a-hedge-fund-star-dims-and-investors-flee-1530728254?mod=flipboard> (requires subscription)

AND ONE MORE NAIL

In the hedge fund coffin, this one from the *New York Times*:

Hedge Funds Should Be Thriving Right Now. They Aren’t.

Highly paid hedge fund managers have complained for years that it’s unfair to compare their performance with the broad stock market during prolonged bullish periods. Hedge funds are designed to mitigate risk, the argument goes, and so investors in them might sacrifice some gains as markets rise while waiting for hedge funds to prove themselves in more challenging times.

Those times would seem to have arrived.

So far this year, stock markets have delivered weak returns, bond markets have turned in negative performances, and everything is much more volatile—just the environment that many hedge funds say they’ve been waiting for....

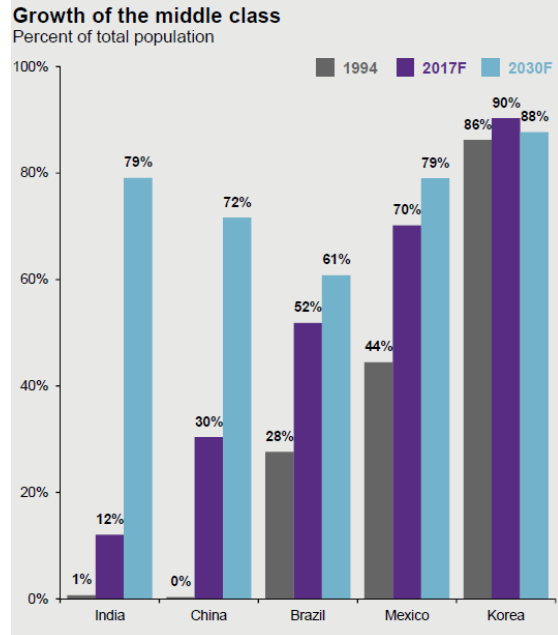
The results for the first six months are now in—and they shatter the myth of hedge funds thriving in turbulent markets.

Hedge funds, on average, underperformed the Standard & Poor’s 500-stock index yet again. An index of hedge fund performance, calculated by the research firm HFR, gained just 0.81 percent in the first half of 2018. That is less than half of the S. & P. 500’s 1.67 percent gain.

<https://www.nytimes.com/2018/07/12/business/hedge-funds.html>



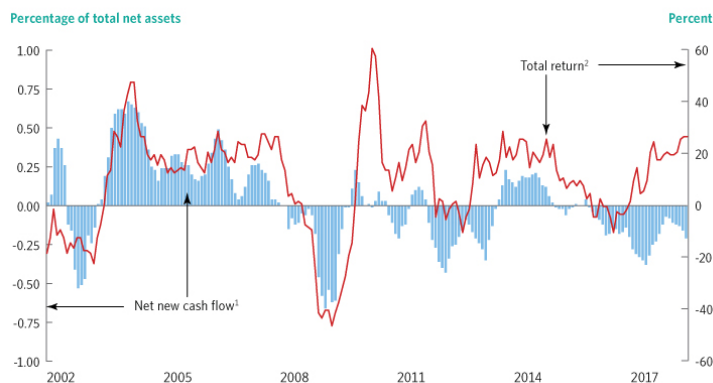
AND SOME INTERESTING (AND IMPRESSIVE) DATA ON EMERGING MARKETS



J.P. Morgan, *Guide to the Markets*, 3Q 2018

BUY HIGH, SELL LOW Notice a pattern?

FIGURE 3.5
Net New Cash Flow to Equity Mutual Funds Typically Is Related to World Equity Returns
Monthly, 2002–2017



Download an [Excel file](#) of this data.

¹ Net new cash flow is the percentage of previous month-end equity mutual fund total net assets, plotted as a six-month moving average.

² The total return on equities is measured as the year-over-year percent change in the MSCI All Country World Daily Gross Total Return Index.

Sources: Investment Company Institute, MSCI, and Bloomberg

Source: *2018 Investment Company Fact Book: A Review of Trends and Activities in the Investment Company Industry*. Washington, DC: Investment Company Institute. Available at www.icifactbook.org

THE AMAZING BODY

Some tidbits from my friend Leon. Just reading this wore me out. I had to take a nap.

- Your heart pumps approximately 2,000 gallons of blood through its chambers every single day. It beats more than 100,000 times a day.
- You take around 17,000 breaths a day on average, and don't have to think about a single one.
- Your brain doesn't stop working. It's estimated that about 50,000 thoughts pass through it each day on average, although some scientists put the figure closer to 60,000. That is a whopping 35 to 48 thoughts every minute.
- You blink about 28,800 times every day, with each one lasting just a tenth of a second. You can weigh up any visual scene in just a hundredth of a second.
- Red blood cells literally shoot around the body, taking less than 60 seconds to complete a full circuit. That means 1,440 trips around your body every day.
- You shed more than 1 million skin cells every day.
- Your hair (if you still have any) grows about half a millimeter per day, and the average adult with a full scalp has around 100,000 hairs on their head.
- The average person will eat over 50 tons of food in his or her lifetime. No wonder I keep gaining weight!
- And most amazing of all, your body cells are regenerating themselves every single day without any prompting. This means you have an entirely new set of taste buds every 10 days, new nails every six to 10 months, new bones every 10 years, and a new heart every 20 years.

<https://docs.google.com/presentation/d/189s6pAz8h5CP-Ex6kBxQ00ZEpQSixPMi57JFDNWPIsk/edit#slide=id.p4>

BUT THIS SHOULD MAKE YOU FEEL BETTER

Kiplinger's "Cheaper by the Decade" shows us prices today versus 33 years ago (adjusted for inflation):

	<u>1985</u>	<u>2018</u>
Cell Phone	\$ 1,495	\$ 670
Television	\$ 1,200	\$ 160
Computer	\$ 2,495	\$ 1,099
Nike Air Jordans	\$ 152	\$ 110
Honda Accord LX	\$25,343	\$24,465

SPEAKING OF MILLENIALS

PGIM Investments, the investment manufacturing and distribution arm of PGIM, the global asset management business of Prudential Financial, has found in its 2018 Retirement Preparedness Survey that a majority of millennials (62%) planned to retire only when they had enough money, but 31% were not saving for retirement at all, as they didn't see "the point of planning for retirement because anything can happen between now and then."

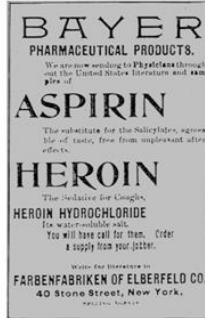
As my dad would say, I think they're cruzin' for a bruzin'.

<https://www.wsj.com/articles/a-generation-of-americans-is-entering-old-age-the-least-prepared-in-decades-1529676033>



WE'VE COME A LONG WAY, PART 2

Courtesy of David:



NOW THAT'S VOLATILITY!

Excess return of MSCI Argentina vs. MSCI Emerging Markets Index



Source: MSCI

<https://www.parametricportfolio.com/blog/argentina-capital-markets-from-hero-to-goat>

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OVERCONFIDENCE

Wikipedia tells us, “The overconfidence effect is a well-established bias in which a person's subjective confidence in his or her judgements is reliably greater than the objective accuracy of those judgements, especially when confidence is relatively high.” And from Financial Advisor IQ:

Americans Confident About Their Own Financial Literacy—for No Reason

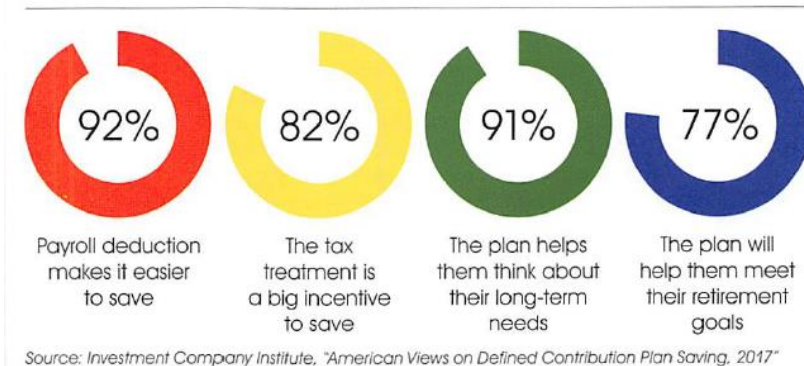
Americans seem to put a lot of faith in their financial literacy, despite the fact that only around one out of 20 scored in the top bracket on a financial quiz, according to a recent report from the research firm Raddon.

Forty-four percent of Americans believe they’re “extremely” or “very” financially literate, according to a survey of 1,200 U.S. adults 18 and over conducted in the fall of 2017 by Raddon, which is part of Fiserv. But not even half were able to pass a financial quiz, and just 6% were able to get a score of 90 or above on the company’s quiz, Raddon found.

http://financialadvisoriq.com/c/2005033/229274/americans_confident_about_their_financial_literacy_reason?referrer_module=emailMorningNews&module_order=6&login=1&code=U0dGeWlYeGtRR1YyWlc1e mEza3VZMji0TENBMU1UYzVOeIF6TENBNU5UYzNNek01TXc9PQ

WORKER PRAISE

Workers' Praise for Their DC Plan



Courtesy of Planadvisor.com

Retirement plan participants are clearly happy campers. If you’re eligible and not yet participating, do it now! If you’re in business and do not offer a plan, now’s the time to consider doing so. As we’re advisors to many plans we’re obviously biased in favor of saving through retirement plans.

CHEAT SHEET

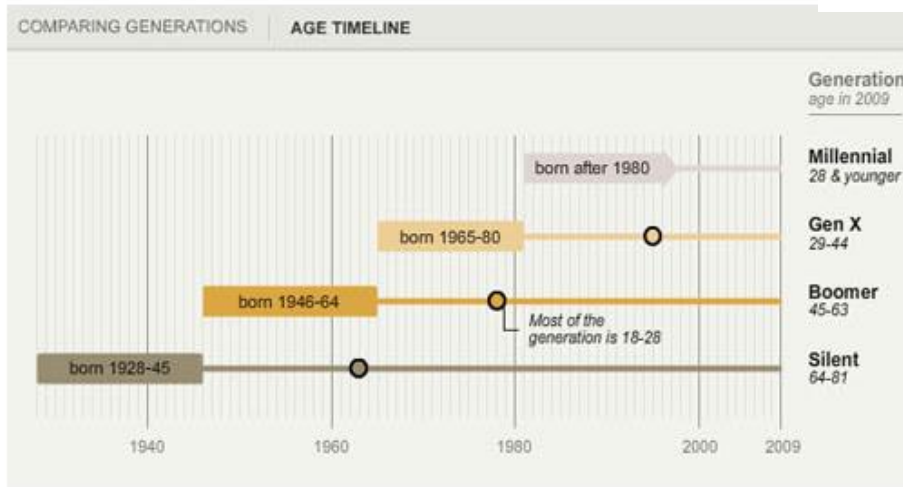
If you're like me, you never can remember who is in which generation. Here's a good recap and some interesting statistics from the Graphic Sociology blog on the Society Pages site:

<https://thesocietypages.org/graphicsociology/2011/10/04/who-is-the-millennial-generation-pew-research/>

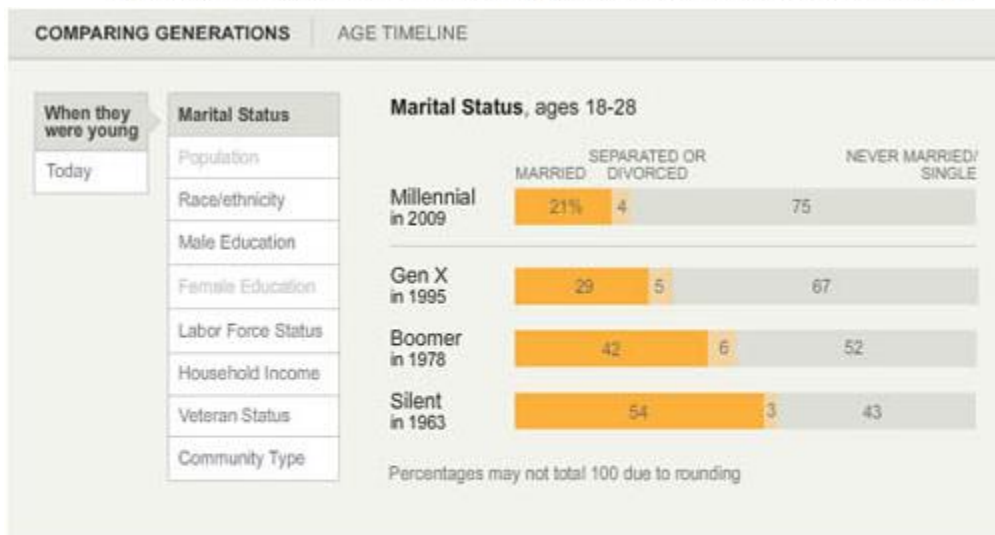
Who is the Millennial Generation?
| Pew Research

Laura Norén

on C



American Generation Age Timeline (Age measured in 2009) | Pew Research



Source: Pew Research Center tabulations from the March Current Population Surveys (1963, 1978, 1995 and 2009) for the civilian, non-institutional population from the Integrated Public Use Microdata Series (IPUMS)

Marital status by generation measured when young | Pew Research

I JUST LOVE MARKET TIMING

Hope may spring eternal but market timing is a tried-and-true strategy for long-term underperformance. Here's an example from Jason Zweig's always excellent *Wall Street Journal* column "The Intelligent Investor."

Average returns if an investor had...*

	Bought and Held the Investment	Traded the Investment
Emerging Market Bonds	6.1%	4.0%
European Stock	2.6%	-7.8%

*Annualized over the 10 years ended March 31, 2018—Morningstar

Hope you enjoyed this issue, and I look forward to "seeing you" again in a few months.



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