Planning Perspectives 1Q 2020

Integrity in Investing
Market Lessons for Planning: The 2010s vs. The 2000s

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PROFESSIONAL FINANCIAL
Purposeful Wealth Management

"Investing for the long run but listening to daily market news is like a man hiking down a steep mountain trail playing with a yo-yo and keeping his eyes fixed on the yo-yo instead of the road ahead."[1]
– **Alan Abelson**

This is part of a series exploring integrity in professional wealth planning

Key takeaways:

- Investors are overly optimistic about prospects for U.S. stocks due to recent out-performance.
- Past performance is not a guarantee or an assurance of future results.
- Projecting future outcome by extrapolating recent good returns is always risky.
- Diversification and balance in retirement strategy for successful planning is essential.

Imagine you're back in early January 2010 and reading a year-end review of the global financial crisis. Investors have ridden on a roller coaster for nearly three years, enduring fearful uncertainty as markets around the world abruptly downturned in 2008, then surged back sharply beginning in March 2009 with a recovery still in progress as you are reading your newspaper.

Those who stayed fully invested during the market's dramatic slide are being rewarded for their tenacity. But the bounce is only months old, and markets have a long recovery to reach previous highs. Media opinions are mixed about how 2010 may unfold. A December 2009 headline in *The Wall Street Journal* underscored the ominous uncertainty: "Bull Market Shows Signs of Aging."[2] The publication pointed out that, although stocks have rallied and indices are rising, commentators and analysts worry that financial markets could be running out of gas.

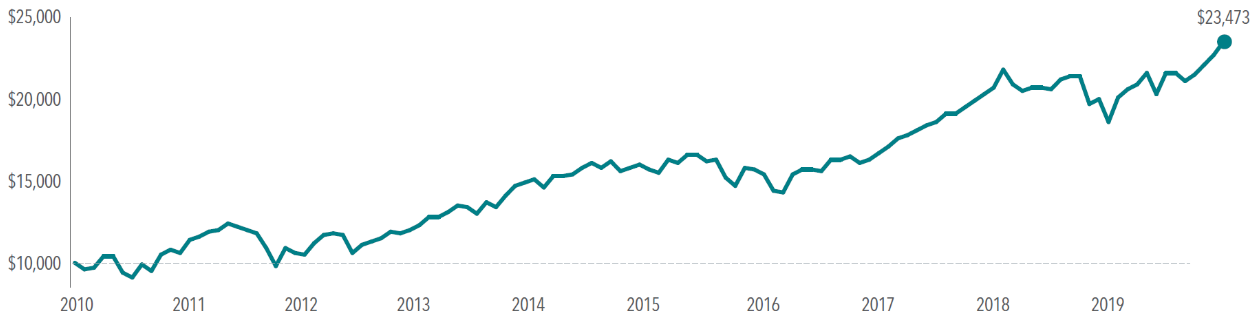
From the perspective of early 2010, many investors who remained invested are now wondering whether to stick with their planning or begin to make changes and move some shares into cash to protect part of their portfolio and then wait for more evidence that markets will continue recovering. Even though there would be a market pullback later that year, how much did that matter long term?

Now, fast forward to today and consider what a broad global equity market strategy delivered to investors who maintained their strategy and stayed the course. On a total return basis, stocks globally more than doubled in value from 2010 to 2019, as **Exhibit 1: Growth of Wealth** shows. The MSCI All Country World IMI Index, which aggregates by weight large and small cap stocks in developed and emerging markets, had a 10-year annualized return of 8.9%, much like the historical equity average. From a growth-of-wealth standpoint, simply keeping $10,000 continuously invested in a similar global equity index fund from the start of 2010 through year-end 2019 would have grown to $23,473 before expenses despite the uncertainty during all those years.

We see that returns grew fitfully during the early part of the decade. Events that happened periodically that presented investors with uncertainty from somewhere: an unprecedented U.S. credit rating downgrade due to record deficits,

Exhibit 1: Growth of Wealth

MSCI All Country World IMI Index, January 2010 – December 2019



Past performance is not a guarantee or any assurance of future results.

Source: *MSCI. In US dollars, net dividends. Index is not available for direct investment. Performance does not reflect the explicit or implicit expenses associated with management of an actual portfolio.*

European sovereign debt problems, negative interest rates in many countries, the shocking 2016 U.S. presidential election followed by endless political "resistance," recessions in Europe and Japan, slowing growth in China, trade wars, the Brexit vote, and unending geopolitical turmoil in the Middle East, to name just a few.

The decade also brought astonishing technological advances in electronic commerce and cloud computing, the global embrace of smartphones[3] and social media, streaming movies in 3-D, increased automation and breakthroughs in artificial intelligence, and new products like Tesla electric cars or the Boeing 787 Dreamliner that can fly nonstop to anywhere.

Looking back, we may conclude that the 2010s certainly had enormous uncertainty—just like every decade preceding it. But U.S. equity markets actually had lower volatility compared with most previous decades. **Exhibit 2** shows U.S. market returns and standard deviation indicating wider market swings by decade, and see that the past decade is lower than most.

Exhibit 2: Volatility in Perspective

S&P 500 Index annualized returns grouped by decade (1930 – 2019)

	Annualized Return (%)	Annualized Standard Deviation
1930–1939	–0.05	37.83
1940–1949	9.17	15.90
1950–1959	19.35	11.84
1960–1969	7.81	12.15
1970–1979	5.86	15.93
1980–1989	17.55	16.41
1990–1999	18.21	13.43
2000–2009	–0.95	16.13
2010–2019	13.56	12.46

Past performance is not a guarantee or any assurance of future results.

S&P 500 Index data provided by Standard & Poor's Index Services Group. Standard deviation is a statistical measurement of historical volatility.

BENEFITS OF INFORMED STRATEGY

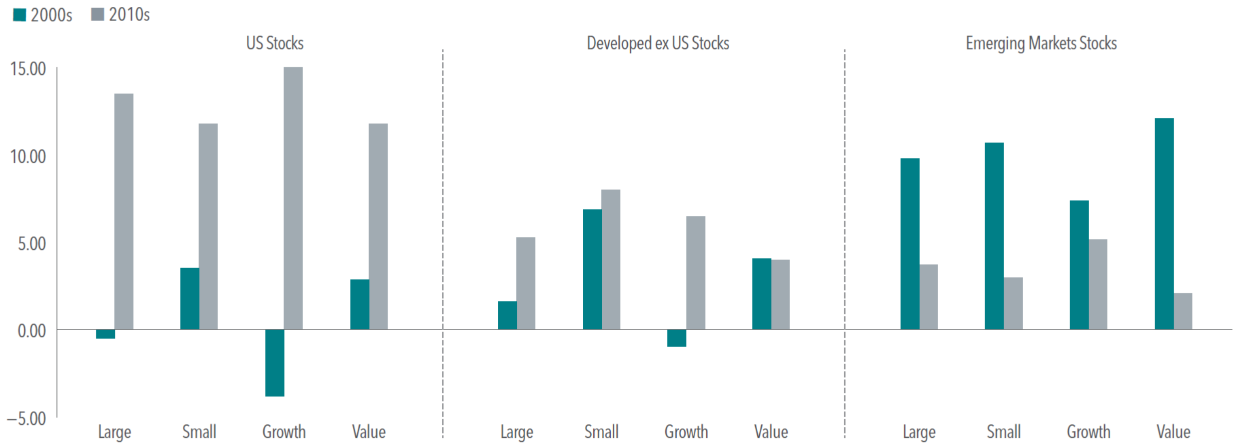
Clients with an informed strategy, globally diversified and targeted toward market dimensions with higher expected returns—small cap stocks and value stocks (i.e., stocks trading at low relative prices)—were challenged by lower results in the 2010s relative to the strong outcomes realized in the 2000s. As shown in **Exhibit 3**, our clients during the 2000s were very well rewarded for holding globally diversified portfolios that included international developed and emerging markets exposures. During the 2010s, however, U.S. markets strongly outperformed both.

The performance of value stocks (equities trading at low relative prices) vs. growth stocks (equities trading at high relative prices), and small capitalization vs. large capitalization stocks, also varied widely between the two decades. Small cap and value stocks outperformed large cap and growth stocks strongly in the 2000s, while the 2010s produced mixed or weak results.

While in the 2010s small cap stocks underperformed large cap stocks in the U.S. and emerging markets, they outperformed in international developed markets. Value underperformed growth in all three market regions. Despite underperforming relative to large cap and growth stocks, small cap and value still delivered 11.8% and 11.7%, respectively, well above U.S. historical averages. Dimensional portfolios generally outperformed comparable indexes, which include no associated investing costs.

Retirement income that confidently will be distributed throughout your lifetime requires a strategy developed

Exhibit 3: The Past Two Decades–2000s vs. 2010s
Annualized returns (%)



Past performance is not a guarantee or any assurance of future results.

Market segment (index representation) as follows: US Stocks—Large Cap (Russell 1000 Index), Small Cap (Russell 2000 Index), Growth (Russell 3000 Growth Index), Value (Russell 3000 Value Index); International Developed ex US Stocks—Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), Growth (MSCI World ex USA Growth Index); Emerging Markets Stocks—Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), Growth (MSCI Emerging Markets Growth Index). Index returns are in US dollars, net of withholding tax on dividends. Indices are not available for direct investment. Index performance does not reflect the explicit or implicit expenses associated with the management of an actual portfolio.

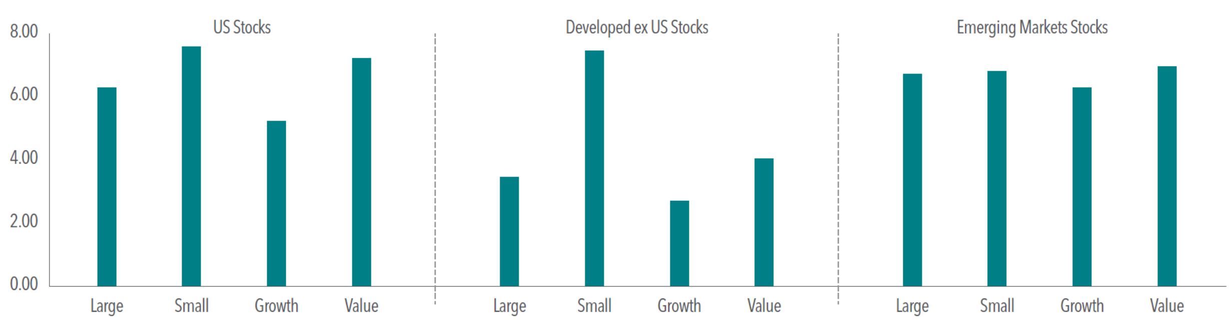
from financial science, not just picking a few indexes that recently did well. **Exhibit 4** shows cumulative asset class results combining the 2000s and 2010s. Guided by decades of leading research, over the long run, small cap and value stock indexes cumulatively outperformed those of large cap and growth stocks across the U.S., internationally developed, and emerging markets. The 20-year returns suggest how dimensionally informed strategies may let you ride out market cycles more confidently without needing to worry about when is the best time to buy or sell.

Fixed income returns around the world surprised many commentators and analysts over the past decade. Back in 2010, many professionals who looked at historically low interest rates predicted rising rates as economies gradually recovered from the financial crisis. Instead, short-term rates increased while long-term rates decreased over most of the decade. Contrary to predictions, realized term premiums were positive, as long-term bonds generally outperformed shorter-term bonds, just as positive credit premiums also were realized throughout the decade, as lower-quality bonds outperformed higher quality bonds.

MARKETS HAVE NO MEMORY

I've worked in financial services and wealth management for over 40 years, and almost every January someone looks

Exhibit 4: The Two Decade Long View
2000-2019: Annualized returns (%)



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*Market segment (index representation) as follows: **US Stocks**—Large Cap (Russell 1000 Index), Small Cap (Russell 2000 Index), Growth (Russell 3000 Growth Index), Value (Russell 3000 Value Index); **International Developed ex US Stocks**—Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), Growth (MSCI World ex USA Growth Index); **Emerging Markets Stocks**—Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), Growth (MSCI Emerging Markets Growth Index). Index returns are in US dollars, net of withholding tax on dividends. Indices are not available for direct investment. Index performance does not reflect the explicit or implicit expenses associated with the management of an actual portfolio.*

back over last year's performance hoping to draw conclusions as to what to expect from markets in the coming year, particularly if the year was disappointing.

Barron's ccover promoted their "2020 Roundtable." One panel expert declared, "It is a year to be more defensive." A popular media pundit agrees, and ominously warned: "There's not much margin for error."[4] These statements make me recall John Kenneth Galbraith's observation: "Pundits forecast not because they know, but because they are asked."[5] We ourselves don't make predictions (except when asked), but here is a better question: What can we learn from 2019 that applies to 2020?

In January a year ago the words across CNBC's home page were: "US stocks post worst year in a decade as S&P 500 falls more than 6% in 2018." *The Wall Street Journal* summarized the December decline with this headline: "U.S. Indexes Close with Worst Yearly Losses Since 2008."

Amidst gloomy media prognostications for 2019, some clients chose to project their 2018 results into 2019. In both cases, their spending in early retirement had increased far beyond their planning goals, so not much reduction was possible in spending. Worried that the times had become uncertain (no surprise there) and no employer paychecks any longer, they sought out someone proposing financial magic: "alternative investments." What they wanted was to take little risk, avoid market exposure, and get rewarded big.

Hindsight permits us to evaluate the wisdom of pessimistic projections and abandoning sound strategy. Rather than continuing a decline, global equity market indexes returns more than 27% and broad fixed income indices gained more than 8% in 2019.[6] Dimensionally-informed strategies captured similar returns. But impatient clients who got out of their seat and moved, attempting to "protect" their nest egg with a "safer" strategy, likely missed much of those gains. Since most returns come unexpectedly in a matter of days, missing the gains of a few such days impacts a portfolio as much as a loss. How long do "opportunity losses" take to recover? Isn't changing from a professional investment strategy with a trusted advisor simply market timing in another form?

How investors may become confused by fixating too much on the short-term and ignoring previous long-term results is illustrated in **Exhibit 5. Long-term Equity Strategy Comparison** contrasts recent short- and long-term return numbers for hypothetical all-equity and balanced equity index models. This from an annual study long used for client education and is incorporated into client investment policy statements.

The difference between 2018 and 2019 returns is huge—35.0% and 19.8%, respectively. *Yet the 10-year and 20-year rolling returns differ by a mere 30 bps*, a fraction of one percent.[7] Even though the one-year difference in strategy returns was substantial, the long-term impact on return outcomes is amazingly small (when portfolio additions or withdrawals do not occur). For evaluating an investment strategy, ten and even twenty years must be the minimum period, *not* one year.[8]

When stocks have performed well for a decade or so, increasingly confident retirees forgetting past volatility often ask to increase their portfolio equity allocation for more return. This may be due to pressures of inflation or health costs or lifestyle enhancements. For retirees dependent primarily upon their portfolios for income (in addition to Social Security) with no pension and limited cash reserves, two important observations related to **Exhibit 5** are appropriate.

Exhibit 5: Long-term Equity Strategy Comparison
Hypothetical Performance Summary
1990 – 2019: Annualized Returns (%)

	High Aggressive IPS 100% Equity	Balanced Growth IPS 50% Equity	Differences Returns	Differences *Percentage*
1-Year Returns 2019	27.8%	17.3%	10.5%	*60.7%*
2018	-7.2%	-2.5%	-4.7%	*-188.0%*
10-Year Returns Ending 2019	11.0%	7.4%	3.6%	*48.6%*
Ending 2018	11.1%	7.4%	3.7%	*50.0%*
20-Year Returns Ending 2019	5.9%	5.6%	0.3%	*5.4%*
Ending 2018	5.6%	5.3%	0.3%	*5.7%*
30-Yr Return Ending 2019	8.5%	7.3%	1.2%	*16.4%*
Lowest 1-Yr Return	-46.8%	-24.6%	-22.2%	*-90.2%*
Lowest 3-Yr Return	-16.0%	-5.6%	-10.4%	*-185.7%*

Past performance is not a guarantee or any assurance of future results.

Sources: *S&P Dow Jones Indices LLC.; Morgan Stanley Capital International; Bloomberg; ICE Bank of America. Indices are not available for direct investment. Index performance does not reflect the explicit or implicit expenses associated with the management of an actual portfolio.*

Index returns in US dollars, net of withholding tax on dividends, rebalanced quarterly. FinaMetrica risk profile model allocations. Market segment (index representation) as follows: US Stocks—Large Cap (S&P 500 Index), 60% for 100% and 30% for 50%; International Developed Stocks—Large Cap (MSCI Europe, Asia & Far Eastern Index), 30% for 100% and 15% for 50%; Real Estate Securities (Dow Jones US Select REIT Index), 10% for 100% and 5% for 50%; Global Fixed Income (Bloomberg Barclays Global Aggregate Bond Index), 0% for 100% and 40% for 50%; Stable Value (ICE Bank of America 1-Year US Treasury Note Index), 0% for 100% and 10% for 50%.

First, notice that the lowest 1-year and 3-years returns are *two to three times worse* for the high equity aggressive portfolio than for a balanced equity portfolio. So even though high equity strategy has ten-year returns 50% higher, the twenty-year returns are only about 5% higher. In fact, the 30-year portfolio return difference is a mere 1.2% a year or 16.4%! Because twenty years is a typical retirement horizon, excessive equity exposure may not be rewarded.

A LESSON IN SEQUENCING RISK

There is a second but more subtle lesson to learned for wealth planning. Certainly, high equity allocations normally have a substantial positive wealth impact for those accumulating funds for retirement over many years. We've noticed that many decisions to retire early, or not postpone retirement until age 70, may be motivated by the "wealth effect" of successive years of high equity returns they've seen. As a result, many pre-retirees are overconfident if they intend to maintain those high equity allocations during retirement.

High equity portfolios can have the accumulation multiplier impact in reverse for retirees taking systematic income withdrawals. The challenge for retirees is not only their ability to tolerate potentially large volatility shocks. But because a market recovery could take two, three or even more years, there is a very real risk that the lifetime stream of income checks that they depend on for spending may not be reliable.

In **Exhibits 5** the 20-year annualized returns are much lower than the ten-year and thirty-year returns. While expected equity returns remain relatively constant, realized returns may change dramatically. This was due to the severe market decline during the infamous Tech Bust that began in March of 2000. As we saw from **Exhibit 2** above, the following ten years were a "lost decade" for U.S. stocks. The prior ten years during the so-called "Tech Boom" had exceptional returns—18.2% annualized for investors owning index funds during those glory years (although most relied on expensive managed vehicles). While the 30-year returns shown align with long-term expectations, there are years of enormous returns variation.

"Sequencing risk" is a critical concern for retirees dependent on systematic income withdrawals their portfolio, particularly in their early retirement years. The problem caused by sequence of returns risk may be understood by comparing the 20-year outcomes on a $1 million portfolio beginning in 1990 in **Exhibit 6** with the 20-year outcomes of the same portfolio beginning in 2000 in **Exhibit 7**. Both begin with a 5% or $50,000 annual distribution that increases 2.5% a year to allow for the average effects of inflation.

Retiree Abel starting retirement in 1990 beginning with $1 million using a hypothetical U.S. all equity strategy might see it grow to $2.6 million by year 20 (a global equity strategy grows to $1.8 million) even after twenty years of annual distributions for income.

However, for Retiree Bill who starts in 2000 with $1 million in the same hypothetical U.S. all equity strategy, his portfolio declines to $0 by year 18 (the global equity strategy has less than $200,000 by year 20). All that is he has left is

Exhibit 6: Withdrawal Comparison Beginning with Early High Market Period Returns

Hypothetical Summary Net of Withdrawals Growing 2.5% Annually

Year	Annual Withdrawals	All Equity Strategy: US Large	All Equity Strategy: Global Large
1990	$50,000	$1,000,000	$1,000,000
1991	$51,250	$918,960	$836,360
1992	$52,531	$1,147,671	$988,011
1993	$53,845	$1,182,650	$957,147
1994	$55,191	$1,247,922	$1,068,573
1995	$56,570	$1,209,204	$1,050,483
1996	$57,985	$1,607,028	$1,274,339
1997	$59,434	$1,918,017	$1,459,485
1998	$60,920	$2,498,490	$1,721,036
1999	$62,443	$3,151,614	$2,020,604
2000	$64,004	$3,752,333	$2,372,445
2001	$65,604	$3,346,717	$2,141,397
2002	$67,244	$2,883,322	$1,806,769
2003	$68,926	$2,178,805	$1,419,726
2004	$70,649	$2,734,979	$1,812,212
2005	$72,415	$2,961,869	$2,029,306
2006	$74,225	$3,034,971	$2,128,956
2007	$76,081	$3,440,149	$2,499,512
2008	$77,983	$3,553,070	$2,542,158
2009	$79,933	$2,160,558	$1,479,038
2010		**$2,652,395**	**$1,828,027**

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Sources: *S&P Dow Jones Indices LLC.; Morgan Stanley Capital International. Indices are not available for direct investment. Index performance does not reflect the explicit or implicit expenses associated with the management of an actual portfolio.*

Index returns in US dollars, net of withholding tax on dividends, rebalanced quarterly. FinaMetrica risk profile model allocations. US Large Strategy is S&P 500 Index. Global Strategy (index representation) as follows: US Stocks—Large Cap (S&P 500 Index), 60% for all equity; International Developed—Large Cap (MSCI Europe, Asia & Far Eastern Index), 30% for all equity; Real Estate Securities (Dow Jones US Select REIT Index), 10% for all equity.

Social Security (likely reduced, because of taking it early), and perhaps a home. Same strategy, dramatically different outcomes only because one retiree luckily began with a period of high returns, and the other unluckily began with a period of low returns.

Exhibit 7 provides an alternative to a high equity only strategy. Two hypothetical balanced equity strategies, with half allocated to fixed income, are modelled. After 20 years both U.S. and global balanced strategies still have about $600,000, or likely enough to continue payouts (perhaps without continued indexing) for another ten years. With much less volatility, these portfolios have more time to recover. **Exhibit 8** illustrates the problem with a high-equity strategy distribution scheme. Better planning might prefer to delay retirement until 70 in order to maximize Social Security benefits. Does the possibility of a very rich lifestyle have the same utility compared to avoiding the humiliating situation of dying broke?[9]

The last two decades were both the best and the worst of times for investors and retirees. For U.S. large company stocks, the worst came first with a "lost decade" from January 2000 through December 2009. The Tech Bust and its consequences caused problems for many who retired or were retired in that decade. Ending the decade with the global financial crisis, S&P 500 index strategy annualized returns were a poor −0.95%. High costs for those using active management made their results even worse.

Exhibit 7: Withdrawal Comparison Beginning with Early Low Market Period Returns
Hypothetical Summary Net of Withdrawals Growing 2.5% Annually 2000 – 2019:

Year	Annual Withdrawals	All Equity Strategy		Balanced Equity Strategy	
		US Large	Global Large	US/Fixed	Global/Fixed
2000	$50,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
2001	$51,250	$858,960	$879,590	$962,635	$961,250
2002	$52,531	$705,614	$717,837	$894,717	$886,536
2003	$53,845	$497,128	$538,249	$789,250	$787,772
2004	$55,191	$585,909	$659,335	$864,834	$870,165
2005	$56,570	$594,460	$708,834	$875,432	$901,729
2006	$57,985	$567,095	$712,365	$851,011	$901,228
2007	$59,434	$598,689	$803,208	$878,681	$952,752
2008	$60,920	$572,147	$781,926	$873,993	$942,699
2009	$62,443	$299,549	$417,994	$674,296	$707,766
2010	$64,004	$316,379	$476,769	$721,068	$766,117
2011	$65,604	$300,034	$480,299	$734,961	$774,549
2012	$67,244	$240,767	$407,048	$705,936	$724,165
2013	$68,926	$212,054	$407,565	$710,058	$734,138
2014	$70,649	$211,809	$445,564	$748,934	$757,259
2015	$72,415	$170,155	$417,819	$751,886	$746,153
2016	$74,225	$100,095	$350,305	$686,742	$682,260
2017	$76,081	$37,841	$304,605	$662,673	$647,230
2018	$77,983	$-	$292,159	$670,666	$645,166
2019	$79,933	$-	$193,252	$578,018	$551,177
2020		**$-**	**$167,107**	**$614,276**	**$566,366**

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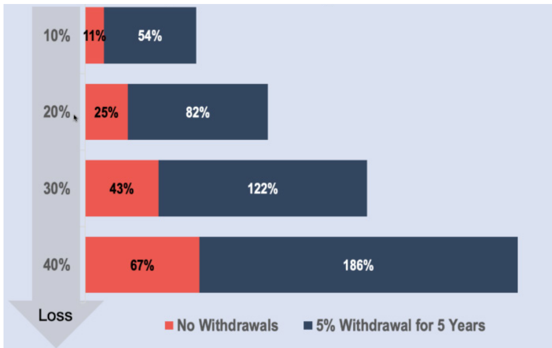
Index returns in US dollars, net of withholding tax on dividends, rebalanced quarterly. FinaMetrica risk profile model allocations. US Large Strategy is S&P 500 Index; US Balanced Strategy is 50% S&P 500 Index and 50% Bloomberg Barclays US Aggregate Bond Index. Global Strategy (index representation) as follows: US Stocks—Large Cap (S&P 500 Index), 60% for all equity and 30% for balanced equity; International Developed—Large Cap (MSCI Europe, Asia & Far Eastern Index), 30% for all equity and 15% for balanced equity; Real Estate Securities (Dow Jones US Select REIT Index), 10% for all equity and 5% for balanced equity; Global Fixed Income (Bloomberg Barclays Global Aggregate Bond Index), 40% for balanced equity only; Stable Value (ICE Bank of America 1-Year US Treasury Note Index), 10% for balanced equity only.

Emerging out of a time of global financial crisis, the 2010s became the best of times for U.S. stocks. central banks around the world printed trillions of dollars to recharge the global economy. The S&P 500 index with dividends reinvested, more than tripled due to shiny and bright growth companies like Alphabet (Google), Amazon, Apple, Netflix, and Microsoft. This was at the expense of rusty and ugly "value" and small stocks with low price-to-books ratios, that kept underperforming.

Many here in the Rochester region who worked at Kodak and Xerox retired early back in the late 1990s and early 2000s. One reason to retire early back then was a belief that the high U.S. stock performance of the 1990s was likely to continue (which had also inflated 401k accounts), and so allow for not continuing working that would have saved more, got more Social Security and be retired fewer years. It did not go well. Due to a limited knowledge of financial history and short memories today, many families again are planning an early retirement based on the last decade's exceptional

Exhibit 8: The Real Cost of Volatility

Cumulative Gain Required to Return to Original Value



Source: *Franklin Templeton Investments, "The Real Cost of Volatility" (February 2008).*

market performance and that experience will continue.

We want our clients to be as confident as they can be that their lifestyle in retirement will be financially secure. While not illustrated, the 2000s were a good decade for clients of Professional Financial using globally balanced portfolios dimensionally-informed toward higher expected returns. **Exhibits 3** and **4** indicate how such strategies targeted toward special dimensions of the capital markets could have strongly outperformed a U.S.-only approach with results sufficient to offset lower returns in the 2010s.

ENDURING PRINCIPLES

There are things you can control and things you can't. That's true in life. That's true in business. And that's also true with investing. The good news about investing is that markets have rewarded informed and disciplined investment approaches over the long term. But over the short-term markets go up and markets go down.

A key planning principle is that the longer your time frame, the greater the probability of having successful wealth outcomes. An investment philosophy with a long term view distinguishes those who more likely achieve their financial goals from those who do not. More than three decades of data demonstrates the advantages of a dimensionally-informed approach to investing. Rather than projecting past performance far into the future with no guarantees, building long-term strategies based on the science of capital markets captured returns far surpassing the S&P 500's tepid 6.1% or the Russell 1000 Growth even worse 5.1% since 2000 for our clients.

Here are principles from our four decades of financial and wealth planning that we believe endure:

- Volatility is a normal part of investing. We all know that markets go up and down—so we can be disappointed by downturns when they happen, but we should never be surprised by them.
- Look beyond the noise to keep the movie playing in your head in perspective and tune out the constant stream of noise from the media and press that only distracts your attention and focus.
- Don't attempt to predict future performance or outguess markets to change your strategy. Market prices, for all practical purposes, account for everything you may know or could know.
- Stay broadly invested and diversified across multiple markets and asset groups around the world to help you better manage and accept investment risk, especially in troubled times of volatile markets.

CONCLUSION

The U.S. bull market is ten years old. Who can say what the next ten years will bring? Social, political and market turbulence are a fact of life. We can only be certain, in addition to death and taxes, that change and surprises both good and bad will continue and that markets in response will continue to be volatile.

Reacting emotionally to market change and volatility is likely to be much more detrimental to success than a particular market drawdown. "The investor's chief problem—and likely his greatest enemy—is himself," once observed Benjamin Graham, the revered teacher of Warren Buffett, America's richest investor.

The financial services industry markets its products by making people think they can avoid uncertainty. But the future is unknowable. We believe the best approach for clients is to make informed choices based on a professional process, adjust your strategy as needs and objectives change, and to help you prepare wisely so you are well positioned to successfully manage a wide range of possible but uncertain outcomes.

Our professional advice is focused first and foremost on you. Over three decades we've helped families take control of their future, manage investing uncertainty, gain financial freedom, find peace of mind, and come to a place in life where they can make an impact on their terms and finish strong.

That's what we do. It's not only a profession for us. It's our mission.

Endnotes

1 Alan Abelson, *Story Telling for Financial Advisors* (Dearborn Financial Publishing, 2000), p. 213. Adapted for use.

2 "Bull Market Shows Signs of Aging," *The Wall Street Journal*, December 7, 2009.

3 In 2009 Apple sold the 3GS with a 3.5-inch screen and 480 x 320 display for $199. It sold like hotcakes. The new iPhone 11 Pro has a 5.8-inch screen and a 2,436 x 1,125 display for $999. Sales are flat. Consumers are demanding the impossible.

4 Cover, *Barron's* (January 12, 2020).

5 Dan Gardner, *Future Babble: Why Expert Predictions Fail—and Why We Believe Them Anyway* (Toronto: McClelland and Stewart, 2010)

6 Sources: MSCI World Index and Bloomberg Barclays Global Aggregate Bond Index.

7 From Professional Financial, *Investment Policy Strategies—FinaMetrica Risk Profile Model Returns* for years ending in 2018 and in 2019.

8 This evaluation may be made easier by the fact that most mutual funds, ETFs and hedge funds are no longer in existence after 20 years. Relying naively on some back-tested data may be extremely hazardous for your wealth.

9 While we cannot illustrate it here due to additional disclosure requirement, similar Dimensionally-targeted strategies, as many clients know, had substantially better outcomes when they committed to their planning.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, CFP® is nationally recognized as a Wealth Management Certified Professional™ and Financial Educator, written about in *Fortune, Forbes, Bloomberg Businessweek*, and *Money*. As co-Author of *Retire Abundantly*, Paul has been interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*, and interviewed by Dimensional Fund Advisors for their "Value of an Advisor" series. Reuters AdvisePoint in 2007 recognized Mr. Hill as one of 500 "Top Advisers" and prominently featured he and his firm in a website video.

Paul founded Professional Financial Strategies, Inc. in 1993 that became one of the first independent wealth planning firms for affluent and aspiring families. Paul and his firm act as a personal chief financial officer for clients, bringing together a distinctive wealth management process and a network of experts that help families make informed decisions for investing wealth, mitigating taxes, protecting assets, and passing a legacy to family and causes in ways that make a bigger impact.

Mr. Hill received a BA in English, with distinction, from the University of Rochester in 1974, and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College in 1988 following his Chartered Financial Consultant designation, and then an MS in financial planning from the College for Financial Planning (now University of Phoenix) in 1997. The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul in 2018 with the Albert Nelson Marquis Lifetime Achievement Award, and later featured him in *The Wall Street Journal*.