FINANCIAL SYNERGIES® ASSET MANAGEMENT

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INSIDE THIS ISSUE

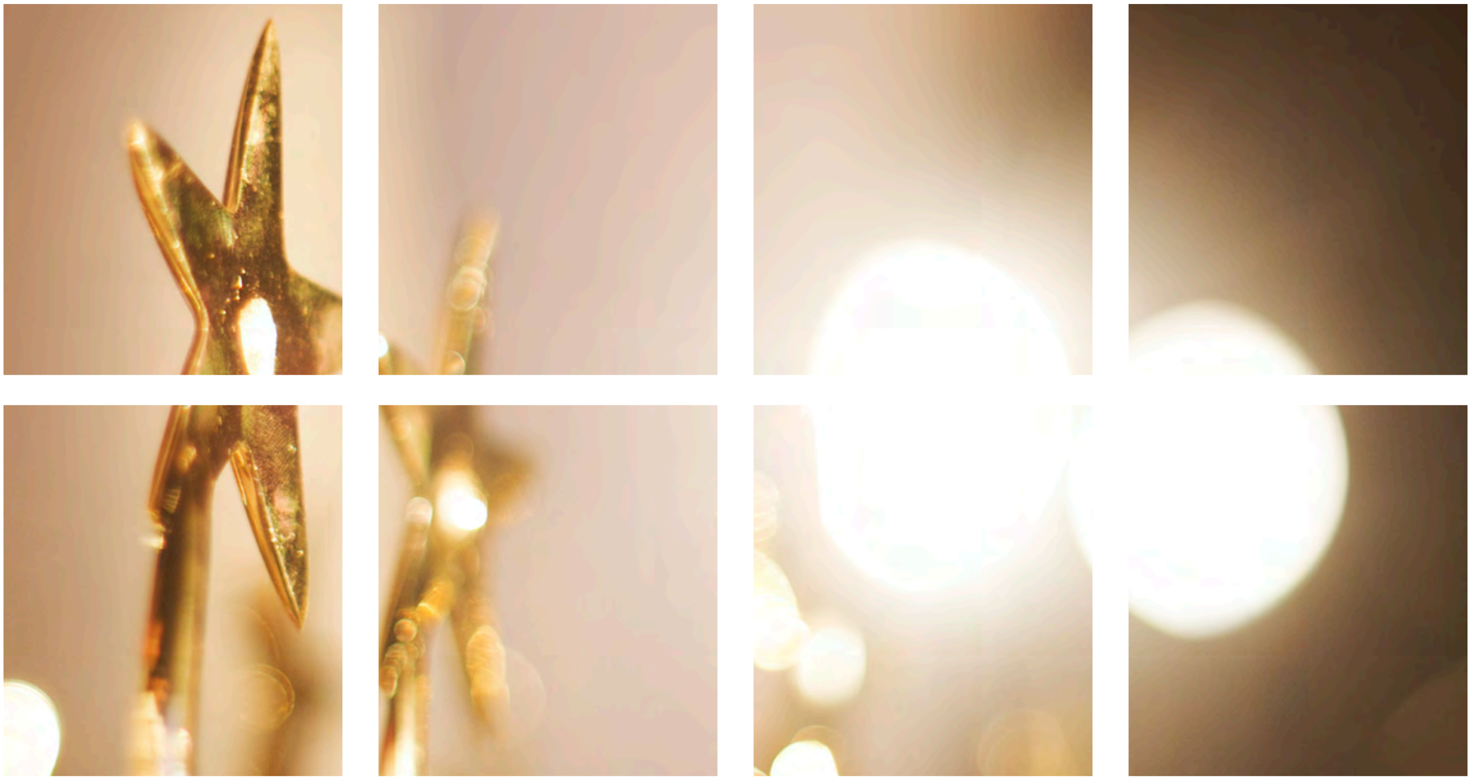
Eventful First Quarter

MIKE BOOKER, CFP®, CHFC®, CFS®

SHAREHOLDER, FINANCIAL ADVISOR

The first quarter of 2016 was an eventful one on many levels:

The stock market: January was the worst start to a market year since records have been kept. The market lost 5.5%, sparking a full-on freak-out from the media. By the end of the quarter, the market found its footing and burst back into positive territory. All of the market pundits calling for Armageddon after January's swoon have (mostly) gone silent after getting it all wrong once again.



The political scene: Political pundits got things every bit as wrong as the market pundits. Maybe political pundits took the same pundit class at school that the market pundits did; based on their predictions thus far, I don't think they made very good grades. There has been mixed success for everyone in the race for the presidency, with the excitement and media frenzy focused on the non-establishment candidates.

The lists: Financial Synergies made two prestigious local lists in the *Houston Business Journal*.

- **Largest Houston-Area Money Management Firms:** We came in at No. 21. I want to send a big **thank you** out to all of our clients because you are the main reason for our growth. We are off to a blistering pace with the addition of many new clients this quarter and the strong continued growth from our current clients.
- **Top Houston-Area Wealth Management Firms & Practices:** For this award, we came in at No. 17. This recognition takes into account that we are a "wealth advisor" and make it our business to understand the totality of a client's financial life, not just the assets we manage for them.

Our website: You may have noticed the newly redesigned **www.finsyn.com**. Marie, Mike and Will have been working diligently over the past year to capture feedback from our clients, prospects and peers to create a user-friendly and easy-to-understand site. A place you can use as a resource for information on our firm, a place to access your accounts, as well as a place to keep up with firm and industry news.

For this quarter's newsletter, the team has put together some very timely topics that are sure to be of interest to you:

1. **Mike Minter** dives into the roller coaster that was the worst January market performance of all time.
2. **Will Goodson** discusses the importance of emergency funds in financial planning.
3. **Bryan Zschiesche** has a unique take on retirement in his piece, "What Are You Retiring To?"
4. **Heath Hightower** writes about the Department of Labor's fiduciary rule and how that impacts our clients and our decision-making.

As always, we appreciate your continued trust and confidence.

A Quarter for the Ages

MIKE MINTER, CFP®, CFS® | SHAREHOLDER, PORTFOLIO MANAGER

I think "roller coaster" would be the optimal term in describing the first quarter of 2016. We got off to one of the worst starts in U.S. market history. I wrote about this subject in my January blog post, "This Too Shall Pass." But wow, what a recovery! Amazingly, stocks (represented by the S&P 500) ended the quarter in positive territory by +1.35%.

I'm going to share three charts with you.

Here is the full roller coaster ride, from January 1, 2016, through March 31, 2016:

Source: Morningstar Direct.

This next chart illustrates the peak-to-trough slide from January 1, 2016, through February 11, 2016, during which the S&P 500 lost -10.27%:

Source: Morningstar Direct.

And finally, the recovery from February 11, 2016, through March 31, 2016, during which the S&P 500 gained 11.58%:

Source: Morningstar Direct.

If you went to sleep on January 1 and woke up on April 1, you'd think this quarter was a snoozer.

This was a perfect example of how swift and dramatic a stock market recovery can be. The market can turn on a dime, and without warning. That is why market predictions and forecasts are so futile.

One of the most difficult aspects of this job is counseling patience and calm during times of great stress and emotion. It is also one the most rewarding parts of the job because we are confident in our advice and the investment strategy over the long term.

We don't know where the markets are headed in the short term—no one does. But we invest with a conviction that the U.S. and global economies will continue moving forward and upward, despite bumps in the road.

Don’t Get Pinched

WILL GOODSON, CFP® | FINANCIAL ADVISOR

One of the most basic components of any financial plan is having an emergency fund. The idea is pretty straightforward; you need to have a cushion set aside for those “rainy days.” However, most Americans continue to be underprepared when unexpected expenses come along. A recent survey showed that when asked, over 50% of respondents said they either had no emergency fund at all or could not cover up to three months of living expense needs. Several of those polled didn’t even know how much they had saved at all!

Why does this problem continue to occur? There are too many reasons to list for this short article, but two quickly come to mind. First, most people have no idea how much money they spend each month. The idea of budgeting alone is enough to make one want to run for the hills. When they finally do start tracking spending, the results are often quite sobering.

Source: U.S. Bureau of Economic Analysis, research.stlouisfed.org.

Another reason for the lack of emergency fund savings is explained in the chart below left. According to the U.S. Bureau of Economic Analysis, the average U.S. personal savings rate as of December 2015 was 5.5%. This figure is actually 0.5% higher than 2014 but well below the historical average of 8.3%. As a society, we continue to focus more on consumption over savings, often at our own peril.

Starting to pay attention to how you’re spending your money is a great first step down a path to better financial stability. As for your emergency fund, we recommend saving between three and six months’ worth of non-discretionary expenses (i.e., the things you literally cannot live without). Dual-income households may be able to get by with three to four months of savings, while single-income households should plan for closer to six months. Ultimately, it comes down to your comfort level and how secure you feel in your employment.

The downturn in the oil markets has put tremendous pressure on people in the Houston area as well as other parts of the country. It has a ripple effect, impacting other industries that overlap with the energy sector. While events like these are cyclical and we believe they will improve with time, they emphasize the importance of the financial planning basics like having an adequate emergency fund. Start planning today so you don’t get pinched in the future.

What Are You Retiring To?

BRYAN ZSCHIESCHE, CFP®, MS, MBA

SHAREHOLDER, FINANCIAL ADVISOR

Recently, I had the pleasure of meeting Dr. Michael Winters when we both appeared as guests on the *Houston Matters* radio program. During the program, we talked about both financial and non-financial aspects of transitioning to retirement, topics that are way too expansive to cover in a short radio segment. I asked Dr. Winters to meet with me again to continue our conversation because his philosophy seemed to be in line with ours when it comes to transitioning to retirement—namely that you must know what you're retiring *to*, not just what you're retiring *from*.

Dr. Winters and I spoke at length about the importance of knowing what you value and what gives you meaning and purpose as you make the transition to retirement. For most of us, those things include family, friends, hobbies, philanthropy and volunteerism. But we must not wait until after retirement to begin thinking through this difficult subject.

As Dr. Winters pointed out, the first several weeks and even months of retirement feel like an extended vacation, but when the reality sets in that this new state is permanent, it can be overwhelming. For many people, so much of our identity is tied up in what we do for a living. "I am a financial advisor. Who am I if I'm not a financial advisor?" Figuring this out before retirement will help ease the transition to this new phase of life.

I asked Dr. Winters to provide some practical things to consider when answering the question "What are you retiring to?" Here are his thoughts:

1. **With whom do you want to spend your time?** Relationships rate very highly in terms of the quality (and quantity) of life. Having rewarding relationships with a spouse or close friends is very important. If you already have close connections, how can you maintain them? If you do not have the kinds of relationships you want, it is not too late to develop new connections.

2. **What is really important to you?** Perhaps there are things you never did professionally because you could not make money at them, like paint portraits, dance, take care of sick animals or knit afghans. As you retire you will have time to invest in what is really important to you. Having activities that reflect your values and absorb your interest are very important.

3. **How will you structure your time?** For most of us, work provides not only social connections, but a framework for how to spend our time. When working, we know when we have to be awake and when we are expected for a meeting, etc. Upon retirement, consider regular breakfast meetings with friends. This will ensure that you stay connected with others and are up and out of the house on a regular basis.

For more ideas from Dr. Winters, visit his website, which you can find at **drmwinters.com**.

Financial Synergies Is Ahead of New Fiduciary Rule

HEATH HIGHTOWER, CFP® | SHAREHOLDER, FINANCIAL ADVISOR

Earlier this week the Department of Labor released its final version of its fiduciary rule for financial advisors. Under current law, financial advisors can choose to be held to one of two standards: the more lenient "suitability standard" or the higher "fiduciary standard." In short, the DOL is beginning to require more financial advisors to hold themselves to the fiduciary standard.

I'm proud to say that Financial Synergies already voluntarily abides by the fiduciary standard for all clients and has since 1994. Fiduciaries are required by law to put the clients' interests ahead of their own interests when making recommendations. This means that a fiduciary's recommendations cannot be influenced by the amount or type of compensation that he or she is paid.

> THE DOL IS BEGINNING TO REQUIRE MORE FINANCIAL ADVISORS TO HOLD THEMSELVES TO THE FIDUCIARY STANDARD.

Unfortunately, many financial advisors are not held to the fiduciary standard and are only required to recommend "suitable" investments, a standard that can leave the door open for advisors to recommend mediocre investments that may pay above-average fees.

Even still, the DOL rules do not go into full effect until 2018, and they do not pertain to non-retirement brokerage accounts. While we consider the new ruling a big step in the right direction, we believe that the industry still has room to grow. Ideally all financial advisors would voluntarily hold themselves to the fiduciary standard. Until then, rest assured that your advisors at Financial Synergies will continue to proudly accept the responsibility to serve our clients at the highest level as a fiduciary.